



Financial Statements and Independent Auditor's Report

Municipality of Rahovec

31 December 2009

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Independent Auditors' Report

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To the Municipal Assembly

Rahovec Municipality, Kosovo

Report of Financial Statements

We were engaged to audit the accompanying financial statements of Municipality of Rahovec (“the Municipality”) which comprise the Statement of Cash Receipts and Payments for the year ended 31 December 2009, Budget Execution Report and a summary of significant accounting policies and other explanatory information.

The financial statements of the Municipality as of and for the year ended 31 December 2008 were audited by another auditor whose report dated 01 December 2009 expressed disclaimed opinion on that financial statements due to lack of appropriateness of financial information, lack of accuracy of the financial data related to fixed assets and completeness and accuracy of the revenues, lack of adequate and reliable control procedures related to appropriate authorization of expenditures and lack of reconciliation between the accounting data and data disclosed in the Municipality’s financial statements as well as non-compliance with laws and regulations.

Management’s Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards “Financial Reporting Under the Cash Based Accounting”, with the Administrative Instruction No. 20/2009 on Annual Reporting of Budget Organizations and Administrative Instructions No. 15/2009, 18/2009 and 21/2009., and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

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

Basis for Disclaimer of Opinion

1. The Municipality's financial statements as of and for the year ended 31 December 2009 in some parts are incomplete and not reconciled with the related notes to the financial statements. Therefore, we were not able to obtain reasonable assurance over the appropriateness of the financial information provided in the Municipality's financial statements as of and for the year ended 31 December 2009.
2. The Municipality does not maintain listings of payments from third parties. Due to the nature of records kept in the accounting and operational systems for payments from third parties, as well as the absence of alternative controls implemented by management, we were not able to verify the completeness of the payments from third parties recognized for the year ended 31 December 2009.
3. The Municipality does not maintain separate register for its property, plant and equipment. In addition there is no evidence of performing verification of physical existence of the assets as of 31 December 2009 and no reconciliation of municipality's books to physical count has been made. Furthermore, the Municipality has not prepared a detailed and comprehensive list of real estate property including documentation of the ownership of such property and information about registration status in the Municipality's name in the local Real Estate Register or at Court. Therefore, we were not able to satisfy ourselves with the completeness and accuracy of the Municipality's financial records related to property, plan and equipment as of 31 December 2009.
4. Based on the audit procedures performed we identified that the Municipality' did not provide us sufficient reliable source documents regarding revenues earned. Owing to such limitations, we were unable even by using alternative audit procedures to satisfy ourselves with the accuracy of the Municipality revenues for the year ended 31 December 2009.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements, for the year ended 31 December 2009.

Report on other Legal and Regulatory Requirements

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

Auditor's Responsibility

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

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

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

Conclusion on Compliance

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

Other matters

We draw attention to the following:

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

- d) The Municipality does not maintain listings of payments from third parties. The evidence available to us and the controls implemented by the Municipality's management for ensuring the payments from third parties are presented and managed in accordance with relevant legislation and therefore applied for the purposes intended by the legislature were limited.

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

Grant Thornton

Prishtina,

25 May 2010

Appendix I

Rahovec Municipality

Key findings, Recommendations and Management's
comments

Current Year Findings (continued)

General

Audit for 2009

Grant Thornton LLC was appointed to perform an audit of the Municipality of Rahovec ("the Municipality") financial statements as of and for the year ended 31 December 2009 prepared in accordance with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting.

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

Consequences

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

Fraud exclusion

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

Structure of this report

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

Current Year Findings (continued)

Current Year Findings

1 Preparation of financial statements

Finding

The primary reliable source of information for the preparation of financial statements is Free Balance. Although the Municipality records its receipts and payments in locally generated, Access based accounting software, this system is not used to prepare all the notes and disclosures to the financial statements.

Although the Mayor had signed the Declaration regarding presentation of the financial statements, the Municipality had not prepared a draft of financial statements in English and Serbian languages before the start of our audit. However, the Municipality was not able to deliver a final draft of financial statements in Serbian by the end of our audit.

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

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

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

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

- In the Municipality's financial statements, Section 15 note 27 - Summary of non-financial assets owned by the budget organization is not disclosed for years 2008 and 2007;
- In the Municipality's financial statements, Section 16 note 29 – Contingent liabilities is not disclosed for years 2009,2008 and 2007;
- In the Municipality's financial statements disclosures, Article 9 –Statement of Cash receipts and Payments, note 6 does not reconcile with note 6 –Goods and Services of the financial statements, for the year ended 31 December 2007.
- In the Municipality's financial statements disclosures , Article 9- Statement of Cash receipts and Payments, note 3 does not reconcile with note 3 for the years ended in 31 December 2007 and 2008.
- In the Municipality's financial statements disclosures, Article 9- Statement of Cash receipts and Payments, note 9 doesn't reconcile with note 9 of the financial statements, for the years ended 31 December 2009, 2008 and 2007.

Current Year Findings (continued)

- Note 25, statement of outstanding invoices (liabilities) comprises the total of outstanding invoices by departments instead of disclosing the required details for every outstanding invoices.
- In the Municipality's financial statements disclosures, note 12 –Own source revenue does not reconcile with Report of receipt by programs.

Risk

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

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

Recommendation

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

Management response

Current Year Findings (continued)

2 Property, plant and equipment management

Finding

The Municipality does not have documented procedures and does not maintain separate register for its property, plant and equipment. Moreover, the Municipality does not performed annual count and verification of physical existence of the assets as of 31 December 2009 but did not reconcile its books with the physical count records which is not in compliance with the requirements of the Administrative Instructions No. 21/2009 on Management of Government Property.

