



KPMG Albania Shpk Kosovo Branch
14, Sulejman Vokshi Street
Pristina, Kosovo

Telephone +381 (38)246771
Telefax +381 (38)246772
E-mail al-kosovo@kpmg.com
Internet www.kpmg.al

AUDIT REPORT

ON THE FINANCIAL STATEMENTS
OF THE MUNICIPALITY OF JUNIK
FOR THE YEAR ENDED 31 DECEMBER 2012

Pristina, July 2013

TABLE OF CONTENTS

| | |
|---|-----------|
| EXECUTIVE SUMMARY | 3 |
| AUDIT SCOPE AND METHODOLOGY | 4 |
| I. AUDIT OPINION | 5 |
| II. FINANCIAL STATEMENTS - COMPLIANCE WITH THE REPORTING FRAMEWORK | 7 |
| II.1 COMPLIANCE WITH THE REPORTING FRAMEWORK..... | 7 |
| II.2 QUALITY AND ACCURACY OF INFORMATION PRESENTED IN THE ANNUAL FINANCIAL STATEMENTS | 7 |
| III. PRIOR YEAR RECOMMENDATIONS | 9 |
| IV. FINANCIAL MANAGEMENT AND CONTROL | 10 |
| IV.1 INTRODUCTION..... | 10 |
| IV.2 BUDGET PLANNING AND EXECUTION | 10 |
| IV.3 CURRENT REPORTING AND TIMELINESS IN THE OVERALL BUDGET PROCESS | 11 |
| IV.4 REVENUES (INCLUDING OWN SOURCE REVENUES)..... | 11 |
| IV.5 EXPENDITURES | 12 |
| IV.6 ASSETS | 13 |
| IV.7 HANDLING OF DEBTS | 14 |
| V. INTERNAL AUDIT SYSTEM | 15 |
| V.1 INTERNAL CONTROL SYSTEMS..... | 15 |
| V.2 AUDIT COMMITTEE | 15 |
| VI. OVERALL CONCLUSION ON THE MANAGEMENT OF MUNICIPALITY OF JUNIK | 16 |
| ANNEX 1 DIFFERENT TYPE OF AUDIT OPINIONS APPLIED BY KPMG IN THE ANNUAL AUDIT REPORT 2012 | 17 |
| ANNEX 2: PRIOR YEAR RECOMMENDATIONS | 19 |
| ANNEX 3 MUNICIPALITY OF JUNIK MANAGEMENT COMMENTS AND KPMG RESPONSES. | 23 |

Executive Summary

Introduction

KPMG has carried out an audit of the Annual Financial Statements ('AFS') of the Municipality of Junik ("Municipality"), on behalf of the Office of the Auditor General of Kosovo, for the year ended 31 December 2012.

This report summarises the key matters arising from our audit. We would like to thank the Mayor and his team for their assistance during the audit process.

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

Our focus has been on whether the amounts and disclosures in the AFS are sufficient to give a reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Our procedures included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of the opinion audit. Our findings should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

Our Overall conclusion on the Management of the Municipality is presented in Section VI of this report.

Internal Control

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

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

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

- A comprehensive list of its property, plant and equipment is maintained and reviewed;
- An automated billing system for all types of taxes is maintained;
- Reconciliation of revenues between the own source revenue officer and all operational departments are performed;
- Measures are taken to increase the collection of revenues from various taxes; and
- The Law No. 04/L-042 'Law on Public Procurement in Kosovo' (amended) is fully complied with.

Management of the Municipality was given the possibility to comment on the findings presented in this report. Management has agreed to make all efforts to address all our recommendations.

Refer to Annex 3 for management's comments to our recommendations and our responses to them.

Audit scope and methodology

This audit relates to the annual financial statements of the Municipality of Junik as at and for the year ended 31 December 2012.

It is the responsibility of the Municipality to prepare financial statements in accordance with Financial Rule no. 07/2011 and International Public Sector Accounting Standards (IPSAS) for “Financial Reporting under the Cash Basis of Accounting”.

KPMG, on behalf of The Office of the Auditor General, is responsible for carrying out an annual audit on the Municipality financial statements as at and for the year ended 31 December 2012.

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

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

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

- Compared the Municipality’s Annual Financial Statements against the approved budget as at and for the year ended 31 December 2012;
- Determined whether the Municipality’s Annual Financial Statements were prepared in accordance with IPSAS “Financial Reporting under the Cash Basis of Accounting” and Financial Rule no. 07/2011;
- Established a materiality level, as a threshold for assisting in determining the type of opinion to render on the financial statements;
- Used a combination of judgment and random sampling to select transactions for testing;
- Undertook substantive testing of financial transactions; and
- Relied on a combination of interviews, analytical reviews, document checking, and physical verification to assess the validity and propriety of financial transactions.

In this report we summarise the audit findings and provide our opinion on the Annual Financial Statement as at and for the year ended 31 December 2012.

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

These are set out more fully in Annex 1, which includes an extract from ISSAI 400.

I. Audit Opinion

To Junik Municipality

Pristina, 2 July 2013

We have audited the accompanying financial statements of Municipality of Junik (“the Municipality”), which comprise the statement of cash receipts and payments for the year ended 31 December 2012, 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 Financial Rule No. 07/2011 *On Annual Reporting of Budget Organizations*. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Fundamental Auditing Principles and Guidelines. 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of financial statements is considered in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the 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.

Opinion

In our opinion, the financial statements present fairly in all material aspects the receipts and payments for the year ended 31 December 2012 in accordance with Cash Basis International Public Sector Accounting Standards (‘IPSAS’) *Financial Reporting Under the Cash Basis of Accounting* and with the Financial Rule No. 07/2011 *On Annual Reporting of Budget Organizations*.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Section 16 ‘Disclosure of property, plant and equipment’. For certain properties, there could be uncertainty regarding ownership rights of the Municipality and various other Kosovo Government Agencies, and lack of supporting ownership documentation. The Municipality is in the process of preparing a comprehensive register of its assets and expects to finalise such process after the issuance of its financial statements for the year ended 31 December 2012.

Review of Compliance

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

Auditor's Responsibility

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

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

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

Conclusion on Compliance

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

Other matters

We draw attention to the following:

- 1 The primary reliable source of information for the preparation of financial statements is Free Balance. However, since Free Balance is not being used to record payments from third parties and outstanding invoices, it cannot solely 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 did not submit a final draft of financial statements in Serbian by 31 January 2013.
- 3 Since the Municipality has not implemented a comprehensive and automated billing system, there is uncertainty regarding completeness of both receivables and revenues that the Municipality can earn, and their ability to prepare a reliable and accurate budget, to report an accurate collection ratio, and monitor the collection of the own source revenues on a timely basis.
- 4 We identified a number of non-compliances with Law No. 04/L-042 'Law on Public Procurement in Kosovo' (amended). Such non-compliance related to required procedures which were not performed and documented by the Municipality.
- 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 any formal process that would ensure complete, adequate and reliable information for recording provisions and contingent liabilities.

KPMG Albania SHPC Kosovo Branch

KPMG Albania Sh.p.k. - Kosovo Branch
Sulejman Vokshi, No. 14
Pristina
Kosovo

II. Financial Statements - Compliance with the Reporting Framework

Our review of the Annual Financial Statements ('AFS') considers both compliance with the reporting framework and the quality and accuracy of the information recorded in the financial statements. We also consider the Declaration made by the CEO and Chief Financial Officer when the draft AFS are submitted to the Government.

The declaration regarding presentation of financial statements incorporates a number of assertions relating to compliance with the reporting framework and the quality of information within the financial statements. A number of the declarations are intended to provide assurance to the Government that all relevant information has been provided to ensure that a comprehensive audit can be undertaken.

II.1 Compliance with the Reporting Framework

The requirements in LPFMA No. 03/L-048 and Financial Rule no. 07/2011.

- The Municipality has prepared the financial statements according to Financial Rule 07/2011.
- The Financial Statements have been signed by the Chief Administrative Officer and Chief Financial Officer of the audited body;
- The Financial Statements were signed within the required time frame as of 31 January 2013 and Submitted to the Ministry of Finance ("MF");
- The Financial Statements were submitted to the Ministry of Finance only in the Albanian Language,; and
- The Municipality has prepared and submitted regular quarterly reports to MF during 2012.

Recommendation 1

The Municipality should prepare financial statements in the Serbian language.

II.2 Quality and Accuracy of Information Presented in the Annual Financial Statements

Findings

The primary reliable source of information for the preparation of financial statements is Free Balance. However, since Free Balance is not being used to record payments from third parties, property, plant and equipment, or outstanding invoices, it cannot solely be used to produce comprehensive financial statements for the year ended 31 December 2012.

The Municipality has not disclosed complete amounts in Section 16 "Disclosure of property, plant and equipment".

The current and comparative information is not complete and accurate. In particular, the following was omitted or improperly disclosed in the financial statements.

