



Financial Statements and Independent Auditor's Report

Municipality of Rahovec

31 December 2010

# Contents

	<b>Page</b>
Independent Auditors' Report	1
General	5
Current Year Findings	6
Prior year findings follow up	14
Different forms of Audit Opinion applied by the Office of Auditor General in the Audit Report for 2010	18
Financial Statements as of and for the year ended 31 December 2010	21
Accounting policies	25

# Independent Auditors' Report

**Grant Thornton LLC**  
Rr. Rexhep Mala 18  
10 000  
Pristina  
Kosovo  
T +381 38 247 771  
+381 38 247 801  
F +381 38 247 802  
[www.grant-thornton.com.mk](http://www.grant-thornton.com.mk)

To the Mayor of the Municipality Rahovec

## **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 2010, Budget Execution Report and a summary of significant accounting policies and other explanatory information.

### *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. 16/2010 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 matters described in the 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 2010 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 2010.

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 2010.
3. As of 31 December 2010 the Municipality did not disclose its accounts receivables related the property tax, tax on business licence and other tax receivables which is required by the Administrative Instruction 16/2010. Additionally, the Municipality does not maintain complete debtors' records. Hence, we were not able applying standard and alternative procedures to satisfy ourselves with the existence of account receivables as of 31 December 2010.
4. Based on the audit procedures performed we identified a number of non-compliances with Law No. 02/L-99 promulgated with Regulation No.2007/20 which is derivate 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.

#### *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.

#### *Emphasis of matters*

We draw attention to the following:

Following deficiencies and uncertainties related to the Municipality's financial reporting of property, plant and equipment have been identified:

- The Municipality does not maintain separate register for its property, plant and equipment, neither register in Financial Management Information System in Kosovo (FMISK),
- There is no evidence of performing verification of physical existence of the assets as of 31 December 2010 and no reconciliation of municipality's books to physical count has been made,
- 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.

#### **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, we 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 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 complete separate sub ledgers or lists of all its debtors regarding various taxes. Instead only cash collections from revenue streams are recorded. Receivables are required to be disclosed in the financial statements municipality did not disclose on their Financial Statements, further 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) 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,

01 April 2011

# Appendix I

Rahovec Municipality

Management letter

# General

## **Audit for 2010**

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 2010 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

## **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)
- Outstanding invoices (receivables).

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 properly disclosed;
- In the Municipality financial statements, Section 15 note 28 – Receivables are not disclosed.
- In the Municipality's financial statements, Section 16 note 30 – Contingent liabilities are not disclosed for years 2010, 2009 and 2008;
- The Municipality did not made any disclosures for notes from 17 till 23 as required.
- In the Municipality financial statements in note 6 in line Goods and services, advances are represented with negative balance in the amount of 14 thousand Euro. In addition, in note 26 unjustified advances are not presented as requested by article 14.
- In the Municipality's financial statements disclosures, Article 9- Statement of Cash receipts and Payments, note 9 does not reconcile with note 9 of the financial statements.
- Capital receipts from sale of PPE disclosed in note 14, do not reconcile with budget execution report. In addition, there are no sales of PPE during 2010.



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

None

## **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 and accounting data from Kosovo Financial Management Information System (KFMIS). Moreover, the Municipality does not performed annual count and verification of physical existence of the assets as of 31 December 2010 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 and to maintain and record 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**

None

### **3 Revenue**

#### **Finding**

The Municipality's management has not disclosed receivables as at 31 December in the financial statements.

The Municipality's management was unable to present detailed separate sub ledgers of its debtors regarding the property taxes. 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. As a result, it is not possible to perform a proper reconciliation or analysis by debtor.

During our audit we noted that there is no regular monthly reconciliation between departments which collect own source revenues such are: Property Tax Department, Rent income Department, Geodesy Department, Urbanism Department etc, with the Own source revenue Officer from Finance and Budget Department, who is responsible to reconcile and clarify any difference which arise between Municipality records and Free Balance.

During our audit we identified that transactions are not recorded in Free Balance when occurred i.e. when paid. Instead, transactions are grouped (for more than one day) and as such, registered in Free Balance system.

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, especially in Health Department. 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 2010.

During our audit we identified that Health department did not establish internal control and did not report certain types of revenues, such as parking revenues for the first three months of the year.

#### **Risk**

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

-Implement a billing system that includes updated details about the payers, their current address, history and collection rating. Such information should be accessible only to a limited number of persons and with the authorization of the management.

**Revenue (continued)**

-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 between Free Balance and internal records of each department 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.