Risk

Non-existence of adequate procedures and register policy may lead to inadequate treatment of asset due to inherent limitations of the control environment.

Recommendation

We recommend Municipality of Rahovec to develop and communicate a set of policies and procedures regarding property, plant and equipment. Management should perform physical count and verification of the existence of all tangible assets recorded in the property, plant and equipment register on annual basis. Missing items should be investigated and if necessary written-off.

In addition and as a minimum, the aforementioned register should contain the following information for each fixed asset:

- Acquisition date
- Location
- Number assigned by the Municipality (tag number)
- Serial number
- Description and function
- Cost
- Details of depreciation, including methods of computation for both tax and financial reporting purposes
- Anticipated useful life
- Maintenance cost subsequent to the date of acquisition
- Date of disposal
- Financing source
- Expense voucher reference number.

Furthermore, and for the purpose of providing adequate safeguarding of its assets, that should perform regular and at least annual, physical count of all property, plant and equipment items. Related accounting records have to be reconciled with the results of such physical counts.

Management response

The Commission of the Municipal Council in charge for registering assets for year 2009 due to objective reasons is delayed and the Commission is completing the physical numbering, reevaluation and labeling. The Commission's justification was the conveyance of assets within three municipal facilities.

There is also a Municipal Council for registering real estate however needs to be expanded with other professional members since we are mainly dealing with assessing real estate such as: land, buildings, etc. We have not installed the unique program for assets and archive directly linked with Free Balance. For all technical-practical and procedural deficiencies which have surfaced, we hope to solve the current year of 2010. I am not informed about UA no. 21/2009.

Current Year Findings (continued)

3 Revenue

Finding

The Municipality's management has not classified appropriately the revenues during the year in the Free Balance System as per their economic code according administrative instruction 20/2009.

The Municipality's management does not maintain separate sub ledgers of its debtors regarding the various taxes such as: annual tax for Business License, rent for using municipality's property etc as per administrative instruction 20/2009. Without sufficient detailed and accurate records of debtors, the municipality is unable to prepare reliable and accurate budget as well as collect its own source revenues on a timely basis. Consequently, except for taxes on property, the Treasury and Municipality are not provided with detailed list produced by the accounting system or the billing system. As a result, it is not possible to perform a proper reconciliation or analysis by debtor.

Based on the audit procedures performed, we identified that the Municipality's internal controls established related to billing, collection and reconciliation of revenues are not designed appropriately. These controls do not operate effectively so as to provide reasonable assurance over the completeness of the recognized revenues for the year ended 31 December 2009.

Risk

Whilst receivables are not required to be disclosed in the financial statements, lack of accuracy and completeness will impact revenues that Municipality can earn. Improper and insufficient controls related to revenues and inadequate software and billing system increase the risk of manipulation of data and misuse of information. Such weakness of the system could lead to incomplete billing and incomplete revenues. Manual recording and lack of interface of the billing and accounting system exposes the Municipality to additional risk of errors. In addition, it could be time consuming and could create additional costs for the record keeping, review and reconciliation of information.

Recommendation

We recommend the Municipality's to maintain separate register of its debtors. This information could significantly improve management of revenues in the Process of budgeting and collection of assets. Management would also benefit by having implemented the process of billing and collection of information on a real time basis. Detailed and updated list of individual tax payers, active businesses and debtors generated by the system is especially important in the current situation where the municipalities do not record each individual transaction in the Free Balance.

Management response

The revenue I have provided is based on all data that I had available, while the source of the original documentation requested by you can be found in the Municipality Departments. I record revenues according to Bank's reports sent by the Treasury through Free Balance and not according to Departments' documentation where the archiving is made. According to the accuracy of the data, the monthly, quarterly and annually reconciliation is proved, as agreed with the Treasury.

It is correct that registration in Free Balance from 01-07/2009 was made according to the budgetary items, (1. Property taxation; 2. Health; 3. Education and 4. Own revenues) whereas from 8-12/2009 was required and recorded in the Free Balance according to the Laws. The remark refers to the budget item for own revenues.

Current Year Findings (continued)

But the registration in the Access program is appropriately performed according to the Laws, dates and bank statements.

I gave a copy of the Access Program for 2009 to the auditors electronically.

As far as I am concerned each revenue category was applied by corresponding Department and is supported by books, barcodes and a serial number of payments from 10.00 Euro and over.

It is true that the Administrative and Cadastre Directorate did not do reconciliation even though as far as I am concerned it was required by the Department of Finance.

The requested organisation is under the jurisdiction of the Department of Finance.

Current Year Findings (continued)

4 Expenditure

Finding

During our testing of expenditures in the department of "Culture, Youth and Sport" related to promotions in town stadium with CPO 90772 and 107714. We were not provided with the contract for the respective invoices no 49/09 amounting Eur 930 and Eur 3,435 .

Procurement procedure

Finding

During our inspection of source documentation related to the tender procedure applied for building of road, construction of primary school, reparation of town museum, repair of traffic lights etc., we have identified certain irregularities.

In six cases respectively with ID no.623 09 032 521; 623 09 054 521; 623 09 075 521; 623 09 006 521; 623 09 044 521; 623 09 027 121 there is no "Statement of Needs and Determination of Availability of Funds" which is against section 8.1 and 8.5 of PPL. According to the section, this statement should be prepared prior initiating each procurement activity.

In three cases respectively with ID no. 623 09 043 521; 623 09 058 521; 623 09 044 521 tender evaluations did not start in Accordance to the Section 29.15 of Public Procurement Regulation Part B, which states that evaluation process should start immediately after the completion of the tender opening process and not later than 96 hours after the completion of the tender opening process (each member of evaluation committee evaluation should sign declaration under oath).