- The total balance in Note 15 does not agree with the sum of the components in 2010, and the carried forward own source revenue disclosed in Note 15 for 2011 does not agree with Note 35.
- Note 16 "Grants and Assistance" does not agree with the Section 13 "Budget Execution Report" for 2011.

- The total of the initial budget and all changes for own source revenue do not agree with the final budget disclosed in Section 18, Note 36.

Recommendation 2

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

III. Prior Year Recommendations

Our Report on the 2011 AFS included the following nine main recommendations:

1. The financial statements preparation should include procedures and tools designed to ensure that information required is recorded, processed, summarized and appropriately reported in the financial statements: partly addressed;
2. The financial statements should also be prepared in the Serbian language: to be addressed;
3. Improvements need to be implemented in the billing and accounting systems in order to ensure safe, efficient and effective controls on billing and revenue: to be addressed;
4. Improvements need to be implemented in the areas of procurement procedures: partly addressed;
5. Improvements need to be implemented in the areas of expenditure and payments: to be addressed;
6. A process need to be designed and established, to ensure recording of receivables upon issuing of each invoice: partly addressed;
7. The draft procurement plan should be submitted within the required timeline: addressed;
8. A comprehensive list of property, plant and equipment should be maintained: to be addressed; and
9. Internal Audit works should be prepared on a timely basis and the Audit Committee should take measures to improve internal audit function: to be addressed.

IV. Financial Management and Control

IV.1 Introduction

We developed an understanding and evaluation of the actions taken by management to ensure effective financial management and control. For individual financial systems we seek to identify the level at which actual controls operate. This may, for example, be monitoring activity undertaken by senior management or lower level operational controls. We consider whether controls are well designed, have been implemented as planned and operate effectively.

IV.2 Budget Planning and Execution

We have considered the source of budgetary funds for the Municipality, spending of funds by economic categories and Revenues collected. The analysis of Actual Outcome in the Financial Statements compared to the Approved Budget indicates:

Table 1: Overview of budget and actual spending in EUR '000

| Description | Initial Budget | Final Budget | 2012 Actual | 2011 Actual | 2010 Actual |
|---|----------------|--------------|--------------|--------------|--------------|
| Government Grant | 1,193 | 1,466 | 1,460 | 1,420 | 1,289 |
| Carried forward from prior year | - | 50 | 50 | - | - |
| Own Source Revenues | 75 | 79 | 59 | 79 | 78 |
| Domestic Donations | - | 13 | 12 | 39 | - |
| External Donations | - | - | - | - | - |
| I. Total of revenues and transfer of Donations | 1,268 | 1,608 | 1,581 | 1,538 | 1,367 |
| Wages and Salaries | 831 | 833 | 826 | 774 | 603 |
| Goods and Services | 142 | 285 | 284 | 138 | 132 |
| Utilities | 36 | 36 | 36 | 32 | 31 |
| Subsidies and Transfers | 5 | 5 | 5 | 44 | 4 |
| Capital Investments | 254 | 449 | 430 | 550 | 597 |
| Reserves | - | - | - | - | - |
| II. Total of Expenditures | 1,268 | 1,608 | 1,581 | 1,538 | 1,367 |
| Difference I-II | - | - | - | - | - |

The budgeted amounts are extracted from the following sections within the Financial Statements as at and for the year ended 31 December 2012: Section 13 *Budget Execution Report*. Section 12: *Statement of Cash Receipts and Payments*, and Section 18: *Reconciliation between Original and Final Budget Appropriations*.

Conclusion

Actual total revenues and transfers of donations were lower than final budget by EUR 27 thousand due to lower grant received by the Government by EUR 6 thousand, lower own source revenue by EUR 20 thousand and lower donations by EUR 1 thousand.

Total cash outflows were lower than final budget by EUR 27 thousand due to wages and salaries being lower by EUR 7 thousand, goods and services being lower by EUR 1 thousand, and capital expenditure being lower by EUR 19 thousand.

Initial budget was lower by EUR 340 thousand from the final budget due to following: lower initially anticipated government grant by EUR 273 thousand, own source revenues and carried forward by EUR 54 thousand. All changes to the original budget were approved by the Municipality Assembly. These changes are also supported by the assembly decision and mandated by the legal framework Law 03/L-048.

The unspent budget of the Municipality in 2012 is 1.7%.

IV.3 Current reporting and timeliness in the overall budget process

Fulfilment of current external reporting obligations as well as its budgetary process:

- Budget requests were completed on a timely basis;
- Quarterly reports including the nine month financial statements were submitted on a timely basis to MF.
- Draft procurement plan was submitted to MF on time;

Findings

No major exceptions identified.

IV.4 Revenues (including own source revenues)

Findings

During our testing we noted the following:

- *Billing systems.* An automated billing system exists only for tax on property. The Municipality does not maintain billing records for other types of revenue. Instead only cash collections from such revenue streams are recorded.
- *Collection of revenues.* Except for taxes on property, the Municipality management does not maintain separate and appropriate sub ledgers or lists of all its debtors from various taxes. Without sufficient, detailed, and accurate records of debtors, the Municipality is unable to prepare a reliable and accurate budget, to report an accurate collection ratio, or to follow up the collection of the own source revenues on a timely basis.
- *Revenue from business licenses.* The Municipality does not obtain from the Ministry of Trade and Industry the total updated number of active businesses in the Municipality. Therefore, inactive or terminated businesses might be charged, while active or new businesses might not get charged.
- *Weaknesses in the automated billing system.* The tax on property billing system is centralized and the Municipality has limited access to the system. Such limitations restrict the ability of the Municipality to generate regular and comprehensive reports on collection of revenue and related receivables, and as a result impair its ability to properly monitor and review such collections. Although such reports are

automatically generated by the system on a centralized basis, the Municipality does not make regular use of them. Furthermore, the list of collections for the year generated from tax on property system was not reconciled and did not agree with the collections recorded in free balance.

Recommendation 3

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

- Implement a billing system that includes updated details about the payers, their current address, history and collection rating. Such information should be accessible only to a limited number of persons and with the authorization of management.
- Enter and centrally control the approved tariffs and tax rates in the system in order to calculate and generate bills automatically. The generation of bills should also be authorized and reviewed.
- Automatically inter-connect the billing system with the accounting software so that information is automatically processed into the general ledger.
- 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.

IV.5 Expenditures

5.1 Procurement

Findings

- Procurement No 636-11-039-51 was under investigation by the Agency for Anticorruption of Kosovo. We were not provided with information on the reasons for this investigation or any potential outcome. The payment selected by us in 2012 amounted to EUR 143 thousand and represented 32% of the contracted amount.
- Procurement No 636-11-054-136 did not include any report on the completion of work and the Head of Procurement had not signed as member of the Technical valuation committee.
- Procurement No 636-11-02-136: The statement of needs and determination of availability of funds was not signed and the register of entities that had obtained tender documents was not filed.
- Procurement No 636-11-020-521: The register of entities that had obtained tender documents was not filed. However, electronic evidence sent to operators was provided as an alternative evidence.

Recommendation 4

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

5.2 Other expenditures

Findings

No major exceptions identified.

5.3 Remunerations (Wages and Salaries)

Findings

No major exceptions identified.

5.4 Subsidies and Transfers

Findings

No major exceptions identified.

IV.6 Assets

6.1 Handling of cash and cash equivalents

Findings

No major exceptions identified.

6.2 Handling of receivables

Findings

The Municipality does not have in place a process for identifying, evidencing and following up on issued invoices for its taxes. In addition, many outstanding receivable amounts are more than one year old. The Municipality has not taken necessary actions to collect these amounts and no aging analysis is performed.

Recommendation 5

We recommend the Mayor ensures a process is designed and established, which ensures that receivables are recorded upon issuing of each invoice and that overdue amounts are followed up regularly.

6.3 Capital and non capital assets

Findings

Although the Municipality has prepared and disclosed a list of real estate property in Note 30, for certain assets, there are uncertainties regarding ownership rights of the Municipality or various other Kosovo Government Agencies and lack of supporting ownership documentation.

Although the Municipality has established a registration and valuation committee in 2011, the registration and valuation of the assets by the Municipality has started but is not yet completed. The registration and valuation committee did not conclude any work and accordingly not all assets have been registered or valued as at 31 December 2012. No physical fixed asset count was performed for the year 2012, without such physical count we were not able to verify the physical existence of the assets.

The difference between the balances presented in Note 30 and Note 31 for the years 2011 and 2012, does not agree with the total additions for year 2012 presented in Note 11 and does not appear to relate to disposals since balance decreased in 2012. The Municipality has not prepared a detailed list of movements in 2012 to enable the reconciliation of information presented in the financial statements.

The Municipality has not maintained a comprehensive register of its property, plant and equipment, including information like the date of purchase and disposal of the assets and the depreciation charge for the year.

Recommendation 6

We recommend the Mayor involve additional resources in the registration, control and valuation of the assets of the Municipality.