**Management response**

**None**

#### **4 Expenditures**

##### *Wages and salaries*

##### **Finding**

While reviewing the employee's files we have found that some of the documents on the files were missing.

In Health department upgrade in positions were done without qualifications and supporting evidence for approval

##### *Goods and services*

##### **Finding**

During our audit, we identified several cases where payments were done with delay of more than 30 days after the invoice receipt date which is not in accordance with provisions of Treasury Guidelines and financial rule 02 – Expenditure of public money.

Based on the results of our audit procedures we identified deficiencies in design and implementation of internal controls related to authorization of Commitment Payment Orders by the Certifying Officer. In addition, we identified several recorded travel expenses in Health Department-primary care which are not supported with travel orders.

During our audit we identified that the Municipality did not follow the provisions of Memorandum agreement signed between Municipality, KEK and Water Distribution Centre on 1 September 2010. According this Memorandum the Municipality was obliged to settle its liabilities for electricity expenses based on monthly invoices. Instead, the Municipality settled these liabilities by lump sum payments. We were not able to reconcile the amounts paid with the related invoices.

From Education, Inspection, Community department has been made payment for Community office expense for realization of "Budva 2010", further there are no supporting evidence for trip to Budva, such as invitation, who participated and report of project.

Payment for private medical examination was performed and advance for business trip was undertaken on 19 November 2010. No report for business trip or other supporting documentation was submitted for this business trip in order to support that this advance was taken for business purposes.

During our audit we identified that the Municipality has made payments to Association of Doctors in Kosovo with expiry agreement, also there are no tender procedures made for this service.

##### *Procurement procedure*

##### **Finding**

During the procurement procedures, the Municipality did not use the standard form of contracts that are part of the bidding documents and that encompasses all necessary general and special terms of contract. The standard form of contract is Part B of tender dossier for goods and services.

We identified certain expenses recognised in the category of goods and services where the payments of such expenses were made from other category expenses code, such as of subvention and transfers, or capital investments. For example, purchase of industrial salt was paid from capital investment code- Purchase of vehicles, Procurement no. 138 136.

**Expenditures (continued)**

During our inspection of source documentation related with three tender procedures for projects: Maintenance and supply with gravel on roads on village Zoqisht Reti, road on villages Qifllak and Ofterush, and road Agim Qelaj with procurement no 123 136; 124 136; 125 136 we identified that for the project Maintenance and supply with gravel for road Qifllak and Ofterushe was paid higher amount than the amount in the agreement. In addition, the winners of the projects Maintenance and supply with gravel on roads on village Zoqisht Reti, road on villages Qifllak and Ofterush were different companies, but the same delivery notes with same with same dates, same numbers, same meter cubs were used in both projects.

During our inspection of source documentation related to the tender procedures for projects: Construction of sewage in the street "Strana", Rahovec with ID no.623 10 051 521; Drafting of development plan of Municipality Rahovec with ID No. 623 10 010 221; Consulting services project with ID No. 623 10 008 321; Supply of gravel for local roads in the Municipality Rahovec with ID No.623 10 032 121, Construction of Lapidary "Xhelal Hajda" in the Rahovec with ID No.623 10 024 521, Construction of side walks with ID No 057 121, Construction of side walks on road A.Bugari and M.Isma with ID No 058 521, and Construction of water supply on villages Dabidol, Qifllak, Kramovik, Petkovicq and Polluzhe with ID No 100 511 we identified the following irregularities:

-In all of the projects stated above the Municipality did not request the guarantee for execution of works which is not in accordance with provisions of article 60 of Public Procurement Law (PPL). In addition, we also identified that the Municipality did not implemented the requirement of article 39 of PPL according which the Municipality is obliged to publish in daily newspaper the name of the chosen bidder within two business days when decision is brought.

-In the following cases with ID no. 623 10 051 521; 623 10 010 221 and 623 10 008 321 there is no evidence that bidders and the winner of the contract were appropriately informed about the decision brought which is not in accordance with requirements of section 29 and 30 of Public Procurement Rule Part B.

-In the Construction of Lapidary "Xhelal Hajda" in the Rahovec with ID No.623 10 024 521, the Municipality did not commit the funds in the contract amount of 10,000 Euro before the signing of the contract. In addition, we were not provided with evidence regarding technical acceptance of the project.

In the tender with ID No 101 121 Supply with Aparat RTG "X-REI" there are no supporting documentation for cancellation of tender in tender dossier and information of the companies that applied for the tender.

