

# **Hani i Elezit Municipality**

## **Financial Statements**

**as at and for the year ended 31 December 2009**

**(with independent auditors' report on financial statements thereon)**



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## Independent Auditors' Report

To the Municipal Assembly  
Hani i Elezit Municipality, Kosovo

Pristina, 10 June 2010

We were engaged to audit the accompanying financial statements of Municipality of Hani i Elezit ("the Municipality"), which comprise the statement of cash receipts and payments for the year ended 31 December 2009, 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. 20/2009 *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. Except for paragraph 1 of the basis for qualified opinion paragraph, 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 The Municipality should maintain listings of payments from third parties. Due to the nature of records kept in accounting and operational systems for payments from third parties, as well as the absence of alternative controls implemented by management, we were not able to perform sufficient and appropriate audit tests to verify the completeness of the payments from third parties recognized for the year ended 31 December 2009.
- 2 The Municipality has not disclosed any amounts in respect of property, plant and equipment in Note 27 to the financial statements. In addition, 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 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 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.

- 3 The comparative information for the year 2007 was not accurate and complete. In particular, the following was omitted or improperly disclosed in the financial statements:
  - Section 10 *Budget execution report* did not reconcile. In addition, Note 2 did not agree with Section 9 *Statement of Cash Receipts and Payments*.

*Qualified Opinion*

In our opinion, except for the omission of the information described in paragraphs 2 and 3 of the basis of qualified opinion paragraph, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to completeness of payments from third parties described in paragraph 1 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 2009 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. 20/2009 *On Annual Reporting of Budget Organizations*.

We draw attention to the fact that we have not audited the accompanying financial statements of the Municipality as at and for the year ended 31 December 2007, and accordingly, we do not express an opinion on them.



## 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, property, plant and equipment or outstanding invoices, it can not be used to produce comprehensive financial statements.
- 2 Although the Mayor and Chief Financial Officer had signed the Declaration regarding presentation of the financial statements, the Municipality was not able to deliver a final draft of financial statements in Serbian by the end of our audit.

- 3 The Municipality has not implemented a comprehensive and automated billing system and does not maintain separate sub ledgers or lists of all its debtors regarding various taxes. Instead only cash collections from revenue streams are recorded. Whilst receivables are not required to be disclosed in the financial statements, lack of accuracy and completeness will impact revenues that Municipality can earn and the ability to prepare a reliable and accurate budget, to report an accurate collection ratio, and monitor the collection of the own source revenues on a timely basis.
- 4 The Municipality has not fully maintained listings of payments from third parties. The evidence available to us and the controls implemented by management to ensure that the payments from third parties were presented and managed in accordance with relevant legislation and therefore applied for the purposes intended by the legislation were limited.
- 5 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 a formal process that would ensure complete, adequate and reliable information for recording provisions and contingent liabilities.

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*Note*

- 1 Further explanation on the recommendations and management response to these suggestions is included as Appendix 1 to this report.
- 2 An explanation of the different forms of modifications to an audit opinion is included as Appendix 2 to this report.



## **Appendix 1**

### **1 General**

#### **1.1 Audit for 2009**

KPMG Albania Sh.p.k. – Kosovo Branch (“KPMG”) has been appointed to perform an audit of the Municipality of Hani i Elezit (the “Municipality”) annual financial statements prepared in accordance with Cash Basis IPSAS *Financial Reporting Under The Cash Basis of Accounting*, for the year ended 31 December 2009.

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

#### **1.2 Consequences**

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

#### **1.3 Fraud exclusion**

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

#### **1.4 Structure of this report**

Each class of observations is described on a different page. For each observation the structure is: *observation and current year status (if applicable), risk, recommendation, and management response.*

## **2 Current year issues**

### **2.1 Preparation of financial statements**

#### **2.1.1 Observation**

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 can not be used to produce comprehensive financial statements.

Although the Mayor and Chief Financial Officer had signed the Declaration regarding presentation of the financial statements, the Municipality had not prepared a draft of financial statements in Serbian language before the start of our audit. During our audit we spent significant time and resources in assisting the Municipality to improve the presentation of its financial statements in the English language. However, the Municipality was not able to deliver the final financial statements in Serbian by the end of our audit.

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 a formal process that would ensure complete, adequate and reliable information for recording provisions and contingent liabilities.

As a consequence of the above weaknesses the following was omitted or improperly disclosed in the financial statements:

- Section 16, Note 27. 'Non-financial assets'
- There may be significant payments from third parties, for example a ministry or foreign donor may buy/contribute an asset for use by the Municipality, which is not presented in the financial statements because no record of it was maintained in a proper register or Free Balance. For the year ended 31 December 2009, the Municipality has manually maintained records of payments made by three parties/donors. However, as the Municipality does not maintain a comprehensive and up to date register of these payments, we could not verify the completeness of third party payments.

We were informed that although Hani i Elezit started to operate as a separate unit from 2005, it obtained the status of a Municipality in 2008. The Municipality started to prepare financial statements in 2007 while it did not prepare a complete set of financial statements in previous years. As a result, the comparative information for 2007 was not audited. The comparative information for the year 2007 in Section 9 *Statement of Cash Receipts and Payments* does not reconcile with *Note 2*, and in Section 10 *Budget execution report*, cash inflows into treasury account were not accurately filled out.

#### **2.1.2 Risk**

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

- Completeness and accuracy of the financial information;
- Integrity of data;

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

### **2.1.3 Recommendation**

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

### **2.1.4 Management response**

Han i Elezit is a Municipality that requires further growth in capacities in the budget and financial sector. From its initial establishment, the Municipality has consistently had a lack of personnel in all sectors, in particular in the budget and financial sectors. Due to this problem, specifically lack of translator, we have difficulties with translation of financial reports in the English and Serbian languages.

The Municipality was audited twice over a short period of time. In December 2009 for budget expenses of 2008 and in April 2010 for budget expenses of 2009 resulting in budgeted expenses for year 2009 being incurred prior to receiving the recommendations from auditors. The financial statements for the administrative years 2007 and 2008 were a responsibility of the Ministry of Economy and Finance through authorized officers in our Municipality.

Meanwhile the Municipality will focus in preparing comprehensive financial statements. To implement this we will use internal accounting software, which will provide us with all the information related to revenues, expenses and Municipality assets.