IV.7 Handling of debts

Findings

The Municipality does not have in place a robust process for identifying, evidencing and following up on unpaid invoices. This may lead to incorrect disclosures of the unpaid invoices.

In accordance with Law No. LPFMA 03/L-048, Article 39.1, a budget organization is responsible for ensuring that each valid invoice and request for payment for goods and services supplied and/or works completed for the budget organizations are to be paid within thirty (30) calendar days after receipt of invoice or request for payment by the concerned budget organization. We noted that many of the invoices presented have been outstanding by more than 30 days as at the year-end.

Recommendation 7

We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements. All efforts should be made to make payments within year-end.

V. Internal Audit System

V.1 Internal Control Systems

V.2 Audit Committee

Findings

Although the Municipality has established an Audit committee, we did not receive any evidence on work carried out during 2012.

Recommendation 8:

We recommend that the Municipality 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.

VI. Overall conclusion on the Management of Municipality of Junik

General conclusions

As discussed within this report, improvements need to be made in the areas of revenues, procurement, remunerations, handling of receivables, payment of obligations within the required timeframe, reporting of capital and non-capital assets, internal controls system, internal audit and audit committee.

Overall Recommendation

- The financial statements should be prepared in compliance with the actual administrative instructions and IPSAS;
- A comprehensive list of property, plant and equipment should be maintained;
- An automated billing system for all types of taxes should be put in place, reconciliations of revenues between the own source revenue officer and operational departments should be performed, and measures should be taken to increase the collection of revenues from various taxes; and
- All efforts should be made to improve expenditure and procurement procedures to ensure strict compliance with laws and local regulatory requirements;
- Audit committee and internal audit should conduct all duties and responsibilities, implement establish policies and procedures to ensure high standards of governance and ensure a timely and useful reporting and follow-up of issues.

Annex 1 Different type of Audit Opinions applied by KPMG in the Annual Audit Report 2012

(extract from ISSAI 400)

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:

the financial statements have been prepared using acceptable accounting bases and policies which have been consistently applied;

the statements comply with statutory requirements and relevant regulations;

the view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and

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 judgement, their effect is or may be material to the financial statements:

there has been limitation on the scope of the audit;

the auditor considers that the statements are incomplete or misleading or there is an unjustified departure from acceptable accounting standards; or

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.

Annex 2: Prior year recommendations

| Audit Component | Recommendation given | Recommendation fully implemented | Partly addressed | Not addressed |
|---|---|----------------------------------|--|---|
| Financial Statements - Compliance with reporting framework and the quality of information | <p><u>Recommendations 1:</u></p> <p>The preparation of the Municipality’s financial statements should include procedures and tools that are designed to ensure that information required is recorded, processed, summarized and appropriately reported in the financial statements.</p> <p>The Municipality should also prepare financial statements in the Serbian language.</p> | | <p>The recommendation is partially addressed. Financial Statements were prepared based on instructions received. Municipality has not prepared financial statements in the Serbian language.</p> | |
| Revenues | <p><u>Recommendations 2:</u></p> <p>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:</p> | | | <p>The recommendation is not addressed.</p> |

| Audit Component | Recommendations | Recommendation fully implemented | Partly addressed | Not addressed |
|-------------------------------|--|----------------------------------|---|--------------------------------------|
| Revenues (continued) | <p><u>Recommendations 2 (continued):</u></p> <ul style="list-style-type: none"> • Implement a billing system that includes updated details about the payers, their current address, history and collection rating. Such information should be accessible only to a limited number of persons and with the authorization of management. • Enter and centrally control the approved tariffs and tax rates in the system in order to calculate and generate the bills automatically. The generation of bills should also be authorized and reviewed. • Automatically inter-connect the billing system with the accounting software so that the information is automatically processed into the general ledger. • Perform regular reconciliations of the billing system and accounting software on a regular basis for all types of revenues. Any reconciling differences should be promptly followed up and cleared in a timely manner. • Automatically link the operational and billing units and perform regular reconciliations between them, in cases where the billing is directly related to services supplied by the operational units. This is especially important where a high volume of transactions is executed. • Ensure the implementation of proper control procedures on cash collections. | | | The recommendation is not addressed. |
| Purchases through Procurement | <p><u>Recommendation 3:</u></p> <p>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.</p> | | The recommendation is partially addressed. We have noticed some documentation deficiencies in 2012. | |

| Audit Component | Recommendations | Recommendation fully implemented | Partly addressed | Not addressed |
|--------------------------------|--|----------------------------------|--|---------------|
| Handling of receivables | <p><u>Recommendation 4:</u> We recommend the Mayor ensures a process is designed and established, which ensures that receivables are recorded upon issuing of each invoice. Also the receivables register should be updated according to payments received in respect of invoices released by the Municipality. In addition, we recommend that the Municipality follow up regularly on outstanding receivables to ensure timely collection.</p> | | Partly addressed. Lists are maintained in MS Excel files by the Revenue Officials, however, process is highly manual and no controls are designed. | |
| Capital and non capital assets | <p><u>Recommendation 5:</u> We recommend the Mayor ensures that the Municipality considers the following:</p> <ul style="list-style-type: none"> • Maintain a comprehensive register of property, plant and equipment. • Involve additional resources in the registration and valuation of the assets of the Municipality. • Involvement of independent and certified appraisers is recommended as the best practice in such cases. Best practice would require that valuations be performed by certified appraisers. However, the Municipality should consider the cost vs. benefits prior to engaging such appraisers. 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. | | . | Not addressed |

| Audit Component | Recommendations | Recommendation fully implemented | Partly addressed | Not addressed |
|--|--|----------------------------------|------------------|---------------|
| Debts | <p><u>Recommendation 6:</u> We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements. All efforts should be made to make payments within year-end.</p> | | | Not addressed |
| Current reporting and timeliness in the overall budget process | <p><u>Recommendation 7:</u> We recommend the Mayor ensures that the Municipality submits the draft procurement plan on the time frame decided by local laws and regulations.</p> | Addressed | | |
| Internal Control Systems | <p><u>Recommendation 8:</u> The preparation of the Municipality's financial statements should include procedures and tools that are designed to ensure that information required is recorded, processed, summarized and appropriately reported in the financial statements.</p> | | | Not addressed |
| Audit Committee | <p><u>Recommendation 9:</u> We recommend to the Audit Committee to ensure that the internal audit work in later months of 2011, cover 2011 events and transactions in order to provide timely feedback to various departments within the Municipality.</p> | | | Not addressed |

Annex 3 Municipality of Junik management comments and KPMG responses

| <u>Recommendations</u> | Agree | Partially agree | Do not agree | Comments from the Municipality | KPMG response |
|--|--------------|------------------------|---------------------|---|----------------------|
| <u>Recommendations 1:</u> The Municipality should also prepare financial statements in the Serbian language. | X | | | There are no comments. | |
| <u>Recommendation 2:</u> We recommend the Mayor ensures that the preparation of the Municipality’s financial statements should include procedures and tools that are designed to ensure that information required is recorded, processed, summarized and appropriately reported in the financial statements. | | X | | The Municipality has prepared the financial statements in accordance with the standards in order to include all required notes in the financial statements. | |
| <u>Recommendations 3:</u> We recommend the Mayor ensures that the Municipality takes steps to improve the billing and accounting systems in order to ensure safe, efficient and effective controls on billing and revenue. Improvement of the procedures related to such systems would enable management to monitor and manage significant risks, and to ensure that decisions related to budgeting, planning and collection of revenues are properly carried out. We recommend that the Municipality considers to: <ul style="list-style-type: none"> • Implement a billing system that includes updated details about the payers, their current address, history and collection rating. Such information should be accessible only to a limited number of persons and with the authorization of management. • Enter and centrally control the approved tariffs and tax rates in the system in order to calculate and generate bills automatically. The generation of bills should also be authorized and reviewed. | | X | | The Municipality has no response to the recommendation this is a general issue and does not provide evidence on which the Municipality can act for advancing its billing system, determining revenue and oversights, with the exception for property tax system, which is directly controlled by the Tax Department in the Ministry of Finance. | |

| <u>Recommendations</u> | Agree | Partially agree | Do not agree | Comments from the Municipality | KPMG response |
|---|--------------|------------------------|---------------------|--|----------------------|
| <u>Recommendations 3 (continued):</u> <ul style="list-style-type: none"> • Automatically inter-connect the billing system with the accounting software so that information is automatically processed into the general ledger. • 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. | | | | All taxes and tariffs are defined in the regulation for “Taxes, Penalties and Other charges” making it impossible to generate/implement softwares for automatic billing that would address all information as required. | |
| <u>Recommendations 4:</u> We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements. | | X | | In the procurement Nr 636-11-054-136, there exists the observation of the Commission issued on 02.08.2012 with number 6-350-362/1 stating that the above mentioned project is implemented according to the contract. This report is also presented to the Authorities. | |
| <u>Recommendation 5:</u> We recommend the Mayor ensures a process is designed and established, which ensures that receivables are recorded upon issuing of each invoice and that overdue amounts are followed up regularly. | | X | | Regarding the issue of tax collection, the Municipality of Junik, has books of invoices that uses to receive all type of payments and there are reconciliation with the Budget Directory and Finance Directory, and more specifically with the Revenue Officer. | |
| <u>Recommendations 6:</u> We recommend the Mayor to involve additional resources in the registration and valuation of the assets of the Municipality. | | X | | Partially Agree with this recommendation. Property, plant and | |