Furthermore, in accordance with article 34 of Public Procurement Rules, Part B, Public Procurement Regulation, the provisions of Sections 29.2 – 29.4, 29.6 - 29.7 and 29.9 of this regulation shall be applied at the same way for examination and evaluation of requests to participate in the procedure. Candidates who have passed tests of Sections 29.3 and 29.4 of this regulation shall be considered pre-qualified and selected to receive an invitation to tender. The Municipality did not apply standard forms E2 and E7 required by this regulation in the project construction of sewage in the street "Strana", Rahovec with ID no.623 10 051 521.

*Subvention and transfers*

**Finding**

During our audit we found that on 23 December 2010 direct payment from cashier of Municipality was made in the amount of 7,810 Euro which was supposed to be disbursed to bank account of people with economical needs. In addition, no supporting document was submitted to us. Part of data for families with economical needs is taken from social welfare and amount of 2,870 Euro was transferred. The rest of amount was disbursed with approval of Mayor.

**Risk**

Lack of timely communication and approvals from authorities or incomplete documentation in the procurement files, expenditures made may lead to non-compliance with Laws and Regulatory requirements on force.

**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) and other legal framework on force.

**Management response**

None

**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;

**Management response**

None

# 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 proper draft of financial statements in English and Serbian before the start 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 15 Note 27. Non-financial assets;
- 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 does not reconcile with note 9 of the financial statements, for the years ended 31 December 2009, 2008 and 2007.
- 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.



## **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 all assets as of 31 December 2009 and 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.

## **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' 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.

## **4 Expenditures**

### **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.

**Expenditures (continued)**

-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.

## **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 5.

## Appendix II

### Municipality of Rahovec

### Different forms of Audit Opinion applied by the Office of Auditor General in the Audit Report for 2010

(Extract from ISSAI 400)

## Different forms of Audit Opinion applied by the Office of Auditor General in the Audit Report for 2010

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 unjustified departure from acceptable accounting standards; or
- (a) 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 2010

# Financial Statements as of and for the year ended 31 December 2010

## **DECLARATION REGARDING PRESENTATION OF FINANCIAL STATEMENTS**

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

**From: Chief Administrative Officer Xhevdet Duraku**

In our opinion, the attached financial statements and the notes to these statements for the year ended on 31 December 2010 have been prepared in accordance with the International Public Sector Accounting Standards “Financial Reporting Under the Cash Based Accounting”, adhere to all reporting requirements of the Law on Public Finance and Accountability No. 03/L-048 and law No 03/L-221 amended, and are based on properly maintained financial records.

This declaration is provided in connection with the presentation of the Kosovo General Budget financial statements of the budget organizations for the year ended on 31 December 2010.

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

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

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

The information regarding collection of revenues is accurate.

There are no bank accounts related to the KCB other than the bank accounts specified in the financial statements and this specification is complete and accurate as of 31 December 2010.

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

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

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

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

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

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

In our opinion, the attached financial statements give a true and fair presentation of the finances and financial transactions for the year ended on 31 December 2010 of Municipality Rahovec

Date: 31 January 2011

Signature and stamp: \_\_\_\_\_  
Chief Administrative Officer Xhevdet Duraku

\_\_\_\_\_  
Chief Financial Officer Hamez Rama



## Financial statements

31 December 2010

(All amounts expressed in thousand Euros, unless otherwise stated)

## Section 9. Statement of Cash Receipts and Payments

	Notes	2010			2009			2008		
		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
<b>RECEIPTS</b>										
General Fund Appropriations	2	7,069	538	-	6,113	867	-	4,425	814	-
Special Purpose Fund Appropriations		-	115	-	-	-	-	-	-	-
Designated Donor Grants	3	-	-	-	71	-	-	-	-	-
Other Receipts	4	-	-	-	-	-	-	100	-	-
<b>Total Receipts</b>		<b>7,069</b>	<b>653</b>	<b>-</b>	<b>6,113</b>	<b>938</b>	<b>-</b>	<b>4,525</b>	<b>814</b>	<b>-</b>
<b>PAYMENTS</b>										
Operations										
Wages and Salaries	5	3,692	34	-	3,614	60	-	3,107	47	-
Goods and Services	6	585	10	-	643	12	-	674	4	-
Utilities	7	268	-	-	164	-	-	273	2	-
		<b>4,815</b>	<b>44</b>	<b>-</b>	<b>4,421</b>	<b>72</b>	<b>-</b>	<b>4,054</b>	<b>53</b>	<b>-</b>
Transfers										
Transfers and Subsidies	8	-	120	-	-	97	-	-	66	-
Capital Expenditures										
Property, plant and equipment	9	2,254	489	-	1,692	768	-	471	695	-
Other Payments	10	-	-	-	-	-	-	-	-	-
<b>Total Payments</b>		<b>7,069</b>	<b>653</b>	<b>-</b>	<b>6,113</b>	<b>938</b>	<b>-</b>	<b>4,525</b>	<b>814</b>	<b>4,525</b>

