

Kufrrai Municipality
Financial Statements
& Independent Auditor's Report
For the Year Ended at December 31, 2021

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Kufrrai Municipality

Financial Statements

For the Year Ended at December 31, 2021

Contents

- 1- Independent Auditor's Report
- 2- Financial Position - *Statement (1)*
- 3- Financial Performance - *Statement (2)*
- 4- Statement of Budgetary Comparison - *Statement (3)*
- 5- Disclosures Annexes to the Financial Statements
 - 1- Overview of Kufrrai Town
 - 2- Overview of Kufrrai Municipality
 - 3- Accounting Policies
 - 4- Business-Type Projects
 - 5- Annexes
 - 1- Financial Position as the Accrual Basis of Accounting - *(1)*
 - 2- Revenues Analysis - *(2)*
 - 3- Expenditures Analysis - *(3)*
 - 4- The Unified Statement of Receipts & Payments - *(4)*

Independent Auditor's Report

Mayor & Members of Kufrrai Municipal Council Kufrrai Municipality – Jenin

Opinion

We have audited the financial statements of Kufrrai Municipality, which comprise the statement of financial position as at December 31, 2021, and the related statements of financial performance, the statement of budgetary comparison for the year ended on that date, and the disclosures notes as the cash basis of accounting, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as December 31, 2021, and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphases Paragraph - Cash Basis

The municipality uses cash basis in recording its revenues and expenditures transactions. The municipality keeps records of accounts receivable, accounts payable and non-cash assets in separate records that assist the municipality in issuing a statement of financial position on accrual basis.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management is determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



الحاسب القانوني - CPA
حسني ابراهيم رباحة
رخصة رقم: 132/2000

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Municipal Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Municipal Council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

The Municipality has proper accounting records, and no any violation for the Local Government law No. 1 of 1997 year requirements.

Yaqeen for Consulting & Auditing
Husni Ibrahim Rabaiah
License No. (132/2000)

Jenin – Palestine
27/02/2022






Kufrrai Municipality
Statement (1)
Financial Position
At December 31, 2021

Currency : NIS

Description	2021	2020
<u>Cash on Hand</u>		
Cash on Hand - NIS	7,748.00	7,343.00
Cash on Hand - JOD (2.36)	10.34	976.51
<u>Cash in Banks</u>		
Bank of Cairo Amman	540.21	9,061.21
Bank of Palestine - NIS - Operational	16,486.14	8,278.33
Bank of Palestine - NIS - Electricity Project	62,924.30	28,266.04
Bank of Palestine - NIS - Water Project	2,628.45	26,293.34
Bank of Palestine - NIS - Retired Account	16,148.00	53,699.00
Bank of Palestine - NIS - Trash Account	56,847.32	28,376.32
Bank of Palestine - NIS - Maaref	13,580.36	7,735.00
Bank of Palestine - NIS - Palpay Electricity	10,118.00	8,451.00
Bank of Palestine - NIS - Palpay Water	2,994.00	2,399.00
Bank of Palestine - JOD (13,669.57)	59,872.72	138,288.49
Bank of Palestine - USD (292.08)	905.45	4,599.45
Total Cash on Hand & in Banks	250,803.28	323,766.69
Unrestricted Net Assets at the End of Year	250,803.28	323,766.69

The Accompanying Notes are an Integral Part of Financial Statements.



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Kufrrai Municipality
Statement (2)
Financial Performance
For the Year Ended at December 31, 2021