| <u>Recommendations</u> | Agree | Partially agree | Do not agree | Comments from the Municipality | KPMG response |
|--|--------------|------------------------|---------------------|--|----------------------|
| <u>Recommendations 6: (continued)</u> | | | | Equipment are part of the financial statements because those properties are estimated in monetary value. In the absence of professional and material capacity the Municipality during 2011 has formed a committee for registration of assets. | |
| <u>Recommendation 7:</u> We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements. All efforts should be made to make payments within year-end. | | X | | Junik Municipality holds monthly records of unpaid invoices and reports them to the Minister of Finance. Regarding invoice payments within 30 days, we might have invoices which can not be paid within this time due to budget allocation and limitations imposed during November and December. So obligations arising after the 30 day period in November show up until the second half of January as budget allocation for the coming year takes place. | |
| <u>Recommendation 8:</u> We recommend that the Municipality 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: <ul style="list-style-type: none"> • Municipality’s accounting and financial reporting process; • Assessment of internal control systems implemented by management; | | X | | There are no comments. | |

| <u>Recommendations</u> | Agree | Partially agree | Do not agree | Comments from the Municipality | KPMG response |
|---|--------------|------------------------|---------------------|---------------------------------------|----------------------|
| <u>Recommendations 8: (continued)</u> <ul style="list-style-type: none"> • 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. | | | | | |



Republika e Kosovës
Republika Kosova-Republic of Kosovo

KOMUNA JUNIK
OPSTINA JUNIK
MUNICIPALITY JUNIK

Financial Statements

As at and for the year ended 31 December 2012

Junik, 2013

Section 11. DECLARATION REGARDING THE PRESENTATION OF FINANCIAL STATEMENTS

For: Fatmir Plakqori, General Treasury Director

From: Administrative and Financial Chief Officer

In our opinion, the attached financial statements and the notes to these statements for the year ended on 31 December 2012 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 Law nr. 03/L-221 for meeting changes of LPFMA and are based on properly maintained financial records.

This declaration is provided in connection with the presentation of the Kosovo Consolidated Budget ("KCB") financial statements of the budget organizations for the year ending 31 December 2012.

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 KCB 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 2012.

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.

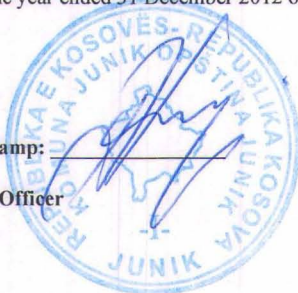
All loans to external parties have been recorded and/or disclosed, as appropriate.

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 financial statements give a true and fair presentation of the finances and financial transactions for the year ended 31 December 2012 of Municipality of Junik.

Date:
Signature and stamp:
Agron Kuçi
Chief Executive Officer



Date:
Signature and stamp:
Avdyl Gjota
Chief Financial Officer



Municipality of Junik
Section 12. Statement of Cash Receipts and Payments
for the year ended 31 December 2012

| | Notes | 2012 | | 2011 | | 2010 | |
|--------------------------------------|-------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | | Single treasury account | Payments from third parties | Single treasury account | Payments from third parties | Single treasury account | Payments from third parties |
| | | KCB €'000 | €'000 | KCB €'000 | €'000 | KCB €'000 | €'000 |
| Receipts | | | | | | | |
| Government Grant | 2 | 1,460 | - | 1,420 | - | 1,289 | - |
| Own Source Revenue | 3 | 109 | - | 79 | - | 78 | - |
| Fund designated for specific purpose | | - | - | - | - | - | - |
| Designated Donor Grants | 4 | 12 | - | 39 | - | - | - |
| Borrowed Funds | 5 | - | - | - | - | - | - |
| Other receipts | 6 | - | 377 | - | 330 | - | 239 |
| Total | | 1,581 | 377 | 1,538 | 330 | 1,367 | 239 |
| Payments | | | | | | | |
| <i>Operations</i> | | | | | | | |
| Wages and Salaries | 7 | 826 | - | 774 | - | 603 | - |
| Goods and Services | 8 | 284 | - | 138 | - | 132 | - |
| Utilities | 9 | 36 | - | 32 | - | 31 | - |
| | | 1,146 | - | 944 | - | 766 | - |
| <i>Transfers</i> | | | | | | | |
| Transfers and subsidies | 10 | 5 | - | 44 | - | 4 | - |
| Capital expenditures | 11 | 430 | - | 550 | 330 | 597 | 239 |
| Other payments | 12 | - | 377 | - | - | - | - |
| Return of Loan | 13 | - | - | - | - | - | - |
| Total | | 1,581 | 377 | 1,538 | 330 | 1,367 | 239 |

Municipality of Junik
Section 13. Budget Execution Report
for the year ended 31 December 2012

| | | 2012 | | | | 2011 | 2010 |
|---|----|-----------------------------------|--------------------------------|---------------|----------------|--------------|--------------|
| | | Original Budget (Appropriation) A | Final Budget (Appropriation) B | Realization C | Variance D=C-B | Payments E | Payments F |
| Note | | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Cash inflows from Treasury account | | | | | | | |
| Taxation | 14 | - | - | - | - | - | - |
| Owns Source Revenues | 15 | 75 | 129 | 79 | (22) | 76 | 72 |
| Donations | 16 | - | 13 | 12 | (1) | 39 | - |
| Capital Receipts | 17 | - | - | - | - | - | - |
| Privatization Fund | 18 | - | - | - | - | - | - |
| Borrowings | 19 | - | - | - | - | - | - |
| Other | 20 | - | - | - | - | - | - |
| Total Receipts collected for KCB | | 75 | 142 | 91 | (23) | 115 | 72 |
| Cash outflows from Treasury accounts | | | | | | | |
| Wages and Salary | 21 | 831 | 833 | 826 | (7) | 774 | 603 |
| Goods and Services | 22 | 142 | 285 | 284 | (1) | 138 | 132 |
| Utilities | 23 | 36 | 36 | 36 | - | 32 | 31 |
| Transfers and Subsidies | 24 | 5 | 5 | 5 | - | 44 | 4 |
| Capital expenditures | 25 | 254 | 449 | 430 | (19) | 550 | 597 |
| Privatization Fund | 26 | - | - | - | - | - | - |
| Other | 27 | - | - | - | - | - | - |
| Total Payments made from KCB through STA | | 1,268 | 1,608 | 1,581 | (27) | 1,538 | 1,367 |

The *General Fund* amounts totaling EUR 1,193 thousand for original budget, EUR 1,466 thousand for final budget and EUR 1,460 thousand for 2012 realisation (2011: EUR 1,420 thousand; 2010: EUR 1,289 thousand) have not been included in the *Cash inflows from treasury account* section in the above table, although they were used to help pay the various expenses of the Municipality presented under the *Cash outflows from treasury accounts* section. In previous years, such amounts were recorded as a separate category within the *Cash inflows from treasury account* in Section 13 *Budget Execution Report*.

Municipality of Junik

Section 15-20. Notes to the financial statements

31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 1

General information on the budget organization and the accounting policies

1.1 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. 07/2012 *On Annual Reporting Of Budget Organizations*. The notes to the financial statements are an integral part of these financial statements and are to be read in conjunction with them.

The accounting policies have been applied consistently throughout the period.

1.2 Reporting entity

The financial statements are for the public sector entity: Municipality of Junik (‘the Municipality’).

These financial statements comprise the Municipality pursuant to the Law for the management of Public Finance and Responsibility (03/L-048 and 03/L-211). The Municipality of Junik is controlled by the Kosovo Government and all financial activities are financed from the Consolidated Budget of Kosovo (“KCB”).

1.3 Payments by Third Parties

The Municipality of Junik benefits from goods and services purchased on its behalf as a result of cash payments made by third parties, other than the Government, during the reporting period. The payments made by the third parties do not constitute cash receipts or payments of the Municipality. The payments are reported in the column *Payment by Third Parties* in the Statement of Cash Receipt and Payments.

1.4 Treasury Single Account

The Municipality of Junik does not operate in its own bank accounts. The Government has a centralized Treasury function, which administers the receipt of cash received by all budgetary entities during the financial year. Payments made in this account regarding the Municipality of Junik are presented in the column Single Treasury Account in the Statement of Cash Receipt and Payments.

1.5 Return of expenses from the previous year

The funds returned to KCB from the previous year are reported as receipts in the current year and not as reductions to expenses in the year when the expense occurred.