See accompanying notes to the financial statements

## Financial statements

31 December 2010

(All amounts expressed in thousand Euros, unless otherwise stated)

## Section 10. Budget Execution Report

		Original Budget (Appropriation) A € '000	2010 Final Budget (Appropriation) B € '000	Actual C € '000	Variance D=C-B € '000	2009 Actual E € '000	2008 Actual F € '000
	Notes						
<b>Cash inflows into Treasury Account</b>							
Taxes	11						
Own Source Revenues	12	914	1,193	653	(540)	867	814
Grants and Assistance	13	7,024	7,309	7,069	(240)	6,113	4,425
Capital Receipts	14	-	-	-	-	-	-
Privatization Fund	15	-	-	-	-	-	-
Other		60	235	-	(235)	71	100
<b>Total KCB Receipts Collected</b>		<b>7,998</b>	<b>8,737</b>	<b>7,722</b>	<b>(1,015)</b>	<b>7,051</b>	<b>5,339</b>
<b>Cash Outflows from Treasury Account</b>							
Wages and Salaries	17	3,791	4,026	3,996	(30)	3,674	3,154
Goods and Services	18	683	869	595	(274)	656	678
Utilities	19	168	268	268	-	164	275
Transfers and Subsidies	20	120	120	120	-	97	66
Capital Expenditures	21	3,176	3,454	2,743	(711)	2,460	1,166
Privatization Fund	22	-	-	-	-	-	-
Other		60	-	-	-	-	-
<b>Total Payments made through the TSA</b>		<b>7,998</b>	<b>8,737</b>	<b>7,722</b>	<b>(1,015)</b>	<b>7,051</b>	<b>5,339</b>

# 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.16/2010 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.

## 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-177
- The Reviewed Budget is approved by Law No. 03/L-218

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

## Financial statements

As of and for the year ended 31 December 2010

(All amounts expressed in thousand Euros unless otherwise stated)

**Section 11. Disclosure of notes****Note 2. General Fund Appropriations**

Economic Classification	KCB	2010	Total	2009	2008
	€ '000	OSR € '000	€ '000	€ '000	€ '000
Wages and Salaries	3,962	34	3,996	3,674	3,154
Goods and Services	585	10	595	655	678
Utilities	268	-	268	164	275
Subsidies and Transfers	-	120	120	97	66
Capital Expenditures	2,254	489	2,743	2,390	1,066
	<b>7,069</b>	<b>653</b>	<b>7,722</b>	<b>6,980</b>	<b>5,239</b>

**Note 3. Designated donor grants**

Economic Classification	2010	2009	2008
	€ '000	€ '000	€ '000
Wages and Salaries	-	-	-
Goods and Services	-	1	-
Utilities	-	-	-
Subsidies and Transfers	-	-	-
Capital Expenditures	-	70	100
	-	<b>71</b>	<b>100</b>

**Note 4. Other receipts**

## Financial statements

As of and for the year ended 31 December 2010

(All amounts expressed in thousand Euros unless otherwise stated)

**Note 5. Wages and salaries**

Description	KCB € '000	2010 OSR € '000	Total € '000	2009 € '000	2008 € '000
<b>KCF Payments</b>					
Net Salaries	3,462	33	3,495	3,147	2,668
Personal Income Tax	116	-	116	102	106
Employer Pension Contribution	190	1	191	175	150
Employee Pension Contribution	190	-	190	175	150
Payments to Trade Union -0.10% to 0.50%	4	-	4	3	1
Overtime Pay	-	-	-	-	34
Per Diem Payments for Assembly Members and Committees	-	-	-	72	44
Meals	-	-	-	-	-
Shift Payments	-	-	-	-	-
Contracted Per Diem	-	-	-	-	1
Assembly Session Participation Pay	-	-	-	-	-
	<b>3,962</b>	<b>34</b>	<b>3,996</b>	<b>3,674</b>	<b>3,154</b>
<b>Payments from Grants</b>					
Full Time Salaries	-	-	-	-	-
Overtime Pay	-	-	-	-	-
Contracted Payments	-	-	-	-	-
	-	-	-	-	-
<b>Total</b>	<b>3,962</b>	<b>34</b>	<b>3,996</b>	<b>3,674</b>	<b>3,154</b>