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

### **2.2.1 Observation**

The Municipality has not maintained a comprehensive register of its property, plant and equipment.

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.

The registration and valuation of the assets by the Municipality has not started. Although the Municipality has established a registration and valuation committee in 2008, this committee did not conclude any work and accordingly assets have not been registered or valued.

We were not provided with any evidence of the physical inventory of the assets as at 31 December 2009 and as a consequence no verification of the accounting records to a physical count was possible.

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

- disclose the required information on property, plant and equipment in the financial statements as at 31 December 2009 and 31 December 2008; and
- provide us with a reconciliation of the information booked in the accounting registers, to either valuation tables or to any other analysis, prior to the approval of these financial statements.

### **2.2.2 Risk**

Lack of a comprehensive register of property, plant and equipment ("PPE") weakens the internal controls over these assets and may lead to assets being misappropriated and not being identified as such on a timely basis. Additionally, management may waste time and effort to identify the details and the carrying values of the assets, during any related decision making processes.

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

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

### **2.2.3 Recommendation**

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

- Maintain a comprehensive register of PPE.

- 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.

#### **2.2.4 Management response**

The Municipality was a Pilot unit until the end of 2008 and as such was not able to begin with the fixed asset registration. During 2008, a commission was established for recording of inventory and office equipments of the Municipality. There were no other registrations.

One of the priorities of the Municipality for the current year is the registration of fixed assets.

## 2.3 Revenues

### 2.3.1 Observation

- *Billing systems.* An automated billing system exists only for tax on property. The Municipality's billing for business licenses and rental income is not recorded. 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 regarding various taxes. Without sufficient, detailed, and accurate records of debtors, the Municipality is unable to prepare a reliable and accurate budget, to neither report an accurate collection ratio, nor follow up the collection of the own source revenues on a timely basis.
- *Reconciliation of Revenues.* There was no reconciliation between records kept by accounting, own source revenue officer and the operational departments for the year 2009. Furthermore, the Municipality could not provide us with detailed registers for all types of revenue. For the registers provided, during our audit work we have identified the following differences between the financial statements and the detailed registers kept by operational departments:

Category of revenue	Financial statement amounts in Eur'000 (A)	Operational department amounts in Eur'000 (B)	Difference Eur'000 (A-B)
Tax on property	66	65	1
License for individual and other activities	84	80	4

- *Revenue from business licenses.* The Municipality does not obtain from the Ministry of Trade and Industry the total number of active businesses in the Municipality. Therefore, inactive or terminated businesses might be charged, while active or new businesses may not be charged.
- *Revenue from urbanism.* The Municipality does not document the calculation of construction licenses. Therefore it is difficult to verify the accuracy of such calculation and confirm whether it was performed in accordance with internal regulations.
- *Revenue from tax on property.* At the end of 2008, the Municipality established a property valuation committee, which identified a number of new properties representing approximately 40% of the total number of properties. This updated list was used to charge tax on property for the year 2009.

*Segregation of duties.* The tax on property department consists of only one person who was responsible for registration of new properties, preparation of relevant documents as well as

entering new applicants in the automated billing system. Due to the lack of segregation of duties, errors may occur that are not corrected on a timely basis.

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

### **2.3.2 Risk**

Whilst receivables are not required to be disclosed in the financial statements, lack of accuracy and completeness will impact revenues that the Municipality can earn.

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

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

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

Improper reconciliation and documentation on cash collections may lead to human errors and expose the Municipality to the risk of intentional errors.

### **2.3.3 Recommendation**

We recommend the Mayor ensures that the Municipality takes steps to improve the billing and accounting systems in order to ensure safe, efficient and effective controls on 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:

- 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.
- Ensure the implementation of proper control procedures on cash collections.

#### **2.3.4 Management response**

The remarks relating to revenue specifically the identification of Municipality's debtors is as a result of insufficient staff due to constraints on personnel from the MEF, centralization of the property tax system and lack of Municipality code. Currently, our Municipality can not obtain a list of business organizations that operate in our community from Ministry of Trade and Industry. Even though the Municipality has made several requests for the Municipality code at this time the Municipality is without a municipality code, which will further present a problem for the identification of businesses operating in our Municipality.

We will be committed in providing the Municipality with a software which automatically records debtors and posts them in the financial statements.

## **2.4 Expenditure**

### **2.4.1 Observation**

#### *Wages and salaries*

- In cases when a teacher resigns, it takes at least a month to notify the personnel office and the Ministry of Public Services in order that the Ministry can reflect the change in the payroll list. Given such a delay, a teacher may continue to receive compensation even after resignation.
- The Commitment Payment Orders for December wages and salaries were not approved by the respective department directors of the municipality.
- From the review of personnel files that were part of our sample, we identified four cases where documents such as newspaper announcements were missing, one case with no identification document and five cases where the performance evaluation was not documented.

#### *Unpaid invoices*

- Section 13.1 of Administrative Instruction No.20 / 2009 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 – December 31<sup>st</sup>, 2009*”. We noted that the municipality has presented unpaid invoices related to goods and service in section 13, Note 24 of the Financial Statements for the year ending 31 December 2009.

### **2.4.2 Risk**

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

### **2.4.3 Recommendation**

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.

### **2.4.4 Management response**

In cases when an employee resigns they are immediately removed from payroll. However, when resignation occurs in the middle or the end of the month the issue discussed above might have occurred.

The lack of signature of the salary list for the month of December 2009 may be a technical omission, due to the change of directors as a result of local elections in 2009.

Problems related to personnel files and performance evaluations were a result of lack of personnel manager. Several outstanding obligations were presented at the end of fiscal year due to delays in receiving the invoices or insufficient funds in the specific budget lines for 2009.

## **2.5 Internal audit**

### **2.5.1 Observation**

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

### **2.5.2 Risk**

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

### **2.5.3 Recommendation**

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

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

### **2.5.4 Management response**

Your recommendations are very important. We are aware that these weaknesses exist, such as lack of sufficient staff and technical capacities related to controls and internal audit. The lack of an auditor is a problem we are committed to resolve in the future.

Issues related to financial statements are inherited weaknesses or weakness due to lack of experience. We believe these issues will be resolved in the future by obtaining an accounting software which should accomplish the following – maintaining of appropriate evidence related to revenue and expense, reporting system, and automated communication between various systems and financial statements.