1.6 Reporting currency

The reporting currency is Euro (€)

1.7 Authorization Date

The financial statements are authorized to be issued on 30 June 2013 and approved by Avdyl Gjota, Chief Financial Officer.

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 2 General Fund Appropriation

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------------------|--------------|--------------|--------------|
| Economic classification | €'000 | €'000 | €'000 |
| Wages and Salaries | 825 | 774 | 603 |
| Goods and Services | 272 | 132 | 132 |
| Utilities | 36 | 32 | 31 |
| Subsidies and transfers | - | 40 | - |
| Capital Outlays | 327 | 442 | 523 |
| Total | 1,460 | 1,420 | 1,289 |

Note 3 Own Source Revenue

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------------------|--------------|--------------|--------------|
| Economic classification | €'000 | €'000 | €'000 |
| Wages and Salaries | 2 | - | - |
| Goods and Services | - | 1 | - |
| Utilities | - | - | - |
| Subsidies and transfers | 5 | 4 | 4 |
| Capital Outlays | 102 | 74 | 74 |
| Total | 109 | 79 | 78 |

Note 4 Designated Donor Grants

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--------------------------------|--------------|--------------|--------------|
| Economic classification | €'000 | €'000 | €'000 |
| Wages and Salaries | - | - | - |
| Goods and Services | 12 | 5 | - |
| Utilities | - | - | - |
| Subsidies and transfers | - | - | - |
| Capital Outlays | - | 34 | - |
| Total | 12 | 39 | - |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 5 Borrowed Funds

| Lender | 2012 €'000 | 2011 €'000 | 2010 €'000 |
|--|---------------|---------------|---------------|
| | - | - | - |
| | - | - | - |
| | - | - | - |
| There are no borrowed funds during 2012 | - | - | - |

Note 6 Other Receipts

| Economic Classification | 2012 €'000 | 2011 €'000 | 2010 €'000 |
|--|---------------|---------------|---------------|
| Ministry of Labor and Social welfare | - | 125 | 40 |
| Ministry of Local Government Administration | 84 | 95 | 7 |
| Cultural heritage | - | - | - |
| Ministry of Agriculture, Forest and rural | - | 7 | 32 |
| Ministry of Culture | 10 | - | - |
| Ministry of Infrastructure | 20 | - | - |
| CDF | 0 | - | - |
| MPMS | 84 | - | - |
| Ministry of Environment and Spatial Planning | 130 | - | - |
| SNS & SIDA | 4 | - | - |
| K.U.R - Hidrodrini | - | - | 160 |
| IOM | 4 | 56 | - |
| USAID | 25 | 22 | - |
| KFOR-I | 16 | 25 | - |
| Total | 377 | 330 | 239 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 7 Wages and Salaries

| Description | 2012 | | | Total €'000 | 2011 | 2010 |
|--|--------------|--------------|--------------|----------------|------------|------------|
| | KCB €'000 | OSR €'000 | DDG €'000 | | €'000 | €'000 |
| Payments | 709 | 2 | - | 711 | 668 | 524 |
| Net Salaries | 4 | - | - | 4 | 2 | 1 |
| Payments to unions -0.10% to 0.50% | - | - | - | - | - | - |
| Overtime payments | - | - | - | - | - | - |
| Part time payments | - | - | - | - | - | - |
| Night-shift salaries | - | - | - | - | - | - |
| Net salary for maternity leave | - | - | - | - | - | - |
| Daily payments for Assembly and committee members | - | - | - | - | - | - |
| Contracted payments | - | - | - | - | - | - |
| Personal Income Tax | 33 | - | - | 33 | 30 | 20 |
| Employer pension contribution | 39 | - | - | 39 | 37 | 29 |
| Employee pension contribution | 39 | - | - | 39 | 37 | 29 |
| Court decisions | - | - | - | - | - | - |
| Total Payments | 824 | 2 | - | 826 | 774 | 603 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 8 Goods and Services

| Description | 2012 | | | Total €'000 | 2011 | 2010 |
|--|--------------|--------------|--------------|----------------|------------|------------|
| | KCB €'000 | OSR €'000 | DDG €'000 | | €'000 | €'000 |
| Payments | | | | | | |
| Travel expenses inside country | 4 | - | - | 4 | 1 | 1 |
| Other Travel expenses inside country | - | - | - | - | 1 | 7 |
| Travel expenses abroad | 3 | - | - | 3 | 4 | - |
| Other Travel expenses abroad | 3 | - | - | 3 | 1 | - |
| Telephone expenses | 6 | - | - | 6 | 7 | 5 |
| Postal services | 1 | - | - | 1 | 1 | - |
| Other contractual services | - | - | - | - | - | 13 |
| Printing services | - | - | - | - | - | - |
| Technical services | 1 | - | - | 1 | - | 1 |
| Part time contractual services | 106 | - | 10 | 116 | 24 | - |
| Membership expenses | 1 | - | - | 1 | 1 | 1 |
| Furniture (below Euro 1,000) | 5 | - | - | 5 | 1 | - |
| Computer less than 1,000 Euro | 5 | - | - | 5 | 4 | - |
| Medical specialized supplies <1,000 | - | - | - | - | - | - |
| Traffic supplies <1,000 | - | - | - | - | - | 1 |
| Other supplies <1,000 | 2 | - | - | 2 | - | 2 |
| Other supplies 1,000-5,000 | - | - | - | - | 11 | - |
| Office supply | 17 | - | - | 17 | 12 | 14 |
| Medical supply | 10 | - | - | 10 | 11 | 9 |
| Cleaning supply | - | - | - | - | 2 | 3 |
| Clothing | - | - | - | - | 1 | 2 |
| Funeral expenses | - | - | - | - | - | - |
| Oil for central heater | 8 | - | - | 8 | 2 | 5 |
| Wood | - | - | - | - | 7 | 9 |
| Generator fuel | 1 | - | - | 1 | 7 | 2 |
| Vehicle fuel | 36 | - | - | 36 | 12 | 10 |
| Registration of vehicles | - | - | - | - | 2 | - |
| Insurance of vehicles | 3 | - | - | 3 | - | 3 |
| Vehicle maintenance | 11 | - | - | 11 | 9 | 5 |
| Building maintenance | 5 | - | - | 5 | 2 | 6 |
| Road infrastructure maintenance | 22 | - | - | 22 | 2 | 1 |
| IT maintenance | - | - | - | - | - | 1 |
| Furniture and equipment maintenance | - | - | - | - | - | 2 |
| Rent for buildings | - | - | - | - | 2 | 14 |
| Marketing and Advertising | 1 | - | - | 1 | 1 | 7 |
| Publications | - | - | - | - | - | - |
| Food supply (excluding business lunch) | 4 | - | - | 4 | - | - |
| Medical services | 2 | - | - | 2 | - | - |
| Intellectual services | 1 | - | - | 1 | - | - |
| Accommodation | - | - | 1 | 1 | - | - |
| Schools maintenance | 2 | - | - | 2 | - | - |
| Representation expenses | 13 | - | - | 13 | 10 | 8 |
| Total | 273 | - | 11 | 284 | 138 | 132 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 9 Utilities

| Description | 2012 | | | | 2011 | 2010 |
|-----------------------|--------------|--------------|--------------|----------------|-----------|-----------|
| | KCB €'000 | OSR €'000 | DDG €'000 | Total €'000 | €'000 | €'000 |
| Electricity | 14 | - | - | 14 | 14 | 31 |
| Water | 5 | - | - | 5 | 6 | - |
| Waste | 10 | - | - | 10 | 8 | - |
| Telephone | 5 | - | - | 5 | 4 | - |
| Municipality expenses | 2 | - | - | 2 | - | - |
| Total | 36 | - | - | 36 | 32 | 31 |