Currency: NIS

<u>Description</u>	<u>2021</u>	<u>2020</u>
<u>Revenues (Cash Inflows)</u>		
<u>Operating Activities</u>		
Permits & Licenses	292,579.65	224,551.90
Solid Waste Fees	344,960.00	324,906.00
Tax & Local Fees	80,000.00	111,778.29
Fees for Services	88,260.00	1,000.00
Use of Properties	2,120.00	600.00
Property Tax	-	34,533.40
Miscellaneous Revenues	433,824.83	50,950.96
Total	1,241,744.48	748,320.55
<u>Business-Type Activities</u>		
Electricity Project	4,433,221.87	4,169,597.98
Water Project	2,389,293.50	2,174,015.64
Total	6,822,515.37	6,343,613.62
Fiduciary Activities	126,100.94	117,807.00
Total Revenues	8,190,360.79	7,209,741.17
<u>Expenditures (Cash Outflows)</u>		
<u>Operating Activities</u>		
General Expenditures	2,443,364.25	1,880,372.05
Solid Waste Management	66,885.00	83,063.00
Health & Public Safety	660.00	1,070.00
Engineering & Public Works	492,276.00	169,755.00
Cultural Services	63,000.00	600.00
Total	3,066,185.25	2,134,860.05
<u>Business-Type Activities</u>		
Electricity Project	3,315,032.00	3,539,870.00
Water Project	1,693,768.00	1,327,310.00
Total	5,008,800.00	4,867,180.00
Fiduciary Activities	183,212.05	187,247.00
Total Expenditures	8,258,197.30	7,189,287.05
Net Change of Cash Assets During the Year	(67,836.51)	20,454.12
Foreign Currency Exchange	5,918.05	(13,479.97)
Deferred Expenditure	(24.95)	(245.32)
Deferred Revenue	(11,020.00)	15,082.00
Checks Under Collection	-	16,204.00
Net Cash Assets at the Beginning of the Year	323,766.69	285,751.86
Net Cash Assets at the End of the Year	250,803.28	323,766.69

Note: The Accompanying Notes are an Integral Part of Financial Statements

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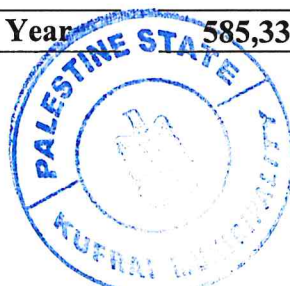
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Kufrrai Municipality
Statement (3)
Statement of Budgetary Comparison
For the Year Ended at December 31, 2021

Currency: NIS

Description	Budget	Actual	Deviation
<u>Revenues (Cash Inflows)</u>			
<u>Operating Activities</u>			
Property Tax	60,000	-	(60,000)
Tax & Local Fees	200,000	80,000	(120,000)
Solid Waste Fees	393,270	344,960	(48,310)
Permits & Licenses	262,925	292,580	29,655
Fees for Services	85,000	88,260	3,260
Use of Properties	3,000	2,120	(880)
Miscellaneous Revenues	406,750	433,825	27,075
Total	1,410,945	1,241,744	(169,201)
<u>Business-Type Activities</u>			
Electricity Project	4,479,100	4,433,222	(45,878)
Water Project	2,425,700	2,389,294	(36,407)
Total	6,904,800	6,822,515	(82,285)
Fiduciary Activities	191,364	126,101	(65,263)
Total Revenues	8,507,109	8,190,361	(316,748)
<u>Expenditures (Cash Outflows)</u>			
<u>Operating Activities</u>			
General Expenditures	2,020,075	2,443,364	(423,289)
Solid Waste Management	132,000	66,885	65,115
Health & Public Safety	1,500	660	840
Engineering & Public Works	422,000	492,276	(70,276)
Cultural Services	64,000	63,000	1,000
Total	2,639,575	3,066,185	(426,610)
<u>Business-Type Activities</u>			
Electricity Project	3,262,800	3,315,032	(52,232)
Water Project	1,784,000	1,693,768	90,232
Total	5,046,800	5,008,800	38,000
Fiduciary Activities	235,400	183,212	52,188
Total	7,921,775	8,258,197	(336,422)
Net Change of Cash Assets During the Year	585,334	(67,837)	(653,171)



Kufraai Municipality
Disclosures Notes to the Financial Statements
For the Year Ended at December 31, 2021

1- Overview of Kufraai Town

Kufraai town is located in Jenin province at a distance of 20 km to the south west of Jenin city and along the south-east villages and towns of Tulkarm province.

The town has a range of hills overlooking the coastal plain which gives it a moderate climate, and varies the height above mean sea level of 505 meters to 165 meters.

The Total Area of Kufraai Town about 35,868dunam, and Which Constitutes 6.5% of the Area of Jenin Province.

In 2021, the Population of Town is about (9,510) Inhabitant, Which Represent 3% of the Population of the Jenin Province, and Works Mostly in the Agricultural Field Where Famous for Olives and Almond Trees over Large Areas as Well as the Cultivation of Cereals, Legumes, and Livestock.