It was not possible to apply all the recommendations of the auditor's 2008 audit report, because we have received the auditor's comments in the second month of 2010, while all budget expenditures had already occurred for 2009.

Thank you for your advices, we will be committed to fully implement these advices.

### **3 Prior year issues**

Our audit report of Financial Statements for the year 2008 gave 5 main recommendations. In our current audit we have noticed that 2 recommendations have been partially implemented whereas others still remain to be implemented.

1. Preparation of financial statements – The Municipality has disclosed third party payments in the financial statements. However, other issues relating to the preparation of financial statements are still outstanding. Refer to section 2.1.
2. P,P&E – This point remains outstanding and its current year status is discussed in sections 2.2 of this letter.
3. Revenue – This point remains outstanding and its current year status is discussed in sections 2.3 of this letter.
4. Expenditure - We did not note any weaknesses related to capital expenditure procurement procedures during the current year audit. However, other issues related to wages and salary expenses remain outstanding and are discussed in section 2.4 of this letter.
5. Internal audit - This point remains outstanding and its current year status is discussed in sections 2.5 of this letter.



## Appendix 2

### **Different forms of Audit Opinions applied by the Office of Auditor General in the Annual Audit Report 2009**

(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.

## II. DECLARATION REGARDING PRESENTATION OF FINANCIAL STATEMENTS

To: **Lulzim Ismajli, Director of Treasury**  
From: **Rufki Suma - Chief Executive Officer and**  
**Shabi Rexhallari - Chief Financial Officer**

In our opinion, the attached financial statements and the notes to these statements for the year ended on 31 December 2009 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 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 budget organizations for the year ending on December 31, 2009.

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 December 31, 2009.

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.

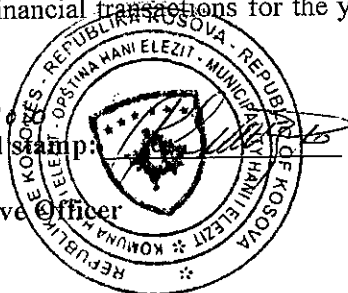
Municipalities must send their reports to the Budget and Finance Committee in the Municipal Assemblies.

In our opinion, the attached the financial statements give a true and fair presentation of the finances and financial transactions for the year ended on 31 December 2009 of Municipality of Hani i Elezit.

Date: 4.06.2010

Signature and stamp:

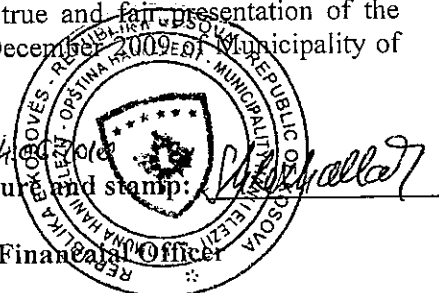
Chief Executive Officer



Date: 4.06.2010

Signature and stamp:

Chief Financial Officer



**Hani i Elezit Municipality**  
**Section 9. Statement of Cash Receipts and Payments**  
**for the year ended 31 December 2009**

(Amounts in thousands of EUR, unless otherwise stated)

	Notes	2009			2008			2007		
		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
<b>Receipts</b>										
General Fund Appropriations	2	1,022	188	-	780	66	-	679	43	-
Special Purpose Fund Appropriations		-	-	-	-	-	-	-	-	-
Designated Donor Grants	3	10	-	-	70	-	-	-	-	-
Other Receipts	4	-	-	371	-	-	-	-	-	-
<b>Total receipts</b>		<b>1,032</b>	<b>188</b>	<b>371</b>	<b>850</b>	<b>66</b>	<b>-</b>	<b>679</b>	<b>43</b>	<b>-</b>
<b>Payments</b>										
<i>Operations</i>										
Wages and Salaries	5	645	2	-	492	-	-	416	-	-
Goods and Services	6	141	-	-	146	-	-	124	-	-
Utilities	7	22	-	-	28	-	-	24	-	-
		<b>808</b>	<b>2</b>	<b>-</b>	<b>666</b>	<b>-</b>	<b>-</b>	<b>564</b>	<b>-</b>	<b>-</b>
<i>Transfers</i>										
Transfers and Subsidies	8	8	17	-	8	-	-	8	-	-
<i>Capital Expenditures</i>										
Property Plant and Equipment	9	216	169	371	176	66	-	107	43	-
Other Payments	10	-	-	-	-	-	-	-	-	-
<b>Total payments</b>		<b>1,032</b>	<b>188</b>	<b>371</b>	<b>850</b>	<b>66</b>	<b>-</b>	<b>679</b>	<b>43</b>	<b>-</b>

**Hani i Elezit Municipality**  
**Section 10. Budget Execution Report**  
**for the year ended 31 December 2009**

(Amounts in thousands of EUR, unless otherwise stated)

		<b>2009</b>				<b>2008</b>	<b>2007</b>
		<b>Original Budget (Appropriation) A</b>	<b>Final Budget (Appropriation) B</b>	<b>Payments C</b>	<b>Variance D=C-B</b>	<b>Payments E</b>	<b>Payments F</b>
<b>Notes</b>		<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
<b>Cash inflows into Treasury account</b>							
Taxation	11	-	-	-			
General fund		1,080	1,103	1,022	(81)	780	-
Own Source Revenues 2009	12, 28	73	216	77	(139)	66	43
Own Source Revenues 2008	12, 28	112	112	111	(1)	-	-
Grants and Aid	13	-	10	10	-	70	-
Capital receipts	14	-	-	-	-	-	-
Other	16	-	-	-	-	-	-
<b>Total Receipts collected for KCB</b>		<b>1,265</b>	<b>1,441</b>	<b>1,220</b>	<b>(221)</b>	<b>916</b>	<b>43</b>
<b>Cash outflows from Treasury account</b>							
Wages and Salaries	17	672	696	647	(49)	492	416
Goods and Services	18	139	169	141	(28)	146	124
Utilities	19	28	29	22	(7)	28	24
Transfers and Subsidies	20	8	35	25	(10)	8	8
Capital Expenditures	21	418	512	385	(127)	242	149
Privatization Fund	22	-	-	-	-	-	-
Other	23	-	-	-	-	-	-
<b>Total Payments made from KCB through STA</b>		<b>1,265</b>	<b>1,441</b>	<b>1,220</b>	<b>(221)</b>	<b>916</b>	<b>721</b>

# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

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### 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. 20/2009 *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 Hani i Elezit ('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.