Note 10 Transfers and Subsidies

| Description | 2012 | | | | 2011 | 2010 |
|--|--------------|--------------|--------------|----------------|-----------|----------|
| | KCB €'000 | OSR €'000 | DDG €'000 | Total €'000 | €'000 | €'000 |
| Payments | | | | | | |
| Subsidies | - | - | - | - | - | 4 |
| Subsidies for public entities | - | 5 | - | 5 | - | - |
| Subsidies for non-public entities | - | - | - | - | - | - |
| Transfers for other governments | - | - | - | - | - | - |
| Payments for individual beneficiaries | - | - | - | - | 44 | - |
| Base pensions | - | - | - | - | - | - |
| Disabled pensions | - | - | - | - | - | - |
| Pensions or social assistance | - | - | - | - | - | - |
| Pensions of TMK | - | - | - | - | - | - |
| Pensions of I category (family members) | - | - | - | - | - | - |
| Pensions of II category (family members) | - | - | - | - | - | - |
| Payments for war invalids | - | - | - | - | - | - |
| Payments for civil invalids | - | - | - | - | - | - |
| Payments for war victims families | - | - | - | - | - | - |
| Trepca provisional pensions | - | - | - | - | - | - |
| Court Decisions | - | - | - | - | - | - |
| Total | - | 5 | - | 5 | 44 | 4 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 11 Property, Plant, and Equipment

| Description | 2012 | | | Total €'000 | 2011 | 2010 |
|--|--------------|--------------|--------------|----------------|------------|------------|
| | KCB €'000 | OSR €'000 | DDG €'000 | | €'000 | €'000 |
| Payments | | | | | | |
| Other structure | - | - | - | - | - | - |
| Buildings | - | 4 | - | 4 | 33 | 4 |
| Road construction | 313 | 96 | - | 409 | 381 | 160 |
| IT equipment | - | - | - | - | 10 | - |
| Waste and water system | - | - | - | - | 3 | 308 |
| Water supply system | - | - | - | - | - | 18 |
| Educational Facilities | - | - | - | - | 10 | 16 |
| Medical Facilities | - | - | - | - | 35 | - |
| Energy, generation, transfer, and supply | 3 | 2 | - | 5 | 10 | 23 |
| Furniture | - | - | - | - | 7 | - |
| Other parts | - | - | - | - | 7 | - |
| Cultural facilities | - | - | - | - | - | 5 |
| Sport facilities | - | - | - | - | 48 | 37 |
| Official Vehicles | - | - | - | - | 6 | 22 |
| Machinery | - | - | - | - | - | - |
| Other capital | 12 | - | - | 12 | - | 4 |
| Total | 328 | 102 | - | 430 | 550 | 597 |

Note 12 Other payments

| Economic Classification | 2012 €'000 | 2011 €'000 | 2010 €'000 |
|---|---------------|---------------|---------------|
| Ministry of Labor and Social welfare | - | - | - |
| Ministry of Local Government Administration | 84 | - | - |
| Cultural heritage | - | - | - |
| Ministry of Agriculture, Forest and rural | - | - | - |
| Ministry of Culture | 10 | - | - |
| Ministry of Infrastructure | 20 | - | - |
| CDF | 0 | - | - |
| MPMS | 84 | - | - |
| Ministry of Environment Planning | 130 | - | - |
| SNS & SIDA | 4 | - | - |
| K.U.R - Hidrodrini | - | - | - |
| IOM | 4 | - | - |
| USAID | 25 | - | - |
| KFOR-I | 16 | - | - |
| Total | 377 | - | - |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 13 Return of loans

| Description | 2012 €'000 | 2011 €'000 | 2010 €'000 |
|--------------|---------------|---------------|---------------|
| Lender 1 | - | - | - |
| Lender 2 | - | - | - |
| Lender 3 | - | - | - |
| Total | - | - | - |

Note 14 Taxation

| Description | Note | 2012 €'000 | 2011 €'000 | 2010 €'000 | % of total 2012 | % change from 2011 |
|----------------|------|---------------|---------------|---------------|-----------------------|-----------------------|
| Tax Revenues 1 | | - | - | - | % | % |
| Tax Revenues 2 | | - | - | - | % | % |
| Tax Revenues 3 | | - | - | - | % | % |
| Total | | - | - | - | 0% | % |

Note: The table relates only to taxes related to Customs and Tax Administration of Kosovo ("TAK")

Note 15 Own source revenues

| Description | Note | 2012 €'000 | 2011 €'000 | 2010 €'000 | % of total 2012 | % change from 2011 |
|---|------|---------------|---------------|---------------|-----------------------|-----------------------|
| Revenues from administration | | 11 | 27 | 22 | 8.5% | -59.3% |
| Tax on property | | 32 | 29 | 28 | 24.8% | 10.3% |
| Revenue from business licenses | | 1 | 1 | 2 | 0.8% | 0.0% |
| Tax on registration and inheritance | | 6 | - | - | 4.7% | 0.0% |
| Fees for demolition | | - | - | - | 0.0% | 0.0% |
| Fees for registration of heritage | | 6 | - | - | 4.7% | 0.0% |
| Revenues from contributions | | - | - | - | 0.0% | 0.0% |
| Revenues from the sale of service | | - | 9 | - | 0.0% | -100.0% |
| Revenues from participation - Health | | 7 | - | 7 | 5.4% | 100.0% |
| Building permit fees | | 3 | - | - | 2.3% | 100.0% |
| Revenue from construction licenses | | 3 | - | 7 | 2.3% | 100.0% |
| Traffic fines | | 1 | 2 | 2 | 0.8% | -50.0% |
| Court fines | | - | - | 1 | 0.0% | 0.0% |
| Revenues from the exploitation of forest | | 9 | 8 | 3 | 7.0% | 12.5% |
| Revenues from public services | | - | - | - | 0.0% | 0.0% |
| Total | | 79 | 76 | 72 | 100% | 3.9% |
| Revenues from last year | | 50 | - | 59 | 38.8% | 100.0% |
| Total Own Source Revenue | | 129 | 76 | 72 | 100% | 69.7% |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 15 Own source revenues (continued)

Own source revenues presented in Section 13, for the year 2010 have been restated from EUR 28 thousand to EUR 72 thousand.

A change was made to the presentation in 2011 such that *Own Source Revenues* recorded in Section 13 *Budget Execution Report* comprise only OSR collected in the year, and no adjustment was made for the net of OSR carried and brought forward which for 2010 amounted to negative EUR 44 thousand.

Note 16 Grants and Assistance

| Description | | 2012 | 2011 | 2010 |
|--|------------------------------|--------------|--------------|--------------|
| | | €'000 | €'000 | €'000 |
| UN-HABITAT | Regulation of assembly Junik | 96003 | - | 34 |
| World Bank | | | - | 6 |
| UNDP | Support to Decentr. Kosovo | 96573 | 12 | 3 |
| UNOPS | Support for Reg.Pop. | 96701 | - | - |
| Total grants provided by donors | | | 12 | 43 |

Note 17 Capital receipts

| Asset Type | Profit from Sale | | |
|--------------------|-------------------------|-------------|-------------|
| | 2012 | 2011 | 2010 |
| | €000 | €000 | €000 |
| Land | - | - | - |
| Buildings | - | - | - |
| Infrastructure | - | - | - |
| Machinery | - | - | - |
| Equipment | - | - | - |
| Transport vehicles | - | - | - |
| Other | - | - | - |
| Total | - | - | - |

Note 18 Privatization fund

| POE | Profit from Privatization | | |
|--------------|----------------------------------|--------------|--------------|
| | 2012 | 2011 | 2010 |
| | €'000 | €'000 | €'000 |
| POE #1 | - | - | - |
| POE #2 | - | - | - |
| POE #3 | - | - | - |
| POE #4 | - | - | - |
| POE #5 | - | - | - |
| Total | - | - | - |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 19 Borrowings

| Description | 2012 €'000 | 2011 €'000 | 2010 €'000 |
|--------------|---------------|---------------|---------------|
| Lender 1 | - | - | - |
| Lender 2 | - | - | - |
| Lender 3 | - | - | - |
| Lender 4 | - | - | - |
| Lender 5 | - | - | - |
| Total | - | - | - |

Note 20 Other

| Receipt type | 2012 €000 | 2011 €000 | 2010 €000 |
|------------------------------|--------------|--------------|--------------|
| Lottery games deposit | - | - | - |
| Regulatory committee deposit | - | - | - |
| Ministry of Justice deposit | - | - | - |
| Other deposit | - | - | - |
| Total | - | - | - |

Note 21 to 27

Unlike notes 11 -16, these notes are used to explain material difference in column D on the Budget Execution Report, ie material differences in budget realizations. Depending on the size of the difference, there is no need to offer explanations for all categories.

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

The difference between the payment and final budget for the category of wages and salaries of EUR 7 thousand is related to the program of Urban Planning and Inspection, Local Community Office, Social Services and partly in Economic Development Directory, in which assets for maternity leave of employees and other changes to this program were planned. During the year there was no need for this fund and the Municipality was not permitted to transfer the amount to other budget lines, therefore, these funds remained unspent.

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

The difference between payments and final budget for the category of goods and services of EUR 540, is due to small payment balances from all programs including donations for Junik Municipality. EUR 460 relates to UNDP for Rastavica School and EUR 80 is from invoices lower than the planned expense, thus resulting in unused funds.

23. Difference between payments and final budget for utilities

The difference between payments and final budget is EUR 186, which represent amounts remained unspent from all projects.

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

The difference between payments and final budget is EUR 200, which represent funds from fund no. 21.

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

25. Difference between payments and final budget for capital expenditure

The difference between payments and final budget for capital investments is EUR 19 thousand. These are unspent funds from all planned projects and payments not completed. These funds source from own revenues, all these unspent funds will be transferred to the following year.

26. Difference between payments and final budget for privatization fund

There are no differences in this economic category.

27. Difference between payments and final budget for other funds

There are no differences in this economic category.