## Financial statements

As of and for the year ended 31 December 2010

(All amounts expressed in thousand Euros unless otherwise stated)

**Note 6. Goods and Services**

Description	KCB € '000	2010 OSR € '000	Total € '000	2009 € '000	2008 € '000
<b>Payments from KCF</b>				-	19
Travel Expenses	26	-	26	51	13
Telecommunication Expenses	15	-	15	17	25
Health services	30	-	30	-	-
Contractual Services	10	-	10	45	-
Compensation for attending trials	1	-	1	-	-
Technical services	3	-	3	-	-
Office supply	62	-	62	68	67
Furniture and Equipment	32	-	32	27	21
Other Expenses	39	-	39	41	56
Fuel	242	-	242	215	291
Advances	(14)	-	(14)	-	2
Financial Services	10	-	10	5	89
Maintenance and Repairs	86	5	91	108	67
Rent	-	-	-	1	2
Marketing Expenses	10	-	10	18	4
Representation Expenses	33	5	38	58	22
	<b>585</b>	<b>10</b>	<b>595</b>	<b>654</b>	<b>678</b>
<b>Payments from Grant</b>					
Travel Expenses	-	-	-	-	-
Telecommunication Expenses	-	-	-	-	-
Contractual Services	-	-	-	-	-
Furniture and Equipment	-	-	-	-	-
Other Expenses	-	-	-	-	-
Fuel	-	-	-	-	-
Advances	-	-	-	-	-
Financial Services	-	-	-	-	-
Maintenance and Repairs	-	-	-	-	-
Rent	-	-	-	-	-
Marketing Expenses	-	-	-	-	-
Representation Expenses	-	-	-	-	-
<b>Total</b>	<b>585</b>	<b>10</b>	<b>595</b>	<b>654</b>	<b>678</b>

**Note 7. Utilities**

Description	KCB € '000	2010 OSR € '000	Total € '000	2009 € '000	2008 € '000
Utilities paid from KCF	268	-	268	164	275
Utilities paid from grants	-	-	-	-	-
<b>Total</b>	<b>268</b>	<b>-</b>	<b>268</b>	<b>164</b>	<b>275</b>

## Financial statements

As of and for the year ended 31 December 2010

(All amounts expressed in thousand Euros unless otherwise stated)

**Note 8. Subsidies and Transfers**

Description	KCB € '000	2010 OSR € '000	Total € '000	2009 € '000	2008 € '000
<b>Payments from KCF</b>	-	-	-	-	-
Subsidies	-	-	-	-	-
Subsidies to public entities	-	-	-	-	-
Subsidies to non-public entities	-	-	-	-	-
Payments to individual beneficiaries	-	120	120	97	66
Basic Pensions	-	-	-	-	-
Disability pensions	-	-	-	-	-
Pensions or social assistance	-	-	-	-	-
Payments to war invalids	-	-	-	-	-
Payments to relatives of war victims	-	-	-	-	-
Early pensions-Trepça	-	-	-	-	-
	-	<b>120</b>	<b>120</b>	<b>97</b>	<b>66</b>
<b>Payments from grants</b>					
Subsidies	-	-	-	-	-
Subsidies to public entities	-	-	-	-	-
Subsidies to non-public entities	-	-	-	-	-
Payments to individual beneficiaries	-	-	-	-	-
<b>Total</b>	-	<b>120</b>	<b>120</b>	<b>97</b>	<b>66</b>

**Note 9. Capital Investments**

Description	KCB € '000	2010 OSR € '000	Total € '000	2009 € '000	2008 € '000
<b>Payments from KCB</b>					
Buildings	476	67	543	338	115
Cultural objects	206	46	252	-	-
Road Construction	407	227	634	977	585
Water and Waste System	503	44	547	323	168
Water Supply System	255	48	303	300	63
Energy, Generation, Transmission and Supply	40	-	40	29	-
Furniture	86	-	86	50	-
Machinery	60	10	70	120	75
Medical equipment	37	-	37	-	-
Other Capital	206	24	230	251	60
	<b>2,276</b>	<b>466</b>	<b>2,742</b>	<b>2,388</b>	<b>1,066</b>
<b>Payments from Grants</b>					
Buildings	-	-	-	67	53
Road Construction	-	-	-	3	-
Water and Waste System	-	-	-	-	20
Water Supply System	-	-	-	-	-
	-	-	-	<b>70</b>	<b>100</b>
<b>Total</b>	<b>2,276</b>	<b>466</b>	<b>2,742</b>	<b>2,458</b>	<b>1,166</b>