In six cases respectively with ID no. 623 09 022 521; 623 09 016 521; 623 09 032 521; 623 09 043 521; 623 09 054 521; 623 09 058 521 there is no evidence that non responsible, responsible and winner of the contract were appropriately informed. That is against section 29 and 30 of Public Procurement Rule Part B on information of economic operators as this section states.

In three cases respectively with ID no. 623 09 022 521; 623 09 032 521; 623 09 075 521 there was no evidence of contract award notice. The contract award notice should be in accordance with section 39 and 40.4 of the Public Procurement Law.

In seven cases respectively with ID no. 623 09 022 521; 623 09 016 521; 623 09 043 521; 623 09 058 521; 623 09 044 521; 623 09 027 121 the Execution works guarantee didn't cover period of completion of works due to delays of work completion. So there was no evidence that economic operators were asked to extend validity of guarantees.

In four cases respectively with ID no. 623 09 022 521; 623 09 016 521; 623 09 032 521; 623 09 006 521 there were delays of completion of works, but no evidence in procurement file exists for delays of works completion.

Two contracts with ID no. 623 09 043 521; 623 09 058 5210 were signed for a completion period within two years as per special condition of contract, but the draft contract in tender dossier did not contain the period of completion as specified above.

In two tender files we found two invoices received by the Contractor with the same number, respectively with ID no. 623 09 006 521 and ID No 623 09 016 521.

Risk

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

In addition, not applying penalty interest as agreed in the contract results in loss of revenue.

Current Year Findings (continued)

Recommendation

The Municipality should establish sufficient adequate control procedures for effective monitoring over the compliance with the applicable laws and regulations, especially the requirements of the Law on Public Procurement (PPL).

We recommend the Mayor ensures that the Municipality to apply properly the contractual terms and conditions and to apply the penalties when the contractor will not finish the project on time. This applies especially when the request to extend the deadline before it expires as determined in the contract, was not submitted.

Management response

Expenditures mentioned on Page 12 we have to deal with payments for advertisement and we do not possess contracts and we are not obliged, we were informed by the centre.

Current Year Findings (continued)

5 Internal Audit

Finding

The Municipality has not established Audit Committee.

Risk

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

Recommendation

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

- Municipality's accounting and financial reporting process;
- Assessment of internal control systems implemented by management;
- Internal and external audit processes;
- Compliance, reporting and control structures throughout the Municipality to ensure compliance with financial, regulatory and legal requirements;

Prior year findings follow up

1 Preparation of financial statements

Finding

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

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

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

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

Although the Municipality may be involved in several minor legal cases and it is probable that future cash outflows might be required in the near future, the Municipality does not have in place any formal process that would ensure complete, adequate and reliable information for recording provisions and contingent liabilities. As a consequence of the above weaknesses the following was omitted or improperly disclosed in the financial statements:

- Section 16 Note 27. Non-financial assets;
- Section 14. Note 25 Statement of outstanding invoices (Liabilities)
- Notes 18-24. Explanations of material differences between budgets for which the Municipality is held publicly accountable and actual amounts.
- There may be significant payments from third parties, for example when another party such as a ministry or foreign donor buys/contributes an asset for use by the Municipality, which because of not being recorded in Free Balance are not recorded in the financial statements;
- Section 10 Statement of cash receipts and Payments. Comparative information for 2007 and 2006 is not accurate and does not reconcile with the notes 2, 3, 5, 6, 8 and 9.
- Comparative information for 2007 and 2006 in Sections 11. Budget Execution report does not agree with Note 13.
- Comparative information for 2007 and 2006 in Sections 11 and 13. Budget Execution report and Reporting under the LPFMA.
- Comparative information for 2007 and 2006 in Notes 6, 8, 9, 13.1 and 18 is not accurate and complete.
- Comparative information for 2007 in Note 13 does not agree with the information in Note 28.

2 Property, plant and equipment management

Finding

The Municipality has not maintained a comprehensive register of its property, plant and equipment ('PPE'). Furthermore, the Municipality has not prepared a detailed and comprehensive list of real estate property including documentation of the ownership of such property and information about registration status in the Municipality's name in the local Real Estate Register or at Court.

The Municipality has not established a valuation committee for the purpose of registration and valuation of the assets.

We were not provided with proper evidence of the physical count of the assets as at 31 December 2008 and as a consequence no verification of the accounting records to a physical count was possible. The Municipality has not performed a physical count for its real estate property.

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

- disclose the required information on property, plant and equipment in the financial statements as at 31 December 2008 and 31 December 2007; and
- provide us with a reconciliation of the information booked in the accounting registers, to either valuation tables or to any other analysis, prior to the approval of these financial statements.

3 Revenue

Finding

- Billing systems. An automated billing system exists only for tax on property. For other categories of revenues for which the billing system is required, it is not applied. Instead only cash collections from such revenue streams are recorded.
- Reconciliation of revenues. The Administrative Tax Office and Cadastral Office did not perform any formal reconciliation of revenues collected with the accounting department. As a result we have identified immaterial differences between the information received from each department and the accounting records. We were not provided with a detailed list of revenues collected from the Administrative Tax Office.
- Collection of revenues. Except for taxes on property and business licenses, the Municipality management does not maintain separate sub ledgers or lists of all its debtors regarding various taxes. Without sufficient, detailed, and accurate records of debtors, the municipality is unable to prepare a reliable and accurate budget, to report an accurate collection ratio, nor follow up the collection of the own source revenues on a timely basis. The lowest collection ratio relates to revenue from business licenses, for which only 30% of total taxes charged to businesses in 2008 were collected. Meanwhile total collections, including from previous years represented 93% of total business tax charged in 2008.
- Revenues from tax on properties. According to the practice of the Municipality, tax is charged to All properties registered until March ,while for properties registered after March tax is charged starting from the following year .However, we identified one new property registered in January 2008 for which the tax was not charged in 2008.