Note 28 Reporting obligations

| Summary | | 2012 |
|--------------------------|--------------------------------|--------------|
| Economic category | Description | €'000 |
| 14010 | Vehicle Service | 0.24 |
| 13780 | Fuel | 8.81 |
| 13610 | Office Supply | 2.19 |
| 14310 | Official lunch | - |
| 14020 | Building maintenance | - |
| 13460 | Other contractual service | 3.83 |
| 13140 | Travel expenses abroad | - |
| 13130 | Travel expenses inside country | - |
| 13330 | Postal expenses | 0.18 |
| 13220 | Water | 1.78 |
| 13210 | Electricity | 0.33 |
| 31130 | Other building structure | 8.68 |
| 13230 | Waste | 0.17 |
| Total | | 26.21 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 28 Reporting obligations under the LPFMA

Statement of Outstanding Invoices

| Invoice Date | Invoice Number | Economic Number | Term of payment | Supplier | Description | Reason for unpaid invoice | €'000 |
|--------------|----------------|-----------------|-----------------|--------------------|---------------------|------------------------------------|-------|
| 11/12/2012 | 10/1/2012 | | | Atlantida-L Sh.p.k | Transport of pupils | Closing of payment period in KFMIS | 0.83 |
| 11/12/2012 | 10/2/2012 | | | Atlantida-L Sh.p.k | Transport of pupils | Closing of payment period in KFMIS | 0.70 |
| 12/7/2012 | 11/2/2012 | | | Atlantida-L Sh.p.k | Transport of pupils | Closing of payment period in KFMIS | 0.67 |
| 12/7/2012 | 11/1/2012 | | | Atlantida-L Sh.p.k | Transport of pupils | Closing of payment period in KFMIS | 0.60 |
| 12/26/2012 | 12/1/2012 | | | Atlantida-L Sh.p.k | Transport of pupils | Closing of payment period in KFMIS | 0.48 |
| 12/26/2012 | 12/2/2012 | | | Atlantida-L Sh.p.k | Transport of pupils | Closing of payment period in KFMIS | 0.54 |
| 11/20/2012 | 0002986 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.14 |
| 11/20/2012 | 0002987 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.18 |
| 11/20/2012 | 0002989 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.99 |
| 11/20/2012 | 0002988 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.69 |
| 11/20/2012 | 0002993 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.47 |
| 11/20/2012 | 10/2012-k.k.j | | | PK-Posta | Postal expense | Closing of payment period in KFMIS | 0.00 |
| 11/2/2012 | 0363/2012 | | | Agimi De | Office supply | Closing of payment period in KFMIS | 0.50 |
| 11/2/2012 | 0362/2012 | | | Agimi De | Office supply | Closing of payment period in KFMIS | 0.42 |
| 11/02.2012 | 0365/2012 | | | Agimi De | Office supply | Closing of payment period in KFMIS | 1.10 |
| 12/3/2012 | 03/12-1 | | | NTSH DIARI | Office supply | Closing of payment period in KFMIS | 0.18 |
| 11/13/2012 | 0008198 | | 0008198 | NTSH Besina | Vehicle maintenance | Closing of payment period in KFMIS | 0.24 |
| 12/20/2012 | 0029579 | | 0029579 | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.15 |
| 12/20/2012 | 0029576 | | 0029576 | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.43 |
| 12/20/2012 | 0029577 | | 0029577 | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.81 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 28 Reporting obligations under the LPFMA

Statement of Outstanding Invoices (Liabilities)

| Invoice Date | Invoice Number | Economic Number | Term of payment | Supplier | Description | Reason for unpaid invoice | €'000 |
|--------------|----------------|-----------------|-----------------|------------------|---------------------|------------------------------------|-------|
| 12/20/2012 | 0029585 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.51 |
| 12/20/2012 | 0029584 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 2.30 |
| 12/20/2012 | 0029582 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.68 |
| 12/20/2012 | 0029583 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.41 |
| 12/20/2012 | 0029581 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.07 |
| 12/20/2012 | 0029580 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.18 |
| 12/20/2012 | 0029578 | | | N.T Zem - Zem | Fuel | Closing of payment period in KFMIS | 0.81 |
| 12/20/2012 | 653-2012 | | | Reklama Konkurse | Advertising | Closing of payment period in KFMIS | 0.07 |
| 1/4/2013 | 027/13 | | | Reklama Konkurse | Advertising | Closing of payment period in KFMIS | 0.10 |
| 12/7/2012 | 297/12 | | | NSHP HIXHENA | Waste | Closing of payment period in KFMIS | 0.05 |
| 12/7/2012 | 313/12 | | | NSHP HIXHENA | Waste | Closing of payment period in KFMIS | 0.05 |
| 12/7/2012 | 397a/12 | | | NSHP HIXHENA | Waste | Closing of payment period in KFMIS | 0.05 |
| 1/11/2013 | 9028647 | | | KEK | Electricity expense | Closing of payment period in KFMIS | 0.02 |
| 1/11/2013 | 9028645 | | | KEK | Electricity expense | Closing of payment period in KFMIS | 0.02 |
| 1/11/2013 | 2000713 | | | KEK | Electricity expense | Closing of payment period in KFMIS | 0.09 |
| 1/11/2013 | 2000798 | | | KEK | Electricity expense | Closing of payment period in KFMIS | 0.06 |
| 1/11/2013 | 9007193 | | | KEK | Electricity expense | Closing of payment period in KFMIS | 0.08 |
| 1/11/2013 | 9007194 | | | KEK | Electricity expense | Closing of payment period in KFMIS | 0.03 |
| 1/11/2013 | 9007183 | | | KEK | Electricity expense | Closing of payment period in KFMIS | 0.04 |
| 1/14/2013 | 373791 | | | HIDRO DRINI | Water expense | Closing of payment period in KFMIS | 0.04 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 28 Reporting obligations under the LPFMA

Statement of Outstanding Invoices (Liabilities)

| Invoice Date | Invoice Number | Economic Number | Term of payment | Supplier | Description | Reason for unpaid invoice | €'000 |
|---------------------|-----------------------|------------------------|------------------------|-----------------|--------------------|------------------------------------|--------------|
| 1/14/2013 | 373792 | | | HIDRO DRINI | Water expense | Closing of payment period in KFMIS | 0.02 |
| 1/14/2013 | 373793 | | | HIDRO DRINI | Water expense | Closing of payment period in KFMIS | 0.10 |
| 1/14/2013 | 373795 | | | HIDRO DRINI | Water expense | Closing of payment period in KFMIS | 0.75 |
| 1/14/2013 | 373796 | | | HIDRO DRINI | Water expense | Closing of payment period in KFMIS | 0.50 |
| 1/14/2013 | 373797 | | | HIDRO DRINI | Water expense | Closing of payment period in KFMIS | 0.08 |
| 1/14/2013 | 373798 | | | HIDRO DRINI | Water expense | Closing of payment period in KFMIS | 0.14 |
| 1/14/2013 | 381619 | | | HIDRO DRINI | Water expense | Closing of payment period in KFMIS | 0.15 |
| 12/20/2012 | 54/12 | | | King ICT | Capital | Closing of payment period in KFMIS | 1.98 |
| 12/20/2012 | 0029586 | | | N.T Zem - Zem | Capital | Closing of payment period in KFMIS | 6.71 |
| TOTAL | | | | | | | 26.21 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 29: Contingent Liabilities

| Contingency Liability Type | Reason for Liabilities | Exact or estimated value | | |
|----------------------------|------------------------|--------------------------|-------|-------|
| | | 2012 | 2011 | 2010 |
| | | €'000 | €'000 | €'000 |
| | | - | - | - |
| | | - | - | - |
| | | - | - | - |
| | | - | - | - |
| | | - | - | - |
| Total | | - | - | - |

Section 16 Disclosure of Property, Plant and Equipment

Note 30: Summary of non-financial capital assets (worth over 1000 Euros) in possession of a budget organization

| Assets Classification | 2012 | 2011 | 2010 |
|--------------------------|--------------|--------------|------------|
| | €'000 | €'000 | €'000 |
| Non residential building | 381 | 516 | 390 |
| Land | - | - | - |
| Sewage | 616 | - | - |
| Equipment | 40 | 10 | - |
| Infrastructure | 332 | 1,156 | 442 |
| Machinery | 10 | - | - |
| Vehicle | 22 | 6 | - |
| Other | 33 | 24 | - |
| Total | 1,434 | 1,712 | 832 |

Note:

- 1) Source of information is the property registry with value greater than 1,000 Euro in KFMIS.

Note 31: Summary of non-financial assets valued under 1000 Euros with life of more than one year

Non capital assets (valued less than 1000 Euro)

| Assets Classification | 2012 | 2011 | 2010 |
|-------------------------|-----------|-----------|----------|
| | €'000 | €'000 | €'000 |
| Equipment and furniture | 50 | 25 | - |
| Total | 50 | 25 | - |

Note:

- 1) Source of information is the property registry with value less than 1,000 Euro in BO.

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 32: Summary of inventory at end of period

Inventory

| Asset Classification | 2012 €'000 | 2011 €'000 | 2010 €'000 |
|----------------------|---------------|---------------|---------------|
| Inventory | - | - | - |
| Total | - | - | - |

Note:

- 1) Source of information is the stock registry in BO.