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-105
- The Reviewed Budget is approved by Law No. 03/L-167
- 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.

# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### 2. General Fund Appropriations

Economic classification	2009			2008	2007
	KCB EUR '000	OSR EUR '000	Total EUR '000	EUR '000	EUR '000
Wages and Salaries	645	2	647	491	425
Goods and Services	141	-	141	147	131
Utilities	22	-	22	28	27
Subsidies and Transfers	8	17	25	8	8
Capital Outlays	206	169	375	172	161
<b>Total</b>	<b>1,022</b>	<b>188</b>	<b>1,210</b>	<b>846</b>	<b>752</b>

### 3. Designated Donor Grants

	2009	2008	2007
	EUR '000	EUR '000	EUR '000
Wages and Salaries	-	-	-
Goods and Services	-	-	-
Utilities	-	-	-
Subsidies and Transfers	-	-	-
Capital Outlays	10	70	-
<b>Total</b>	<b>10</b>	<b>70</b>	<b>-</b>

### 4. Other Receipts

Other receipts during the year 2009 represent payments from third parties for capital investments including the building of water supply system for the city of Hani i Elezit, road construction in the new square "Proi i Rrezhances" and other capital structures. The total by third party is detailed below:

	2009	2008	2007
	EUR '000	EUR '000	EUR '000
Ministry of Local Government			
Administration	134	-	-
Caritas Luxemburg	20	-	-
Community Development Initiatives	217	-	-
<b>Total</b>	<b>371</b>	<b>-</b>	<b>-</b>

# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### 5. Wages and Salaries

Description	2009			2008	2007
	KCB EUR '000	OSR EUR '000	Total EUR '000	EUR '000	EUR '000
<b>Payments from KCF</b>					
Net salaries	526	2	528	409	360
Personal Income Tax	21	-	21	21	15
Employer pension contribution	31	-	31	23	20
Employee pension contribution	31	-	31	23	20
Payments for Unions 0.10% to 0.50%	1	-	1	1	1
Overtime payments	-	-	-	-	-
Daily payments for Parliament and committee members	35	-	35	15	-
	<b>645</b>	<b>2</b>	<b>647</b>	<b>492</b>	<b>416</b>
<b>Payment from Grants</b>					
Full time salaries	-	-	-	-	-
Overtime wages	-	-	-	-	-
Contracted payments	-	-	-	-	-
	-	-	-	-	-
<b>Total</b>	<b>645</b>	<b>2</b>	<b>647</b>	<b>492</b>	<b>416</b>



# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### 6. Goods and Services

Description	2009			2008	2007
	KCB EUR '000	OSR EUR '000	Total EUR '000	EUR '000	EUR '000
<b>Payments from KCF</b>					
Travel expenses	4	-	4	11	2
Telecommunication services	4	-	4	4	5
Contractual services	17	-	17	10	5
Compensations for attending trials	-	-	-	-	-
Furniture and equipment	1	-	1	27	14
Other expenditures	55	-	55	10	33
Fuel	32	-	32	45	40
Advances	-	-	-	-	-
Financial services	-	-	-	1	-
Maintenance and repair	13	-	13	25	18
Rent	-	-	-	-	-
Marketing expenditures	3	-	3	1	3
Representation expenditures	12	-	12	12	4
	<b>141</b>	<b>-</b>	<b>141</b>	<b>146</b>	<b>124</b>
<b>Payment from Grants</b>					
Travel expenses	-	-	-	-	-
Telecommunication services	-	-	-	-	-
Contractual services	-	-	-	-	-
Furniture and equipment	-	-	-	-	-
Other expenditures	-	-	-	-	-
Fuel	-	-	-	-	-
Advances	-	-	-	-	-
Financial services	-	-	-	-	-
Maintenance and repair	-	-	-	-	-
Rent	-	-	-	-	-
Marketing expenditures	-	-	-	-	-
Representation expenditures	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>141</b>	<b>-</b>	<b>141</b>	<b>146</b>	<b>124</b>

### 7. Utilities

Description	2009			2008	2007
	KCB EUR '000	OSR EUR '000	Total EUR '000	EUR '000	EUR '000
Utilities paid from the KCF	22	-	22	28	24
Utilities paid from Grants	-	-	-	-	-
<b>Total</b>	<b>22</b>	<b>-</b>	<b>22</b>	<b>28</b>	<b>24</b>

# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### 8. Transfers and Subsidies

Description	2009		2008	2007
	KCB	OSR		
	EUR '000	EUR '000	EUR '000	EUR '000
<b>Payments from KCF</b>				
Subsidies	-	-	-	-
Subsidies for public entities	3	-	3	2
Subsidies for non-public entities	-	1	1	3
Payments for individual beneficiaries	5	16	21	3
Base pensions	-	-	-	-
Disabled pensions	-	-	-	-
Pensions or social assistance	-	-	-	-
Payments for war invalids	-	-	-	-
Payments for war victims families	-	-	-	-
Trepca provisional pensions	-	-	-	-
	<b>8</b>	<b>17</b>	<b>25</b>	<b>8</b>
<b>Payment from Grants</b>				
Subsidies	-	-	-	-
Subsidies for public entities	-	-	-	-
Subsidies for non-public entities	-	-	-	-
Payments for individual beneficiaries	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>8</b>	<b>17</b>	<b>25</b>	<b>8</b>

# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### 9. Property, Plant and Equipment

Description	2009		2008	2007	
	KCB EUR '000	OSR EUR '000	Total EUR '000	EUR '000	
<b>Payments from KCF</b>					
Buildings	18	-	18	55	-
Road construction	34	25	59	37	20
Waste and water system	15	58	73	26	-
Water supply system	-	-	-	-	1
Energy, generation, transfer, and supply	1	10	11	1	-
Machinery	27	-	27	-	-
Other capitals	111	76	187	53	129
	<b>206</b>	<b>169</b>	<b>375</b>	<b>172</b>	<b>150</b>
<b>Payment from Grants</b>					
Buildings	-	-	-	-	-
Road construction	10	-	10	70	-
Waste and water system	-	-	-	-	-
Water supply system	-	-	-	-	-
	<b>10</b>	<b>-</b>	<b>10</b>	<b>70</b>	<b>-</b>
<b>Total</b>	<b>216</b>	<b>169</b>	<b>385</b>	<b>242</b>	<b>150</b>

### 10. Other Payments

There were no other payments during 2009.

# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### 11. Taxation

Description	Note	2009	2008	2007	% of	% of
		Original Budget EUR '000	EUR '000	EUR '000	total 2009	difference From 2008
Customs	12.1	-	-	-	-	-
Tax Administration	12.2	-	-	-	-	-
Other tax	12.3	-	-	-	-	-
<b>Total</b>		-	-	-	-	-

### 12. Own source revenues

Description	2009	2008	2007	% of	% of
	EUR '000	EUR '000	EUR '000	2009 total	Difference from 2008
Income from tax on property	65	53	31	30%	23%
Administrative Tax revenues					
12.1	28	25	5	13%	12%
Penalties-fines revenues	15	13	20	7%	15%
Licenses revenues	103	20	8	48%	415%
Professional services licenses revenues	-	-	-	-	-
Professional services licenses on use of forests	-	-	-	-	-
Contributions revenues	-	-	-	-	-
Sale of Services revenue	-	-	-	-	-
Participation revenues	3	3	2	1%	0%
Inspection revenues	1	1	-	0%	0%
Civil aviation revenues	-	-	-	-	-
Bank interest revenues	-	-	-	-	-
Insurance policy revenues	-	-	-	-	-
Land usage revenues	1	2	1	0%	-50%
Other receipts	-	3	-	-	-100%
<b>Total</b>	<b>216</b>	<b>120</b>	<b>67</b>	<b>100%</b>	<b>80%</b>
<b>Own source revenue carried forward from previous year</b>	<b>112</b>	<b>58</b>	<b>33</b>		

# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### 12.1 Own source revenues – Administrative tax

<b>Description</b>	<b>2009 EUR '000</b>	<b>2008 EUR '000</b>	<b>2007 EUR '000</b>
Vehicle Registration Fee	13	10	-
Driving Licences Fees	-	-	-
Travel Document Fee	-	-	-
Tender Participation Fee	1	1	-
Road Fee	-	-	-
Marriage Certificate	1	1	1
Other Certificate	10	8	4
Document Authentication	1	-	-
Court Fee	-	-	-
Court Fee Return	2	5	-
<b>Total</b>	<b>28</b>	<b>25</b>	<b>5</b>

### 13. Grants and Assistance

<b>Description</b>	<b>2009 EUR '000</b>	<b>2008 EUR '000</b>	<b>2007 EUR '000</b>
Krivenik village participation	-	30	-
Seciste village participation	-	40	-
Proi I Rezhances participation	10	-	-
<b>Total</b>	<b>10</b>	<b>70</b>	<b>-</b>

### 14. Capital receipts

<b>Asset Type</b>	<b>Profit from Sale</b>		
	<b>2009 EUR '000</b>	<b>2008 EUR '000</b>	<b>2007 EUR '000</b>
Infrastructure	-	-	-
Manufacturing	-	-	-
Site and Equipment	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### 15. Privatization fund

POE	Profit from Privatization		
	2009	2008	2007
	EUR '000	EUR '000	EUR '000
POE #1	-	-	-
POE #2	-	-	-
POE #3	-	-	-
POE #4	-	-	-
POE #5	-	-	-
<b>Total</b>	-	-	-

### 16. Other

Receipt type	2009	2008	2007
	EUR '000	EUR '000	EUR '000
Lottery games deposit	-	-	-
Regulatory committee deposit	-	-	-
ADD deposits	-	-	-
Special Chamber deposit	-	-	-
<b>Total</b>	-	-	-

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

Compared to 2009, approximately 33 new employees were hired during 2009 as medical technicians, there was an increase in service hours of the municipality ambulance to 24 hours, and new fireman were hired. However hiring during 2009 was budgeted for the beginning of the year, but most were not hired until later in 2009.

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

The difference between actual payments and final budget for goods and services includes EUR 5,000 planned to be spent for road maintenance and snow removal which was subsequently cancelled due to offers being too high. The remaining difference is as a result of obtaining lower offers than budgeted.

### 19. Difference between payments and final budget for utilities

The difference is as a result of funds remaining unspent for the invoices of December 2009 that were paid in the following year.

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

The lower actual payments for transfers and subsidies compared to final budget are a result of certain beneficiaries of these payments not fulfilling the required conditions.

# Hani i Elezit Municipality

## Section 11. Notes to the financial statements 31 December 2009

*(Amounts in thousands of EUR, unless otherwise stated)*

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### **21. Difference between payments and final budget for capital expenditure**

The lower actual payments compared to final budget for capital investments is related to:

- Unpaid invoice amounting to EUR 20,000 of UN – Habitat as at 31 December 2009 and actual payment in 2010 for the invoiced amount;
- Selecting lower offers for capital investments in comparison with budgeted amounts;
- 2009 capital expenditure final budgeted amounts from own source revenue that were not utilized in the year 2009 will be carried forward to the year 2010.

### **22. Difference between payments and final budget for privatization fund**

There were no budgeted or actual payments for the privatization fund in 2009.

### **23. Difference between payments and final budget for other payments**

There were no budgeted or actual other payments in 2009.

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(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	Actual number of employees in the beginning of 2009		Actual number of employees in the end of 2009	
			Full time employees	Part time employees	Full time employees	Part time employees
1	Administration	43	23		42	
2	Education	123	120		121	
3	Health	29	18		31	
<b>Total</b>		<b>195</b>	<b>161</b>		<b>194</b>	

### Section 13.

#### 25. Statement of Outstanding Invoices (Liabilities)

No	Invoice		Vendor	Purpose	Payment date	Reason for unpaid invoice	Nr I UOP	Amount EUR
	Date	Invoice Number						
1	09.11.2009	01-011/2009	Piceria „Alba"	Office lunch		Payment in process		328
2	03.12.2009	3/12/2009	Piceria „Alba"	Office lunch	19.02.2010	Lack of funds in the budget line	11181	271
3	12.10.2009	01-010/2009	Piceria „Alba"	Office lunch		Lack of funds in the budget line		250
4	14.12.2009	4/12/2009	Piceria „Alba"	Office lunch	19.02.2010	Lack of funds in the budget line		262
5	22.12.2009	5/12/2009	Piceria „Alba"	Office lunch	19.02.2010	Lack of funds in the budget line		254
6	27.11.2009	02-011/2009	Piceria „Alba"	Office lunch		Lack of funds in the budget line		265
7	27.12.2009	13/09	Kuzhina popullore „Ekspres"	Office lunch	19.02.2010	Lack of funds in the budget line	11100	113



# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Section 13.