The Municipality does not keep any documentation or report on the onsite visits made by the inspectors following claims received from citizens on the areas or conditions of taxed property.

Management receives weekly reports on the collections of revenue. However no documentation of the controls performed over the collection of revenues was identified or documented.

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

4 Expenditure

Finding

Wages and salaries

- In cases when a teacher resigns, it takes at least a month to notify the personnel office and the Ministry of Public Services in order that the Ministry can reflect the change in the payroll list. Given such a delay, a teacher may continue to receive compensation even after resignation.
- Although The Municipality has a payroll system ,this system is not used as a reliable source of information to support the figures in the financial statements.. Instead, the primary and only reliable source of information relates to the payroll lists provided by the Ministry of Public Services.
- We have identified one case where the salary amount for an employee is greater in the payroll list than in the employee contract.
- We have identified cases of employees in the education department that did not sign the payroll list.

Capital Investment

- In ten procurement files which were part of our sample, the Municipality has not prepared and included the document which specifies the needs that have to be completed by the supplier, as required by Article 8 of the Public Procurement Law 2007/20.
- In five procurement files which were part of our sample, we did not find the document of declaration under oath. This document is required by Article 21.4 of the Public Procurement Law 2007/20.
- In two procurement files which were part of our sample, we did not find the authorization given to a procurement employee for performing procurement procedures. This document is required by Article 20 of the Public Procurement Law 2007/20.

Goods and services

- In six procurement files which were part of our sample, the Municipality has not prepared and included the document which specifies the needs that have to be completed by the supplier, as required by Article 8 of the Public Procurement Law 2007/20.
- In two procurement files which were part of our sample, we did not find the document of declaration under oath. That document is required by Article 21.4 of the Public Procurement Law 2007/20.
- In three procurement files which were part of our sample, we did not find the authorization given to a procurement employee to perform with the procurement procedures. That document is required by Article 20 of the Public Procurement Law 2007/20.
- One file selected by us, related to an amount of EUR 4,600 for support for poverty. The purchase of products and the list of families benefiting from the support were authorized by the Mayor without initiation of the procurement procedures. The Mayor gave only a verbal authorization to use the same supplier that the Municipality was using for its own needs and for which a separate procurement was previously organized. Only the list of families benefiting from this support which was signed by the Mayor was filed. The contract with the existing supplier was not amended.

5 Internal Audit

Finding

The Municipality has not established an Audit Committee.

Current year status

Current year status of the aforementioned findings is discussed in Section Current year findings in Notes 1 to 4.

Appendix II

Municipality of Rahovec

Different forms of Audit Opinion applied by the Office of Auditor General in the Audit Report for 2009

(Extract from ISSAI 400)

Different forms of Audit Opinion applied by the Office of Auditor General in the Audit Report for 2009

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

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

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

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

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

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

Qualified Opinion. Where the auditor disagrees with or is uncertain about one or more particular items in the financial statements which are material but not fundamental to an understanding of the statements,

a qualified opinion should be given. The wording of the opinion normally indicates a satisfactory outcome to the audit subject to a clear and concise statement of the matters of disagreement or uncertainty giving rise to the qualified opinion.

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

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

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

Appendix III

Rahovec Municipality

Financial Statements as of and for the year ended 31
December 2009

Financial Statements as of and for the year ended 31 December 2009

DECLARATION REGARDING PRESENTATION OF FINANCIAL STATEMENTS

To: Lulzim Ismajli, Director of Treasury

From: Chief Administrative Officer Qazim Qeska

In our opinion, the attached financial statements and the notes to these statements for the year ended on 31 December 2009 have been prepared in accordance with the International Public Sector Accounting Standards "Financial Reporting Under the Cash Based Accounting", adhere to all reporting requirements of the Law on Public Finance and Accountability No. 03/L-048 and are based on properly maintained financial records.

This declaration is provided in connection with the presentation of the Kosovo General Budget financial statements of the budget organizations for the year ended on 31 December 2009.

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

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

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

The information regarding collection of revenues is accurate.

There are no bank accounts related to the KCB other than the bank accounts specified in the financial statements and this specification is complete and accurate as of 31 December 2009.

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

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

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

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

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

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

In our opinion, the attached financial statements give a true and fair presentation of the finances and financial transactions for the year ended on 31 December 2009 of (Municipality Rahovec)

Date: 31.01.2010

Signature and stamp: _____

Chief Administrative Officer Qazim Qeska

Article 9. Statement of Cash Receipts and Payments

	Notes	2009			2008			2007		
		KCB € '000	OSR € '000	Payments by External 3rd Parties € '000	KCB € '000	OSR € '000	Payments by External 3rd Parties € '000	KCB € '000	OSR € '000	Payments by External 3rd Parties € '000
RECEIPTS										
General Fund Appropriations	2	6,113.00	867.00	-	4,425.00	814.00	-	4,098.00	518.00	-
Special Purpose Fund Appropriations										
Designated Donor Grants	3		71.00	-	-	-	-	-	-	-
Other Receipts	4			-	100.00	-	-	107	-	-
Total Receipts		6,113.00	938.00	-	4,525.00	814.00	-	4,205.00	518.00	-
PAYMENTS										
Operations										
Wages and Salaries	5	3,614.00	60.00	-	3,107.00	47.00	-	2,807.00	38.00	-
Goods and Services	6	643.00	12.00	-	674.00	4.00	-	677.00	-	-
Utilities	7	164.00	-	-	273.00	2.00	-	300.00	5.00	-
		4,421.00	72.00	-	4,054.00	53.00	-	3,784.00	43.00	-
Transfers										
Transfers and Subsidies	8	-	97.00	-	-	66.00	-	7.00	59.00	-
Capital Expenditures										
Property, plant and equipment	9	1,692.00	768.00	-	471.00	695.00	-	414.00	416.00	-
Other Payments	10	-	-	-	-	-	-	-	-	-
Total Payments		1,692.00	865.00	-	4,525.00	814.00	-	4,205.00	518.00	-