Note 33: Unjustified Loans and advances

| Issue Date | No of CPO | Purpose | 2012 €'000 |
|--------------|-----------|---------|---------------|
| Total | | | - |

Note 34 Receivables (applies to organizations that collect revenue)

| Invoice Date | Economic Code | Description | Term of payment | Debtor | 2012 € |
|--------------|---------------|------------------------------|-----------------|---------------------------------------|-----------|
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T. Belladona | 150.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | D.P.T. Gjocaj | 300.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | D.P.T.Linda | 265.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | D.P.T. Liridoni-HG | 100.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.Sh.P.Ardi-J D . P . T Computer | 0.60 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | Line | 374.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.Sh. Rinija | 805.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.P.T. Juniku-AS | 210.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | D.P.Z.Sofra N.T.Sh.P.Kosova e | 500.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | Lirë | 735.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.Sh. Besina | 470.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.R -ES-Ardi-AS | 265.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | West - Union | 375.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | D.P.Z.Sofra-T | 400.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.P. "Tujaha" | 150.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | D.P.T.Shqiponja | 80.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | Joos-Krasniqi | 1,000.00 |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | D . P . Z . Dita | 200.00 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Note 34 Receivables (applies to organizations that collect revenue) (continued)

| | | | | | | 2012 |
|--------------|---------------|------------------------------|-----------------|----------------------|-------------------|------|
| Invoice Date | Economic Code | Description | Term of payment | Debtor | € | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.P.T.Sh.P. Tofaj | 640.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T. Burimi - M | 288.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.P Miroci | 170.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.Sh.H Gjeravica | 921.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N. P.Sh.Genti | 160.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.P. Sigma | 400.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.H. Gentonisi | 450.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.P.T.Zam-Lina | 100.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.N.T .Oda e Junikut | 600.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | O.P.S. Mem-Dent | 450.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | D.T.P Andrimi-M | 56.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.P.H. "Ereniku" | 100.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.P "Gurra" | 175.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.P. "Jeta" | 400.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.P. "Qestaj-AG | 100.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | Zyra e per."Jerina" | 100.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | N.T.Sh. Ardiana | - | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | Auto Taxi | - | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | Real Sport | 300.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | D.P.Z Te Toni | 225.00 | |
| 30.04.2012 | 50019 | Business operational license | 31.12.2012 | Idea Desing | 40.00 | |
| 15.03.2012 | 40110 | Tax on property | 31.12.2012 | Tatimpaguesit | 109,465.85 | |
| Total | | | | | 121,520.45 | |

Note: 1) Source of information is the register of accounts receivable to BO.

Section 17, Note 35 Summary of Carried Forward Own Source Revenues

| | | 2012 | 2011 | 2010 |
|--------------|--|------------|------------|------------|
| | | €'000 | €'000 | €'000 |
| | Own source revenues carried over from last year | 50 | 53 | 59 |
| <i>Plus</i> | Own Source Revenues received this year by section 15 | 79 | 76 | 72 |
| | Total available for sharing in the current year | 129 | 129 | 131 |
| <i>Minus</i> | The amount spent in the current year | (109) | (79) | (78) |
| | The amount left for transfer | 20 | 50 | 53 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Section 18, Note 36 Reconciliation between Original and Final Budget Appropriations

| Appropriation Category | Initial budget disposal of (Law on Budget) €'000 | Changes authorized by LPFMA | | | | | | Final Budget Appropriation KFMIS EUR '000 | Adjustment from Original Budget |
|-------------------------|--|--|--|--|-------------------------------------|----------------------------------|--------------------------------------|---|---------------------------------|
| | | Changed according to article 29 Law nr. 03/L-048 €'000 | Changed according to article 30 Law nr. 03/L-048 €'000 | Changes according to article 31 Law nr. 03/L-048 €'000 | Changes of own source revenue €'000 | Changes for donor grants defined | Changes for other sources of finance | | |
| Revenues | | | | | | | | | |
| Tax | - | - | - | - | - | - | - | - | 0% |
| Own source revenues | 75 | - | - | 79 | 50 | - | - | 129 | 72% |
| Designated donor grants | - | - | - | - | - | 13 | - | 13 | 100% |
| Capital receipts | - | - | - | - | - | - | - | - | 0% |
| Privatization funds | - | - | - | - | - | - | - | - | 0% |
| Other | - | - | - | - | - | - | - | - | 0% |
| | 75 | - | - | 79 | 50 | 13 | - | 142 | 89% |
| Expenses | | | | | | | | | |
| Wages and Salaries | 831 | - | - | - | 2 | - | - | 833 | 0% |
| Goods and services | 142 | 130 | - | - | - | 13 | - | 285 | 101% |
| Public services | 36 | - | - | - | - | - | - | 36 | 0% |
| Transfers and subsidies | 5 | - | - | - | - | - | - | 5 | 0% |
| Capital expenditures | 254 | - | - | 144 | 51 | - | - | 449 | 77% |
| Privatization funds | - | - | - | - | - | - | - | - | 0% |
| Other | - | - | - | - | - | - | - | - | 0% |
| | 1,268 | 130 | - | 144 | 53 | 13 | - | 1,608 | 27% |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Article 19. Number of employees

| Department | Total full time & part time no. of employees | Actual no. of employees in the beginning of 2012 | | Actual number of employees at the end of 2012 | |
|------------------------|--|--|-----------|---|-----------|
| | | Full time | Part Time | Full time | Part Time |
| Office of the Mayor | 8 | 8 | - | 8 | - |
| Administration | 14 | 14 | - | 14 | - |
| Budget and Finance | 8 | 8 | - | 8 | - |
| Public Service | 9 | 9 | - | 9 | - |
| Economic development | 12 | 12 | - | 12 | - |
| Urbanization | 7 | 7 | - | 7 | - |
| Local Community Office | 1 | 1 | - | 1 | - |
| Health | 27 | 27 | - | 27 | - |
| Education | 87 | 85 | 2 | 84 | 2 |
| Total | 173 | 171 | 2 | 170 | 2 |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

Section 20.

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

| Audit Component | Recommendation given | Action undertaken | Deadline for completion | Effect |
|-----------------|---|-------------------|-------------------------|--------|
| 1 | <p>The preparation of the Municipality's financial statements should include procedures and tools that are designed to ensure that information required is recorded, processed, summarized and appropriately reported in the financial statements.</p> <p>The Municipality should also prepare financial statements in the Serbian language.</p> | | | |
| 2 | <p>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:</p> <ul style="list-style-type: none"> • Implement a billing system that includes updated details about the payers, their current address, history and collection rating. Such information should be accessible only to a limited number of persons and with the authorization of management. • Enter and centrally control the approved tariffs and tax rates in the system in order to calculate and generate the bills automatically. The generation of bills should also be authorized and reviewed. • Automatically inter-connect the billing system with the accounting software so that the information is automatically processed into the | | | |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

| | | | | |
|---|---|--|--|--|
| | <p>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.</p> <ul style="list-style-type: none"> • 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. | | | |
| 3 | <p>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.</p> | | | |
| 4 | <p>We recommend the Mayor ensures a process is designed and established, which ensures that receivables are recorded upon issuing of each invoice. Also the receivables register should be updated according to payments received in respect of invoices released by the Municipality. In addition, we recommend that the Municipality follow up regularly on outstanding receivables to ensure timely collection.</p> | | | |
| 5 | <p>We recommend the Mayor ensures that the Municipality considers the following:</p> <ul style="list-style-type: none"> • Maintain a comprehensive register of property, plant and equipment. • Involve additional resources in the registration and valuation of the assets of the Municipality. • Involvement of independent and certified appraisers is recommended as the best practice in such cases. Best practice would require that valuations be performed by certified appraisers. However, the Municipality should | | <p>Assets were registered during the year.</p> | |

Municipality of Junik
Section 15-20. Notes to the financial statements
31 December 2012

(Amounts in thousands of EUR, unless otherwise stated)

| | | | | |
|---|--|--|--|--|
| | <p>consider the cost vs. benefits prior to engaging such appraisers.</p> <ul style="list-style-type: none"> • Perform regular physical counts to ensure the existence of the assets and their condition and agree the results of the counts with the accounting records and the register. • Make additional efforts in relation to confirming the ownership and registration of real estate. | | | |
| 6 | <p>We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements. All efforts should be made to make payments within year-end.</p> | | | |
| 7 | <p>We recommend the Mayor ensures that the Municipality submits the draft procurement plan on the time frame decided by local laws and regulations.</p> | | | |
| 8 | <p>The preparation of the Municipality's financial statements should include procedures and tools that are designed to ensure that information required is recorded, processed, summarized and appropriately reported in the financial statements.</p> | | | |
| 9 | <p>We recommend to the Audit Committee to ensure that the internal audit work in later months of 2011, cover 2011 events and transactions in order to provide timely feedback to various departments within the Municipality.</p> | | | |