#### 25. Statement of Outstanding Invoices (Liabilities) (continued)

No	Invoice Date	Invoice Number	Vendor	Purpose	Payment date	Reason for unpaid invoice	Nr I UOP	Amount EUR
8	08.09.2009		D.P.H „Bleta"	Office lunch	22.02.2010	Lack of funds in the budget line	11421	412
9	15.07.2009		D.P.H „Bleta"	Office lunch	22.02.2010	Lack of funds in the budget line	11421	400
10	17.02.2008	7631	D.P.Bleta	Office lunch		Payment in process		406
11	01.12.2009	06/09-C	A.TAXI „Sefedin Axhami"	Transport	26.02.2010	Lack of funds in the budget line	18064	34
12	05.01.2010	9-Jul	A.TAXI „Sefedin Axhami"	Transport	26.02.2010	Invoice received in January	18064	532
			Instituti Kombetar I					
13	07.08.2009	600077	Shendetesise	Chemical analysis of water	03.03.2010	Lack of funds in the budget line	22259	83
			Instituti Kombetar I					
14	02.09.2009	600080	Shendetesise	Chemical analysis of water	03.03.2010	Lack of funds in the budget line	22119	89
			Instituti Kombetar I					
15	03.09.2009	600084	Shendetesise	Chemical analysis of water	03.03.2010	Lack of funds in the budget line	22119	100
			Instituti Kombetar I					
16	06.10.2009	600090	Shendetesise	Chemical analysis of water	03.03.2010	Lack of funds in the budget line	22119	77
			Instituti Kombetar I					
17	05.11.2009	600093	Shendetesise	Chemical analysis of water	03.03.2010	Lack of funds in the budget line	22119	89
			Instituti Kombetar I					
18	09.12.2009	600104	Shendetesise	Chemical analysis of water	03.03.2010	Lack of funds in the budget line	22119	71
			Instituti Kombetar I					
19	11.01.2010	600105	Shendetesise	Chemical analysis of water	03.03.2010	Invoice received in January	22119	77
20	11.09.2009	58/2009	„Infra Plus"	Water system plan		Invoice not accepted		1,500

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Section 13.

#### 25. Statement of Outstanding Invoices (Liabilities) (continued)

No	Invoice Date	Invoice Number	Vendor	Purpose	Payment date	Reason for unpaid invoice	Nr I UOP	Amount EUR
21	04.01.2010	060510004664/168	„PTK „Vala"	Major's roaming	02.03.2010	Invoice received in January	3491	111
22	20.11.2009	83/11/09	„Kosovapress"	Publications	02.03.2010	Lack of funds in the budget line	24414	104
23	01.12.2009	31/12.09	„Kosovapress"	Publications	02.03.2010	Lack of funds in the budget line	24414	116
24	01.12.2009	10/12.09	„Kosovapress"	Publications	02.03.2010	Invoice received in January	24414	116
25	01.12.2009	10/12.09	„Kosovapress"	Publications		Payment in process		116
26	07.01.2010	4316357	„KEK"	Electricity	08.02.2010	Invoice received in January	3459	581
27	07.01.2010	4318504	„KEK"	Electricity	08.02.2010	Invoice received in January	3456	53
28	07.01.2010	4319556	„KEK"	Electricity	08.02.2010	Invoice received in January	3415	3
29	07.01.2010	4316875	„KEK"	Electricity	08.02.2010	Invoice received in January	3428	3
30	07.01.2010	4318626	„KEK"	Electricity	08.02.2010	Invoice received in January	3410	3
31	07.01.2010	4318338	„KEK"	Electricity	08.02.2010	Invoice received in January	3422	3
32	7.01.2010	4316867	„KEK"	Electricity	08.02.2010	Invoice received in January	3435	47

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Section 13.

#### 24. Statement of Outstanding Invoices (Liabilities) (continued)

No	Invoice Date	Invoice Number	Vendor	Purpose	Payment date	Reason for unpaid invoice	Nr I UOP	Amount EUR
33	07.01.2010	4318557	„KEK"	Electricity	08.02.2010	Invoice received in January	3444	58
34	07.01.2010	4266044	„KEK"	Electricity	08.02.2010	Invoice received in January	3383	285
35	07.01.2010	4316375	„KEK"	Electricity	08.02.2010	Invoice received in January	3393	27
36	07.01.2010	4316364	„KEK"	Electricity	08.02.2010	Invoice received in January	3405	697
37	07.01.2010	4316363	„KEK"	Electricity	08.02.2010	Invoice received in January	3387	192
38	07.01.2010	4316410	„KEK"	Electricity	08.02.2010	Invoice received in January	3401	416
39	11.01.2010	2.17119E+11	Telekomi I Kosoves	Telephone	08.02.2010	Invoice received in January	3462	622
40	11.01.2010	2.17603E+11	Telekomi I Kosoves	Telephone	08.02.2010	Invoice received in January	3469	305
41	11.01.2010	2.17134E+11	Telekomi I Kosoves	Telephone	08.02.2010	Invoice received in January	3480	30
42	30.11.2009	146-A/009	NTP „Shkendia"	Fuel expenses	03.03.2010	Lack of funds in the budget line	22063	456
43	30.11.2009	145-A/009	NTP „Shkendia"	Fuel expenses	26.02.2010	Lack of funds in the budget line	18539	590

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Section 13.