Financial statements

31 December 2009

(All amounts expressed in Euros, unless otherwise stated)

IV

Article 10. Budget Execution Report

		Original Budget (Appropriation) A	Final Budget (Appropriation) B	Actual C	Variance D=C-B	2008 Actual E	2007 Actual F
	Notes	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Cash inflows into Treasury Account							
Taxes	11						
Own Source Revenues	12	709	1,142	867	(285)	4,425	-
Grants and Assistance	13	6,012	6,215	6,113	(103)	814	-
Capital Receipts	14	-	-	-	-	-	-
Privatization Fund	15	-	-	-	-	-	-
Other		-	71	71	-	100	-
Total KCB Receipts Collected		6,721	7,428	7,051	-	5,339	-
Cash Outflows from Treasury Account							
Wages and Salaries	17	3,723	3,758	3,674	(85)	3,154	-
Goods and Services	18	640	685	656	(29)	678	-
Utilities	19	241	165	164	(1)	275	-
Transfers and Subsidies	20	60	97	97	-	66	-
Capital Expenditures	21	2,097	2,723	2,460	(263)	1,166	-
Privatization Fund	22	-	-	-	-	-	-
Other		-	-	-	-	-	-
Total Payments made through the TSA		6,721	7,428	7,051	(378)	5,339	-

See accompanying notes to the financial statements

Accounting policies

1 Accounting policies

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

1.1 Basis of preparation

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

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

The accounting policies have been applied consistently throughout the period.

1.2 Reporting entity

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

2 Payments by Third Parties

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

3 Reporting currency

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

Article 11. Notes to the financial statements

Note 1. Accounting policies (continued)

4 Receipts and payments

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

5 Transfers

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

6 Budgets

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

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

The Final Budget is included in the Kosovo Financial Management Information System and is also published as part of the consolidated financial statements of the Government of Kosovo.

Article 11. Notes to the financial statements
 As of and for the year ended 31 December 2009
 (All amounts expressed in Euro thousand unless otherwise stated)

Article 11. Disclosure of notes

Note 2. General Fund Appropriations

Economic Classification	KCB	2009	Total	2008	2007
	€ '000	OSR € '000	€ '000	€ '000	€ '000
Wages and Salaries	3,614	60	3,673	3,154	2,847
Goods and Services	643	12	655	678	677
Utilities	164	-	164	275	305
Subsidies and Transfers	-	97	97	66	66
Capital Expenditures	1,692	698	2,390	1,066	828
	6,113	867	6,979	5,239	4,723

Note 3. Designated donor grants

Economic Classification	2009	2008	2007
	€ '000	€ '000	€ '000
Wages and Salaries	-	-	10
Goods and Services	1	-	-
Utilities	-	-	-
Subsidies and Transfers	-	-	-
Capital Expenditures	70	100	168
	71	100	178

Note 4. Other receipts

Article 11. Notes to the financial statements

As of and for the year ended 31 December 2009

(All amounts expressed in Euro thousand unless otherwise stated)

Note 5. Wages and salaries

Description	KCB € '000	2009 OSR € '000	Total € '000	2008 € '000	2007 € '000
KCF Payments					
Net Salaries	3,087	60	3,147	2,668	2418
Personal Income Tax	102	-	102	106	91
Employer Pension Contribution	175	-	175	150	136
Employee Pension Contribution	175	-	175	150	136
Payments to Trade Union -0.10% to 0.50%	3	-	3	1	-
Overtime Pay	-	-	-	34	34
Per Diem Payments for Assembly Members and Committees	72	-	72	44	31
Meals	-	-	-	-	-
Shift Payments	-	-	-	-	-
Contracted Per Diem	-	-	-	1	-
Assembly Session Participation Pay	-	-	-	-	-
	3,614	60	3,674	3,154	2,846
Payments from Grants					
Full Time Salaries	-	-	-	-	-
Overtime Pay	-	-	-	-	-
Contracted Payments	-	-	-	-	-
	-	-	-	-	-
Total	3,614	60	3,674	3,154	2,846

Article 11. Notes to the financial statements
As of and for the year ended 31 December 2009
(All amounts expressed in Euro thousand unless otherwise stated)

Note 6. Goods and Services

Description	KCB € '000	2009 OSR € '000	Total € '000	2008 € '000	2007 € '000
Payments from KCF	-	-	-	19	25
Travel Expenses	51	-	51	13	17
Telecommunication Expenses	17	-	17	25	28
Contractual Services	44	1	45	-	-
Compensation for attending trials	64	4	68	67	-
Furniture and Equipment	27	-	27	21	65
Other Expenses	40	1	41	56	-
Fuel	215	-	215	291	275
Advances	-	-	-	2	-
Financial Services	4	1	5	89	140
Maintenance and Repairs	108	-	108	67	73
Rent	1	-	1	2	3
Marketing Expenses	18	-	18	4	7
Representation Expenses	53	5	58	22	39
	642	12	654	678	672
Payments from Grant					
Travel Expenses	-	-	-	-	-
Telecommunication Expenses	-	-	-	-	-
Contractual Services	-	-	-	-	-
Furniture and Equipment	-	-	-	-	8
Other Expenses	-	-	-	-	-
Fuel	-	-	-	-	-
Advances	-	-	-	-	1
Financial Services	-	-	-	-	-
Maintenance and Repairs	-	1	-	-	-
Rent	-	-	-	-	-
Marketing Expenses	-	-	-	-	-
Representation Expenses	-	-	-	-	-
	-	1	-	-	9
Total	642	13	654	678	681