**Note 10. Other Payments**



## Financial statements

As of and for the year ended 31 December 2010

(All amounts expressed in thousand Euros unless otherwise stated)

**Note 11. Taxes****Note 12. Own Source Revenues**

Description	Notes	2010	2009	2008	% of total 2010	% of change from 2009
		€ '000	€ '000	€ '000		
Revenue from Administrative Tax /50019	12.1	101	14	149	7%	2%
Property tax/40110		217	-	-	16%	%
Administrative taxes		27	-	-	2%	0%
Penalties		119	176	239	9%	29%
License		50	25	67	4%	4%
Professional licenses		-	12	45	0%	2%
Land measurements		8	11	39	1%	2%
Construction license		18	34	17	1%	6%
Demolition		4	-	8	0%	0%
Services		-	-	9	0%	0%
Revenue from participation		52	4	48	4%	1%
Inherited		33	57	-	2%	9%
Revenue from land destination		4	33	16	0%	5%
Revenue from rent		48	-	40	4%	0%
Revenue from insurance policy		-	53	8	0%	9%
Revenue from use of public property		19	8	55	2%	1%
Other receives/oficaria		84	54	-	6%	9%
Revenue from Previous Year		344	63	93	25%	10%
Revenue from Donation		235	71	-	17%	12%
<b>Total</b>		<b>1,363</b>	<b>615</b>	<b>833</b>	<b>100</b>	<b>100%</b>

Note: Add economic categories for revenues if needed

**12.1 Tax Administration Revenues**

Description	Notes	2010 € '000	2009 € '000	2008 € '000
Tax from vehicle registration/50002		-	68	68
Tax from driver license		-	-	-
Tax from travel document		-	-	-
Tender Participation/50020		10	11	4
Road fee		70	-	-
Marriage certificates/50014		6	9	2
Other certificates/50013/50015/50016		15	75	36
Authentication of documentation		-	-	39
Administrative tax for letter request		-	-	-
Court tax		-	-	-
Returned court tax		-	-	-
<b>Total</b>		<b>101</b>	<b>163</b>	<b>149</b>

## Financial statements

As of and for the year ended 31 December 2010

(All amounts expressed in thousand Euros unless otherwise stated)

**Note 13. Grants and Assistance**

Description	2010 € '000	2009 € '000	2008 € '000
Name of Donor, alphabetically	235	-	-
Name of Donor, alphabetically	-	-	57
Name of Donor, alphabetically	-	-	60
<b>Total Designated Donor Grants</b>	<b>235</b>	<b>-</b>	<b>117</b>

**Note 14. Capital Receipts**

Nature of Assets	Sales Income		
	2010 € '000	2009 € '000	2008 € '000
Land	-	-	-
Building	543	338	-
Infrastructure	1,484	1,044	-
Plant	522	906	-
Equipment	193	170	-
<b>Total</b>	<b>2,742</b>	<b>2,458</b>	<b>-</b>

**Note 15. Privatization Fund**

SOE	Privatization Revenue		
	2010 € '000	2009 € '000	2008 € '000
SOE #1	-	-	-
SOE #2	-	-	-
SOE #3	-	-	-
SOE #4	-	-	-
SOE #5	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 16. Other**

Type of Receipts	2010 € '000	2009 € '000	2008 € '000
Lottery Game Deposits	-	-	-
Regulatory Commission Deposits	-	-	-
Ministry of Justice Deposits	-	-	-
Other Deposits	60	-	-
<b>Total</b>	<b>60</b>	<b>-</b>	<b>-</b>

**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.

Financial statements  
As of and for the year ended 31 December 2010  
(All amounts expressed in thousand Euros unless otherwise stated)

## Article 12. Reporting Obligations of LPFMA

### Article 13. Note 25 Statement of budget organization unpaid invoices (obligations)

Date inv.	No.inv.	Economic code	Vendor	Description	Purpose	€ '000
				Education Utilities		10
				QKMF/Utilities		23
				QKMF/G&S		10
				Municipality/G&S		60
				Municipality/Utilities		46
				Procurement/CI		501
				Procurement/CI		
				2009		252
				Procurement/G&S		
				Municipality		14
				Procurement/G&S		
				QKMF		5
<b>Total</b>						<b>921</b>

### Article 14. Note 26. Unjustified advances and loans

Date of issue	CPO No	Purpose	€ '000	2009
<b>Total</b>				<b>-</b>

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

Classification of Assets	2010 € '000	2009 € '000	2008 € '000
Buildings	503	338	-
Land	-	-	-
Equipment	193	170	-
<b>Total</b>	<b>696</b>	<b>508</b>	<b>-</b>