#### 25. Statement of Outstanding Invoices (Liabilities) (continued)

No	Invoice Date	Invoice Number	Vendor	Purpose	Payment date	Reason for unpaid invoice	Nr I UOP	Amount EUR
44	31.08.2009	105-A/009	NTP „Shkandia"	Fuel expenses	26.02.2010	Lack of funds in the budget line	18539	655
45	31.10.2009	128-A/009	NTP „Shkandia"	Fuel expenses	26.02.2010	Lack of funds in the budget line	18539	778
46	30.09.2009	115-A/009	NTP „Shkandia"	Fuel expenses	26.02.2010	Lack of funds in the budget line	18539	796
47	31.12.2009	169-A/009	NTP „Shkandia"	Fuel expenses	03.03.2010	Lack of funds in the budget line	22063	512
48	31.12.2009	172-A/009	NTP „Shkandia"	Fuel expenses	01.03.2010	Lack of funds in the budget line	18845	648
49	25.01.2010	05-A/2010	NTP „Shkandia"	Fuel for school	26.02.2010	Invoice received in January	18064	3,960
50	30.11.2009	50748	„Infopress"	Publications	01.03.2010	Lack of funds in the budget line	18833	34
51	30.09.2009	50241	„Infopress"	Publications	01.03.2010	Lack of funds in the budget line	18833	174
52	31.10.2009	50457	„Infopress"	Publications	01.03.2010	Lack of funds in the budget line	18833	68
53	17.08.2009	1156/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	34
54	01.09.2009	1318/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	34

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Section 13.

#### 26. Statement of Outstanding Invoices (Liabilities) (continued)

No	Invoice Date	Invoice Number	Vendor	Purpose	Payment date	Reason for unpaid invoice	Nr I UOP	Amount EUR
55	28.07.2009	996/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	34
56	23.07.2009	995/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	50
57	23.07.2009	994/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	34
58	20.07.2009	993/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	34
59	16.07.2009	992/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	34
60	11.07.2009	991/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	10
61	08.07.2009	990/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	34
62	02.07.2009	989/09	„Epoka e Re"	Publications	03.03.2010	Lack of funds in the budget line	18781	50
63	08.09.2009	1161	„Nic Hollding"	Vehicle maintenance	01.03.2010	Lack of funds in the budget line	18728	173
64	12.11.2009	1425	„Nic Hollding"	Vehicle maintenance	01.03.2011	Lack of funds in the budget line	18728	21
65	12.11.2009	1423	„Nic Hollding"	Vehicle maintenance	01.03.2012	Lack of funds in the budget line	18728	97

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Section 13.

#### 27. Statement of Outstanding Invoices (Liabilities) (continued)

No	Invoice Date	Invoice Number	Vendor	Purpose	Payment date	Reason for unpaid invoice	Nr I UOP	Amount EUR
66	24.12.2009	1540/09	„Nic Hollding“	Vehicle maintenance	17.03.2010	Lack of funds in the budget line	PETY C	50
67	08.10.2009	29	„Bushi“	Vehicle maintenance	02.03.2010	Lack of funds in the budget line	21181	45
68	19.10.2009	30	„Bushi“	Vehicle maintenance	02.03.2010	Lack of funds in the budget line	21181	70
69	30.12.2009	8020/09	„Kosova Sot“	Publications Development of Spatial	03.03.2010	Lack of funds in the budget line	21988	116
70	14.10.2009	392	UNHABITAT	Plan	15.04.2010	Funds returned - international transfer	40552	20,000
<b>Total</b>								<b>39,092</b>

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

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### Section 14.

#### 26. Statement of Unjustified Advances and Loans

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<b>Issuance Date</b>	<b>CPO No.</b>	<b>Purpose</b>	<b>2009 EUR '000</b>
<b>Total</b>			

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### Section 15.

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

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<b>Assets Classification</b>	<b>2009 EUR '000</b>	<b>2008 EUR '000</b>	<b>2007 EUR '000</b>
Site and Equipment	-	-	-
Land	-	-	-
Land	-	-	-
<b>Total</b>	-	-	-

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<b>ID Category</b>	<b>Category</b>	<b>2009 EUR '000</b>
<b>Total</b>		

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# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### 28. Summary of Carried Forward Own Source Revenues

	2009 EUR '000	2008 EUR '000	2007 EUR '000
Own Source Revenues carried forward from the previous year	112	58	33
Own Source Revenues received this year in accordance with Note 12	216	120	67
<b>Available total for appropriation in the current year</b>	<b>328</b>	<b>178</b>	<b>100</b>
Wages and Salaries	2	-	-
Goods and Services	-	-	-
Utilities	-	-	-
Transfers and subsidies	17	-	-
Capital Outlays	169	66	42
Other	-	-	-
<b>Total paid in 2009</b>	<b>188</b>	<b>66</b>	<b>42</b>
<b>Carried forward amount</b>	<b>140</b>	<b>112</b>	<b>58</b>

### Section 16.

### 29. Contingent Liabilities

Contingency Liability Type	Reason for Liabilities	2009 EUR '000	2008 EUR '000	2007 EUR '000
<b>Total</b>				



# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Section 17

#### 30. Reconciliation between Original and Final Budget Appropriations

Appropriation Category	Authorized reconciliations by Law on Public Financial Management and Accountability ('LPFMA')					Final Budget Appropriation KFMIS EUR '000	Adjustment from Original Budget EUR '000
	Original Budget Appropriation Law on Appropriations 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		
<b>Inflows</b>							
General Grant	1,080	23	-	-	-	1,103	2%
Own source Revenues 2009	73	14	-	-	129	216	66%
Own source Revenues 2008	112	-	-	-	-	112	-
Grants and Aid	-	-	-	-	10	10	-
Capital Receipts	-	-	-	-	-	-	-
Privatization fund	-	-	-	-	-	-	-
	<b>1,265</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>139</b>	<b>1,441</b>	<b>12%</b>
<b>Outflows</b>							
Wages and Salaries	672	23	-	-	1	696	3%
Goods and Services	139	10	-	-	20	169	18%
Utilities	28	1	-	-	-	29	3%
Transfers and Subsidies	8	18	-	-	9	35	-
Capital Expenditures	418	(15)	-	-	109	512	-
Privatization Fund	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>1,265</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>139</b>	<b>1,441</b>	<b>12%</b>