Article 11. Notes to the financial statements
 As of and for the year ended 31 December 2009
 (All amounts expressed in Euro thousand unless otherwise stated)

Note 7. Utilities

Description	KCB € '000	2009 OSR € '000	Total € '000	2008 € '000	2007 € '000
Utilities paid from KCF	164	-	164	275	305
Utilities paid from grants					
Total	164	-	164	275	305

Note: Rows may be added for economic codes as needed

Note 8. Subsidies and Transfers

Description	KCB € '000	2009 OSR € '000	Total € '000	2008 € '000	2007 € '000
Payments from KCF	-	-	-	-	-
Subsidies	-	-	-	-	-
Subsidies to public entities	-	-	-	-	13
Subsidies to non-public entities	-	-	-	-	-
Payments to individual beneficiaries	-	97	97	66	53
Basic Pensions	-	-	-	-	-
Disability pensions	-	-	-	-	-
Pensions or social assistance	-	-	-	-	-
Payments to war invalids	-	-	-	-	-
Payments to relatives of war victims	-	-	-	-	-
Early pensions-Trepça	-	-	-	-	-
	-	97	97	66	66
Payments from grants					
Subsidies	-	-	-	-	-
Subsidies to public entities	-	-	-	-	-
Subsidies to non-public entities	-	-	-	-	-
Payments to individual beneficiaries	-	-	-	-	-
Total	-	97	97	66	66

Article 11. Notes to the financial statements
 As of and for the year ended 31 December 2009
 (All amounts expressed in Euro thousand unless otherwise stated)

Note 9. Capital Investments

Description	KCB € '000	2009 OSR € '000	Total € '000	2008 € '000	2007 € '000
Payments from KCB	-	-	-	-	-
Buildings	59	279	338	115	103
Road Construction	727	250	977	585	362
Water and Waste System	293	30	323	168	114
Water Supply System	230	70	300	63	67
Energy, Generation, Transmission and Supply	24	5	29	-	-
Furniture	31	19	50	-	-
Machinery	120	-	120	75	-
Other Capital	206	45	251	60	82
	1,690	698	2,388	1,066	728
Payments from Grants	-	-	-	27	16
Buildings	-	67	67	53	83
Road Construction	-	3	3	-	8
Water and Waste System	-	-	-	20	-
Water Supply System	-	-	-	-	-
Total	-	70	70	100	107

Note 10. Other Payments

Article 11. Notes to the financial statements
As of and for the year ended 31 December 2009
(All amounts expressed in Euro thousand unless otherwise stated)

Note 11. Taxes

Description	Notes	Original Budget 2009	2008	2007	% of total 2009	% of changes from 2008
		€ '000	€ '000	€ '000		
Customs	12.1				%	%
Tax Administration	12.2				%	%
Other Taxes	12.3				%	%
Total		-	-	-	0%	%

Note 12. Own Source Revenues

Description	Notes	2009	2008	2007	% of total 2009	% of changes from 2008
		€ '000	€ '000	€ '000		
Revenue from Administrative Tax /50019	12.1	14	149	302	%	%
Property tax/40110		176	239	156	%	%
Construction license/50009 Municipality tax /marketing/50212		25	67	-	%	%
Revenue from Cadastre&Geod/50504		12	45	-	%	%
Inherited tax/50011		11	39	-	%	%
Revenue from license for free area		34	17	-	%	%
Revenue from agro.land/50012		-	8	-	%	%
Rent/50407		4	9	-	%	%
Revenue from other taxes		57	48	13	%	%
Revenue from licenses active individual		33	-	94	%	%
Revenue from health institution/50409		-	0	94	%	%
Revenue from Education/50409		-	16	-	%	%
Revenue from Traffic fines		53	40	-	%	%
Citizen participation/50413		8	8	39	%	%
Revenue from court penalty		54	55	24	%	%
Revenue from Previous Year		63	-	-	%	%
Revenue from Public Services		71	93	119	%	%
Total		615	833	747	0%	%

Note: Add economic categories for revenues if needed

Article 11. Notes to the financial statements
 As of and for the year ended 31 December 2009
 (All amounts expressed in Euro thousand unless otherwise stated)

12.1 Tax Administration Revenues

Description	Notes	2009 € '000	2008 € '000	2007 € '000
Tax from vehicle registration/50002		68	68	-
Tax from driver license		-	-	-
Tax from travel document		-	-	-
Tender Participation/50020		11	4	-
Road fee		-	-	-
Marriage certificates/50014		9	2	-
Other certificates/50013/50015/50016		75	36	-
Authentication of documentation		-	39	-
Administrative tax for letter request		-	-	-
Court tax		-	-	-
Returned court tax		-	-	-
Total		163	149	0

Article 11. Notes to the financial statements
 As of and for the year ended 31 December 2009
 (All amounts expressed in Euro thousand unless otherwise stated)

Note 13. Grants and Assistance

Description		2009	2008	2007
		€ '000	€ '000	€ '000
Name of Donor, alphabetically	Cida Canada	-	-	143
Name of Donor, alphabetically	UNDP-i	-	57	19
Name of Donor, alphabetically	UNDP-i	-	60	16
		-	-	-
Total Designated Donor Grants		0	117	178