ID Category	Category	2010 € '000
<b>Total</b>		<b>-</b>

## Financial statements

As of and for the year ended 31 December 2010

(All amounts expressed in thousand Euros unless otherwise stated)

**Note 28. Receivables**

Date of invoice	Uniref	Economic code	Description	Date of payment	Debtor	2010 € '000
<b>Total</b>						-

**Note 29. Summary of Own Source Revenues Carried Forward**

	2010 € '000	2009 € '000	2008 € '000
Own Source Revenues carried from previous year	344	433	414
Own Source Revenues received this year as per note 13	1,019	778	833
<b>Total available for appropriation in the current year</b>	<b>1,363</b>	<b>1,211</b>	<b>1,247</b>
Wages and Salaries	34	60	47
Goods and Services	10	12	4
Utilities	-	-	2
Transfers and Subsidies	120	97	66
Capital Expenditures	489	698	695
Other	-	-	-
	<b>2,016</b>	<b>2,078</b>	<b>2,061</b>

**Article 16. Note 30. Contingent Liabilities**

Nature of Contingency	Reason for Liability	2010 € '000	2009 € '000	2008 € '000
<b>Total</b>		-	-	-

## Financial statements

As of and for the year ended 31 December 2010

(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			
<b>Receipts</b>							
Own Source Revenues	914	-	-	-	279	1,193	0.0%
Grants and Assistance	7,024	-	-	285	-	7,309	0.0%
Capital Receipts	-	-	-	-	-	-	0.0%
Privatization Funds	-	-	-	-	-	-	0.0%
Other	60	-	175	-	-	235	0.0%
	<b>7,998</b>	<b>-</b>	<b>175</b>	<b>285</b>	<b>279</b>	<b>8,737</b>	<b>9.2%</b>
<b>Payments</b>							
Wages and Salaries(10)	3,751	-	-	225	-	3,976	0.0%
Wages and Salaries(21-22)	40	-	-	-	10	50	
Goods and Services(10)	664	-	-	(51)	-	613	0.0%
Goods and Services(21-22)	19	-	-	-	2	21	
Goods and Services/donation	-	-	235	-	-	235	
Utilities(10)	168	-	-	-	-	268	0.0%
Transfers and Subsidies(21)	120	-	-	-	-	120	0.0%
Capital Expenditures(10)	2,441	-	-	11	-	2,452	
Capital Expenditures(21-22)	735	-	-	-	267	1,002	0.0%
Privatization Fund	-	-	-	-	-	-	0.0%
Other	60	-	(60)	-	-	-	0.0%
<b>Total</b>	<b>7,998</b>	<b>-</b>	<b>175</b>	<b>185</b>	<b>279</b>	<b>8,737</b>	<b>9.2%</b>

## Financial statements

As of and for the year ended 31 December 2010

(All amounts expressed in Euro thousand unless otherwise stated)

## Budget Execution Report

Description	Notes	Original Budget Law No 03/L-177 b	Final Budget KFMIS c	Actual D	Progress as a % e=d/b	Progress as a % f=d/c
<b>Total Payments</b>	<b>A</b> <b>1+2+3+4</b>	<b>7,998</b>	<b>8,737</b>	<b>7,722</b>	<b>97</b>	<b>88</b>
<b>Payments from General Grant</b>	<b>1</b>	<b>7,024</b>	<b>7,309</b>	<b>7,069</b>	<b>101</b>	<b>97</b>
Wages and Salaries		3,751	3,976	3,962	106	100
Goods and Services		664	613	585	88	95
Utilities		168	268	268	160	100
Subsidies and Transfers						
Capital Investments		2,441	2,452	2,254	92	92
<b>Payments from Own Source Revenues 2010</b>	<b>2</b>	<b>974</b>	<b>916</b>	<b>538</b>	<b>55</b>	<b>59</b>
Wages and Salaries		40	40	24	60	60
Goods and Services		19	19	8	42	42
Utilities						
Subsidies and Transfers		120	120	120	100	100
Capital Investments		795	737	386	49	52
<b>Payments from OSR carried forward from 09</b>	<b>3</b>	<b>-</b>	<b>277</b>	<b>115</b>	<b>-</b>	<b>42</b>
Wages and Salaries		-	10	10	-	100
Goods and Services		-	2	2	-	100
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		-	265	103	-	39
<b>Payments from Designated Donor Grants</b>	<b>4</b>	<b>-</b>	<b>235</b>	<b>-</b>	<b>-</b>	<b>-</b>
Wages and Salaries		-	-	-	-	-
Goods and Services		-	235	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		-	-	-	-	-