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Budget Execution Report

Description		Original Budget Law Nr 03/L-105	Final Budget KFMIS	Payments	Progress in %	Progress in %
A		b	c	d	e=(d-b)/b	f= (d-c)/c
<b>Total Payments</b>	<b>1+2+3+4</b>	<b>1,265</b>	<b>1,441</b>	<b>1,220</b>	<b>(4)</b>	<b>(15)</b>
<b>Payments from the General Grant</b>	<b>1</b>	<b>1,080</b>	<b>1,103</b>	<b>1,022</b>	<b>(5)</b>	<b>(7)</b>
Wages and Salaries		672	690	645	(4)	(7)
Goods and Services		139	144	141	1	(2)
Utilities		28	29	22	(21)	(24)
Subsidies and Transfers		8	8	8	-	-
Capital Investments		233	232	206	(12)	(11)
<b>Payments from Own Source Revenues of 2009</b>	<b>2</b>	<b>73</b>	<b>216</b>	<b>77</b>	<b>5</b>	<b>(64)</b>
Wages and Salaries		-	6	2	-	(67)
Goods and Services		-	25	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		-	27	17	-	(37)
Capital Investments		73	158	58	(21)	(63)
<b>Payments from Own Source Revenues carried Forward from 2008</b>	<b>3</b>	<b>112</b>	<b>112</b>	<b>111</b>	<b>(1)</b>	<b>(1)</b>
Wages and Salaries		-	-	-	-	-
Goods and Services		-	-	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		112	112	111	(1)	(1)
<b>Payments from the pre-assigned Grant</b>	<b>4</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>(100)</b>	<b>-</b>
Wages and Salaries		-	-	-	-	-
Goods and Services		-	-	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		-	10	10	(100)	-

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Report of Payments under Programs

		Mayor's office	Administration	Budget and finance	Urbanism	Health	Performance Health	Education	Total
<b>Total Payments</b>	1+2+3+4	<b>121</b>	<b>114</b>	<b>32</b>	<b>354</b>	<b>107</b>	<b>5</b>	<b>487</b>	<b>1,220</b>
<b>Payments from the General Grant</b>	<b>1</b>	<b>104</b>	<b>114</b>	<b>32</b>	<b>175</b>	<b>105</b>	<b>5</b>	<b>487</b>	<b>1,022</b>
Wages and salaries		73	57	26	22	75	3	389	645
Goods and services		23	46	6	5	26	2	33	141
Utilities		-	11	-	-	4	-	7	22
Subsidies and transfers		8	-	-	-	-	-	-	8
Capital Investments		-	-	-	148	-	-	58	206
<b>Payments from Own Source Revenues of 2009</b>	<b>2</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>58</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>77</b>
Wages and salaries		-	-	-	-	2	-	-	2
Goods and services		-	-	-	-	-	-	-	-
Utilities		-	-	-	-	-	-	-	-
Subsidies and transfers		17	-	-	-	-	-	-	17
Capital Investments		-	-	-	58	-	-	-	58
<b>Payments from Own Source Revenues of 2008</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111</b>
Wages and salaries		-	-	-	-	-	-	-	-
Goods and services		-	-	-	-	-	-	-	-
Utilities		-	-	-	-	-	-	-	-
Subsidies and transfers		-	-	-	-	-	-	-	-
Capital Investments		-	-	-	111	-	-	-	111
<b>Grants</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>
Wages and salaries		-	-	-	-	-	-	-	-
Goods and services		-	-	-	-	-	-	-	-
Utilities		-	-	-	-	-	-	-	-
Subsidies and transfers		-	-	-	-	-	-	-	-
Capital Investments		-	-	-	10	-	-	-	10

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(Amounts in thousands of EUR, unless otherwise stated)

### Report of Receipts under Programs

Description	Code	Administration	Budget and finance	Urbanism	Health	Total
Tax on property	40110	-	66	-	-	66
Change of destination of land's purpose	50012	-	-	1	-	1
Tax on birth certificates	50013	3	-	-	-	3
Tax on marriage certificates	50014	1	-	-	-	1
Tax on death certificates	50015	-	-	-	-	-
Tax on other certificates	50016	6	-	-	-	6
Tax on verification of documents	50017	-	-	-	-	-
Administrative tax	50019	1	-	-	-	1
Tender participation	50020	-	1	-	-	1
Health certificates	50024	-	-	-	1	1
Tax for property use	50405	-	-	1	-	1
Health participations	50409	-	-	-	3	3
Vehicle registration tax	50001	-	14	-	-	14
Construction licenses	50009	-	-	15	-	15
License for sale on roads	50202	-	-	-	-	-
License for individual and other activities	50201	-	84	-	-	84
Other mandatory penalties	50501	-	-	-	-	-
Sanitary inspection	50507	-	-	-	-	-
Other business licenses	50290	-	3	-	-	3
Traffic penalties		-	-	-	-	14
Court penalties		-	-	-	-	2
<b>Total</b>		<b>11</b>	<b>168</b>	<b>17</b>	<b>4</b>	<b>216</b>

# Hani i Elezit Municipality

## Section 12 to 17. Notes to the financial statements 31 December 2009

(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	-	-	-	-	-	-
General public services	178	80	11	25	317	611
Defense	-	-	-	-	-	-
Public order and safety	-	-	-	-	-	-
Economic affairs	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-
Housing and Community Amenities	-	-	-	-	-	-
Health	80	28	4	-	-	112
Recreation, Culture and Religion	-	-	-	-	-	-
Education	389	33	7	-	58	487
<b>TOTAL</b>	<b>647</b>	<b>141</b>	<b>22</b>	<b>25</b>	<b>375</b>	<b>1,210</b>

### Payments from Designated Grants

	Economic classification					Total
	Wages and salaries	Goods and services	Utilities	Subsidies and Transfers	Capital Outlays	
Social protection	-	-	-	-	10	10
General public services	-	-	-	-	-	-
Defense	-	-	-	-	-	-
Public order and safety	-	-	-	-	-	-
Economic affairs	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-
Housing and Community Amenities	-	-	-	-	-	-
Health	-	-	-	-	-	-
Recreation, Culture and Religion	-	-	-	-	-	-
Education	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>10</b>

# **Hani i Elezit Municipality**

## **Section 12 to 17. Notes to the financial statements 31 December 2009**

*(Amounts in thousands of EUR, unless otherwise stated)*

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