Note 14. Capital Receipts

Nature of Assets	Sales Income		
	2009	2008	2007
	€ '000	€ '000	€ '000
Land	-	-	-
Building	338	-	-
Infrastructure	1,044	-	-
Plant	906	-	-
Equipment	170	-	-
Total	2,458	-	-

Note 15. Privatization Fund

SOE	Privatization Revenue		
	2009	2008	2007
	€ '000	€ '000	€ '000
SOE #1	-	-	-
SOE #2	-	-	-
SOE #3	-	-	-
SOE #4	-	-	-
SOE #5	-	-	-
Total	-	-	-

Article 11. Notes to the financial statements
 As of and for the year ended 31 December 2009
 (All amounts expressed in Euro thousand unless otherwise stated)

Note 16. Other

Type of Receipts	2009 € '000	2008 € '000	2007 € '000
Lottery Game Deposits	-	-	-
Regulatory Commission Deposits	-	-	-
Ministry of Justice Deposits	-	-	-
Other Deposits	-	-	-
Total	-	-	-

Notes 17 to 23

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

Article 11. Notes to the financial statements
 As of and for the year ended 31 December 2009
 (All amounts expressed in Euro thousand unless otherwise stated)

Article 12. Reporting Obligations of LPFMA

Article 12. Note 25 Statement of budget organization unpaid invoices (obligations)

Date inv.	No.inv.	Economic code	Vendor	Description	Purpose	€ '000
				QKMF/goods&ser		6
				QKMF/utilities		25
				Education/G&S		4
				Education/utilities		7
				Procurement/capit		708
				Procurement/G&S		54
				Fin-Budget/G&S		51
				Fin-Budget/Utility		89
Total						944

Article 14. Note 26. Unjustified advances and loans

Date of issue	CPO No	Purpose	€ '000	2009
Total				-

Article 11. Notes to the financial statements
 As of and for the year ended 31 December 2009
 (All amounts expressed in Euro thousand unless otherwise stated)

Article 15. Note 27: Summary of Non-financial Assets Owned by Budget Organizations

Classification of Assets	2009 € '000	2008 € '000	2007 € '000
Buildings	338	-	-
Land	-	-	-
Equipment	170	-	-
Total	508	-	-

ID Category	Category	2009 € '000
Total		-

Note 28. Summary of Own Source Revenues Carried Forward

	2009 € '000	2008 € '000	2007 € '000
Own Source Revenues carried from previous year	433	414	273
Own Source Revenues received this year as per note 13	778	833	658
Total available for appropriation in the current year	1,211	1,247	931
Wages and Salaries	60	47	40
Goods and Services	12	4	-
Utilities	-	2	3
Transfers and Subsidies	97	66	58
Capital Expenditures	698	695	414
Other	-	-	-
	867	814	1,448

Article 11. Notes to the financial statements
As of and for the year ended 31 December 2009
(All amounts expressed in Euro thousand unless otherwise stated)

Article 16. Note 29. Contingent Liabilities

Nature of Contingency	Reason for Liability	2009 € '000	2008 € '000	2007 € '000
Total		-	-	-

Article 11. Notes to the financial statements

As of and for the year ended 31 December 2009

(All amounts expressed in Euro thousand unless otherwise stated)

Article 17. Additional Reports

Note 30. Reconciliation of Original and Final Budget Appropriations

Appropriation Category	Original Budget Appropriation (Budget Law) € '000	Changes pursuant to Section 29 Law No 03/L-048 € '000	Changes authorized pursuant to LPFMA		Own Source Revenue Changes € '000	KFMS Final Appropriations € '000	Changes to original budget € '000
			Changes pursuant to Section 30 Law No 03/L-048 € '000	Changes pursuant to Section 31 Law No 03/L-048 € '000			
Receipts							
Taxes	-	-	-	-	-	-	0.0%
Own Source Revenues	709	-	-	-	433	1,142	0.0%
Grants and Assistance	6,012	-	-	203	-	6,215	0.0%
Capital Receipts	-	-	-	-	-	-	0.0%
Privatization Funds	-	-	-	-	-	-	0.0%
Other	-	-	-	-	71	71	0.0%
	6,721	-	-	203	504	7,428	10.5%
Payments							
Wages and Salaries	3,723	-	-	8	27	3,758	0.0%
Goods and Services	640	-	-	38	7	685	0.0%
Utilities	241	-	-	-76	-	165	0.0%
Transfers and Subsidies	60	-	-	-	37	97	0.0%
Capital Expenditures	2,057	-	-	233	363	2,653	0.0%
Privatization Fund	-	-	-	-	-	-	0.0%
Other	-	-	-	-	70	70	0.0%
Total	6,721	-	-	203	504	7,428	10.5%

Article 11. Notes to the financial statements

As of and for the year ended 31 December 2009

(All amounts expressed in Euro thousand unless otherwise stated)

Budget Execution Report

Description	Notes	Original Budget Law No 03/L-105 b	Final Budget KFMIS c	Actual D	Progress as a % e=d/b	Progress as a % f=d/c
Total Payments	A 1+2+3+4	6,721	7,428	7,050	105	95
Payments from General Grant	1	6,012	6,215	6,112	102	98
Wages and Salaries		3,683	3,691	3,613	98	98
Goods and Services		622	660	643	103	97
Utilities		241	165	164	68	99
Subsidies and Transfers						
Capital Investments		1,466	1,699	1,692	115	100
Payments from Own Source Revenues 2009	2	709	709	476	67	67
Wages and Salaries		40	47	40	100	85
Goods and Services		18	18	6	33	33
Utilities						
Subsidies and Transfers		60	97	97	162	100
Capital Investments		591	547	333	56	61
Payments from OSR carried forward from 08	3	-	433	391	-	90
Wages and Salaries		-	20	20	-	100
Goods and Services		-	6	6	-	100
Utilities		-				
Subsidies and Transfers		-				
Capital Investments		-				
			407	365	-	90
Payments from Designated Donor Grants	4	-	71	71	-	100
Wages and Salaries		-	-	-	-	-
Goods and Services		-	1	1	-	100
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		-	70	70	-	100