## Financial statements

As of and for the year ended 31 December 2010

(All amounts expressed in Euro thousand unless otherwise stated)

## Report of Receipts by Program -

Description	Code Economic	Admin.	B.Finance	Agroc	Urban	Culture	Geodesy	Inspection	Economy	Emerg	Social Welfare	Education	Health	Total receipts
a		b	c	d	e	f	g	j	i	k	l	m	N	f=b+c+d+e+ ....
Property Tax	50101	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction Permit Tax	40110	-	217	-	-	-	-	-	-	-	-	-	-	217
Municipality tax	50009	18	-	-	-	-	-	-	-	-	-	-	-	18
Road Fee tax	50002	1	69	-	-	-	-	-	-	-	-	-	-	70
Demolition tax	50010	4	-	-	-	-	-	-	-	-	-	-	-	4
Inherit tax	50011	33	-	-	-	-	-	-	-	-	-	-	-	33
Tax for changes on land destination	50012	4	-	-	-	-	-	-	-	-	-	-	-	4
Birth certificates	50013	15	-	-	-	-	-	-	-	-	-	-	-	15
Marriage certificates	50014	6	-	-	-	-	-	-	-	-	-	-	-	6
Death certificate	50015	-	-	-	-	-	-	-	-	-	-	-	-	-
Other certificate tax	50016	84	-	-	-	-	-	-	-	-	-	-	-	84
Administrative tax for letter request	50019	27	-	-	-	-	-	-	-	-	-	-	-	27
Tender participation	50020	10	-	-	-	-	-	-	-	-	-	-	-	10
License from individual activity	50201	-	-	-	-	-	-	-	-	-	-	-	-	-
License from technical acceptance	50205	6	-	-	-	-	-	-	-	-	-	-	-	6
License for public promotion	50212	-	44	-	-	-	-	-	-	-	-	-	-	44
Sale of services	50401	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent of agrocultural land	50405	19	-	-	-	-	-	-	-	-	-	-	-	19
Rent from trade object	50407	8	33	-	-	-	-	-	-	-	-	-	-	41
Rent from public object	50408	7	-	-	-	-	-	-	-	-	-	-	-	7
Urbanization inspection	50503	-	-	-	-	-	-	-	-	-	-	-	-	-
Inspecting and measuring in field	50504	8	-	-	-	-	-	-	-	-	-	-	-	8
Participation of village Xerxe	56000	-	-	-	-	-	-	-	-	-	-	-	-	-
Participation Health/Education	50409	-	-	-	-	-	-	-	-	-	42	7	-	49
Revenue from services	50403	-	-	-	-	-	-	-	-	-	-	-	-	-
Traffic fines	-	-	-	-	50	-	-	-	-	-	-	-	-	50
Court penalty	-	-	-	-	69	-	-	-	-	-	-	-	-	69
Participation /village Fortes	-	-	-	-	3	-	-	-	-	-	-	-	-	3
Donations	-	-	-	-	235	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>250</b>	<b>363</b>	<b>-</b>	<b>357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>7</b>	<b>-</b>	<b>1,019</b>





Article 11. Notes to the financial statements  
 As of and for the year ended 31 December 2010  
 (All amounts expressed in Euro thousand unless otherwise stated)

Department	No of staff in the Budget Law 03/L-177	Actual number of staff at beginning of 2010		Actual number of staff at end of 2010	
		Full Time	Part Time	Full Time	Part Time
Mayor /16011	8	8	-	7	-
D.Adminis/16311	55	55	-	52	-
D.Inspekc/16611	12	12	-	11	-
D.Budget-financa/175	18	18	-	17	-
D.ZLK./195	7	7	-	7	-
Bujqesia/470	4	4	-	10	-
Urbanizmi/663	47	47	-	41	-
KSR/850	12	12	-	11	-
QKMF/730	129	129	-	131	-
Social services/730	15	15	-	15	-
Educ-adm/920	6	6	-	6	-
Educ-kin.garden	8	8	-	8	-
Edu.-primary	711	711	-	712	-
Edu-high	115	115	-	133	-
<b>Total</b>	<b>1,147</b>	<b>1,147</b>	<b>-</b>	<b>1,161</b>	<b>-</b>

Article 18, Law No 03/L-221 Report for action undertaken and proposed for findings and recommendation of General Auditor for the year 2009

No.	Recommendation or findings	Time to be implemented	Effect
<hr/>			
<hr/>			



Grant Thornton

[www.grant-thornton.com.mk](http://www.grant-thornton.com.mk)