2- Overview of Kufraai Municipality

Kufraai municipality was established at 1996, and it is managed by elected municipal council which consists of 11 members, and there are 24 permanent employees and other employees work in the municipality.

The municipality provides many services for citizen such as electricity, water, trash collection, building licenses, rehabilitation of streets, building, supervision of infrastructure projects, and other services.

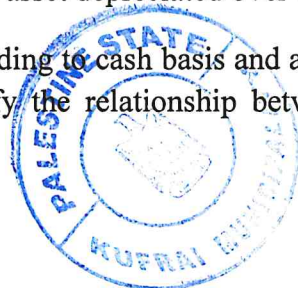
3- The Accounting Policies

*Kufraai municipality uses AL-Diwan accounting system for recording all financial transactions, including the water project transactions. Al-Diwan system is used an official accounting system to issue various financial reports to ministry of local government and all of auditing process performed on it. Pre-paid program of electricity and water is used to issue bills for cash sales of electricity water and collection of old receivables.

*The cash basis of accounting is used in recording the financial transactions. This basis requires the recognition of revenue when there is cash inflows to municipality, and requires the recognition of expenditure when there is cash outflows from the municipality. Financial reports have been issued based on international standard of accounting cash basis.

*Fixed assets have recognized by the cash basis in accounting as an expenditure of financial period and have not recognized as fixed asset depreciated over a period of using asset.

*The budgets are prepared yearly according to cash basis and as regulator's forms. Monthly and yearly reports are issued to clarify the relationship between the balances of actual accounts and the budget.



*The municipality maintains the records of all accounts receivables and accounts payables out of its accounting system. These records assist the municipality to prepare financial position as accrual basis of accounting.

*All purchased materials have been considered as expenditures for a period.

* Salaries of employees are calculated according to Local Government Employees System NO (07) 2009.

* Functional currency in accounting system is (NIS), the balances of cash in the foreign currency at the end of year had been evaluated at exchange rate on the end of that year and calculating the exchange differences They are as follows: JOD: 4.38 NIS, USD: 3.10 NIS, Euro : 3.51 NIS).

*Bank reconciliations are performed at the end of each month, but the cash on hand is counted as daily basis.

4- Business Type Project

The municipality has business-type projects such as: electricity project, water project. These projects provide essential services for citizen and considered as main sources for financing various activities of the municipality.

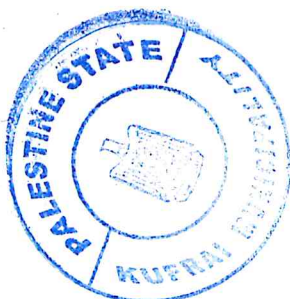
5-Annexes to Financial Statement

* Annex (1) Financial Position as Accrual Basis of Accounting

* Annex (2) Revenues Analysis.

*Annex (3) Expenditures Analysis.

*Annex (4) The Unified Statement of Receipts and Payments.



Kufrrai Municipality
Annex (1)
Financial Position as Accrual Basis of Accounting (Unaudited)
At December 31, 2021

Currency: NIS

<u>Description</u>	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash on Hand & Banks	250,803.28	323,766.69
Accounts Receivable - Building Licenses	350,000.00	350,000.00
Accounts Receivable - Profession Licenses Fees	71,500.00	35,000.00
Accounts Receivable - Water & Electricity	1,873,079.00	1,726,057.00
Accounts Receivable - other	214,833.00	354,507.00
Checks Under Collection	63,857.00	-
Total	2,824,072.28	2,789,330.69
Net Fixed Assets	64,899,991.00	64,082,156.00
Total Assets	67,724,063.28	66,871,486.69
<u>Liabilities & Net Assets</u>		
<u>Liabilities</u>		
Accounts Payable - Water -WBWD	588,201.00	762,389.00
Accounts Payable - JSC For Solid Waste	224,025.00	257,179.00
Accounts Payable - Electricity Meter	15,070.00	-
Accounts Payable - Electricity	-	394,874.00
Accounts Payable - Contractors	1,107,360.00	469,750.00
Total	1,934,656.00	1,884,192.00
<u>Net Assets</u>		
Net Cash Assets at the Beginning of the Years	323,766.69	285,751.86
Net Change of Cash Assets During the Year	(67,836.51)	20,454.12
Net Non Cash Assets	65,533,477.10	64,681,088.71
Net Assets	65,789,407.28	64,987,294.69
Total of Liabilities & Net Assets	67,724,063.28	66,871,486.69

Note: the financial position prepared based on the accrual basis of accounting is outside of the audit scope.