Article 11. Notes to the financial statements

As of and for the year ended 31 December 2009

(All amounts expressed in Euro thousand unless otherwise stated)

Report of Payments by Program

Description	Notes	Zyra e kryetari t	Admin. dhe person.	Inspekso	Buxhet	Sevicer	Komun	Agrokulturer	Jrbanis	culturer	health	Educ.	Gjithsej Pagesat f=b+c+d+e+...
A	1+2+3+4	b	c	d	e								...
Total Payments		312	221	45	72	123	75	187	2,107	767	29	3,112	7,050
Payments from General Grant	1	249	202	45	47	88	51	105	1,597	707	29	2,992	6,112
Wages and Salaries		140	129	32	21	54	16	30	118	380	17	2,676	3,613
Goods and Services		47	42	12	20	29	13	32	40	175	12	221	643
Utilities		62	-	1	1	-	-	3	-	32	-	65	164
Subsidies and Transfers		-	-	-	-	-	-	-	-	-	-	-	-
Capital Investments		-	31	-	5	5	22	40	1,439	120	-	30	1,692
		249	202	45	47	88	51	105	1,597	707	29	2,992	
Payments from Own Source Revenues 2009	2	63	19	-	24	35	24	82	173	40	-	16	476
Wages and Salaries		-	-	-	-	-	-	-	-	40	-	-	-
Goods and Services		-	-	-	-	-	-	-	-	-	-	6	-
Utilities		-	-	-	-	-	-	-	-	-	-	-	-
Subsidies and Transfers		63	-	-	-	-	14	20	-	-	-	-	-
Capital Investments		-	19	-	24	35	10	62	173	-	-	10	333
		63	19	-	24	35	24	82	173	40	-	16	
Payments from OSR carried forward from 08	3								267	20		104	391
Wages and Salaries		-	-	-	-	-	-	-	-	20	-	-	20
Goods and Services		-	-	-	-	-	-	-	-	-	-	6	6
Utilities		-	-	-	-	-	-	-	-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-	-	-	-	-	-	-	-
Capital Investments		-	-	-	-	-	-	-	267	-	-	98	365
		-	-	-	-	-	-	-	267	20	-	104	
Payments from Designated Donor Grants	4				1				70				71
Wages and Salaries		-	-	-	-	-	-	-	-	-	-	-	-
Goods and Services		-	-	-	1	-	-	-	-	-	-	-	1
Utilities		-	-	-	-	-	-	-	-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-	-	-	-	-	-	-	-
Capital Investments		-	-	-	-	-	-	-	70	-	-	-	70

Article 11. Notes to the financial statements

As of and for the year ended 31 December 2009

(All amounts expressed in Euro thousand unless otherwise stated)

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

Functional Classification	Wages and Salaries	Goods and Services	Economic Classification			Total
			Utilities	Subsidies and Transfers	Capital Expenditure	
Social Protection	140	47	62	63	-	
General Public Services	161	54	1	-	50	
Defense	21	20	1	-	29	
Public Order and Safety	54	29	-	-	40	
Economic Matters	16	13	-	14	32	
Environmental Protection	118	40	-	-	1,879	
Housing and Community Issues	-	-	-	-	-	
Health	457	187	32	20	102	
Recreation, Culture and Religion	30	32	3	20	102	
Education	2,676	233	65	-	138	
Total	3,673	655	164	97	2,390	

Payments from Designated Grants

Functional Classification	Wages and Salaries	Goods and Services	Economic Classification			Total
			Utilities	Subsidies and Transfers	Capital Expenditures	
Social Protection	-	-	-	-	-	-
General Public Services	-	-	-	-	-	-
Defense	-	-	-	-	-	-
Public Order and Safety	-	-	1	-	-	-
Economic Matters	-	-	-	-	-	-
Environmental Protection	-	-	-	-	70	-
Housing and Community Services	-	-	-	-	-	-
Health	-	-	-	-	-	-
Recreation, Culture and Religion	-	-	-	-	-	-
Education	-	-	-	-	-	-
Total	-	-	1	-	-	70

Article 11. Notes to the financial statements
 As of and for the year ended 31 December 2009
 (All amounts expressed in Euro thousand unless otherwise stated)

Department	No of staff in the Budget Law 03/L-105	Actual number of staff at beginning of 2009		Actual number of staff at end of 2009	
		Full Time	Part Time	Full Time	Part Time
Mayor /16011	8	8	-	8	-
D.Adminis/16311	53	53	-	53	-
D.Fin –Buxh/17511	18	18	-	18	-
D.Inspwkc/16611	11	11	-	11	-
D.agrpculture/47011	4	4	-	4	-
D.Urbaniz./66060	43	43	-	43	-
D.KSR/85011	12	12	-	12	-
Z.Lok-kom/19555	7	7	-	7	-
QLKM/730	127	127	-	127	-
Soci.-servi./75550	15	15	-	15	-
Ad.-edu/92055	5	5	-	5	-
Educ-cash/92410	8	8	-	8	-
Edu.-fi/93300	719	719	-	719	-
Edu-mes/94500	114	114	-	114	-
Total	1,136	1,144	-	1,144	-