Kufrrai Municipality
Annex (2)
Revenues Analysis
For the Year Ended at December 31, 2021

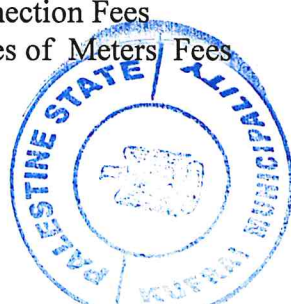
Currency: NIS

Revenues	Description	Amount	Ratio
<u>Operating Activities</u>			
Tax & Local Fees	Road Transport Charges	80,000.00	0.98%
	Profession Licenses Fees	14,250.00	0.17%
	Building Licenses Fees	241,107.65	2.94%
Permits & Licenses	Bids Fees	2,780.00	0.03%
	Documents Certificates	20,694.00	0.25%
	Mapping Site	13,748.00	0.17%
	Total	292,579.65	3.57%
Solid Waste Fees	Trash Collection Fees	344,960.00	4.21%
	Streets and Sidewalks Fees	11,950.00	0.15%
Fees for Services	Hall rental	76,270.00	0.93%
	Information Fees	40.00	0.00%
	Total	88,260.00	1.08%
Use of Properties	Sale of Fixed Assets	2,120.00	0.03%
Miscellaneous Revenues	Currency Exchange	2,668.33	0.03%
	Local Grants & Donations	89,406.50	1.09%
	Foreign Grants and donations	341,750.00	4.17%
	Total	433,824.83	5.30%
Total		1,241,744.48	15.16%

Business-Type Activities

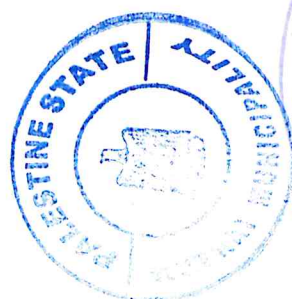
Electricity Project	Electricity Fees	4,248,641.87	51.87%
	Debts Collection	66,535.00	0.81%
	Electricity Subscription Fees	73,920.00	0.90%
	Electricity Meters	16,785.00	0.20%
	Other Electricity	3,085.00	0.04%
	Electricity capacity increase Fees	3,800.00	0.05%
	Contributions in the Network	19,510.00	0.24%
	Reconnection Fees	2,030.00	0.02%
	Changes of Meters Fees	2,000.00	0.02%
		Total	4,433,221.87

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Water Project	Water Sales	1,998,257.50	24.40%
	Debts Collection	295,277.00	3.61%
	Water Subscription Fees	64,915.00	0.79%
	Water Meter Fees	24,900.00	0.30%
	Contributions in Water Network	5,594.00	0.07%
	Contributions in Water Network	150.00	0.00%
	Reconnection Fees	200.00	0.00%
	Total	2,389,293.50	29.17%
Total	6,822,515.37	83.30%	
<u>Fiduciary Activities</u>			
Retirement Budget	Employee Retirement	39,847.00	0.49%
Education Tax Budget	Education Tax	86,253.94	1.05%
Total		126,100.94	1.54%
Total Revenues		8,190,360.79	100 %



Kufrrai Municipality
Annex(3)
Expenditures Analysis
For the Year Ended at December 31, 2021

Currency: NIS

Expenditures	Description	Amount	Ratio
<u>Operating Activities</u>			
General Expenditures - Salaries & Wages	Salaries - Classified Employees	623,394.00	7.61%
	Bonus expenses	61,376.00	0.75%
	Salaries - Unclassified Employees	182,761.00	2.23%
	wages	145,517.00	1.78%
	Overtime	78,953.00	0.96%
	Municipal Board Remuneration	61,801.00	0.75%
	Mayor's Salary	75,726.00	0.92%
	Employees Rewards	10,575.00	0.13%
	End Service Benefits	60,000.00	0.73%
	Total		1,300,103.00
General - Public & Operating	Telephone & Postage	9,949.80	0.12%
	Internet & Communication	26,956.62	0.33%
	Printing & Stationary	12,041.00	0.15%
	Ceremony	25,573.00	0.31%
	Advertising Fees	4,174.00	0.05%
	Interest Expenses	1,188.83	0.01%
	Miscellaneous	25,706.00	0.31%
	Rent	1,750.00	0.02%
	Fuel & Oil -Vehicles	60,946.00	0.74%
	Foreign Currency Exchange	21,050.00	0.26%
	Professional Services	1,400.00	0.02%
	Insurance Against Accidents	34,235.00	0.42%
	Consulting Services	32,792.50	0.40%
	Maintenance of Office Equipment	7,091.00	0.09%
	Fixed Assets Purchased - Real Estate	431,032.00	5.26%
	Fixed Assets Purchased - Infrastructure	364,183.00	4.45%
	Fixed Assets Purchased -Cars	22,620.00	0.28%
	Vehicle Maintenance	18,612.00	0.23%
	Computer Programs & Systems	7,472.50	0.09%
	Internal Travel	14,682.00	0.18%
Gifts & Donations	18,466.00	0.23%	
Maintenance	800.00	0.01%	
Uniform Clothes	540.00	0.01%	
Total		1,143,261.25	13.96%
Total		2,443,364.25	29.83
Solid Waste Fees	Solid Waste Fees	62,120.00	0.76%
	Purchase Trash Container	4,765.00	0.06%
Total		66,885.00	0.82%
Health & Public Safety	Pesticide	660.00	0.01%



Engineering & Public Works	Maintenance of Streets & Walk Sides	399,616.00	4.88%
	Surveying & Consultancy Expenses	15,300.00	0.19%
	Municipality Machine Rent	77,360.00	0.94%
	Total	492,276.00	6.01%
Cultural Services	Poor's Assistant	63,000.00	0.77%
Total		3,066,185.25	37.44%
<u>Business-Type Activities</u>			
Electricity Project	Electricity Purchases	3,132,734.00	38.25%
	Electricity Network Maintenance	115,002.00	1.40%
	Electricity Meter	6,757.00	0.08%
	Electricity Project Maintenance	51,676.00	0.63%
	Fuel & Oil	8,863.00	0.11%
	Total	3,315,032.00	40.47%
Water Project	Water Purchases	1,244,702.00	15.20%
	Water Network Maintenance	83,070.00	1.01%
	Motors & Pumps Maintenance	7,924.00	0.10%
	Water Network Development	335,650.00	4.10%
	Meters Maintenance	22,422.00	0.27%
	Others	27.00	0.00%
Total	1,693,768.00	20.68%	
Total		5,008,800.00	61.15%
<u>Fiduciary Activities</u>			
Retirement Budget	Retirement Salaries	103,208.05	1.26%
Education Tax Budget	Schools Maintenance	80,004.00	0.98%
Total		183,212.05	2.24%
Total Expenditures		8,258,197.30	100.83%
Total Revenues		8,190,360.79	100 %



Kufrrai Municipality
Annex (4)
The Unified Statement of Receipts & Payments
For the Year Ended at December 31, 2021

Currency: NIS

Description	Receipts (Payment) of Municipality	Payment of Governmental Units	Payment of Other Institution
<u>Receipts</u>			
Receipts (Operating)	1,241,744.48		
Receipts (Business-Type)	6,822,515.37		
Receipts of Fiduciary Additions	126,100.94		
Total Receipts	8,190,360.79		
<u>Payments</u>			
Payments of Operating Budget	3,066,185.25		
Payments of Business- Type Budget	5,008,800.00		
Payments of Fiduciary Activities	183,212.05		
Total Payments	8,258,197.30		
Net Change of Cash Assets During Year	(67,836.51)		
Foreign Currency Exchange	5,918.05		
Deferred Expenditure	(24.95)		
Deferred Revenue	(11,020.00)		
Net Cash Asset at the Beginning of the Year	323,766.69		
Net Cash Assets at the End of the Year	250,803.28		

