



Republic of Serbia
City of Užice

INFORMATION MEMORANDUM

**FOR THE ISSUE OF THE CITY OF UŽICE LONG-TERM
DEBT SECURITIES (BONDS)**

September 2011, Užice



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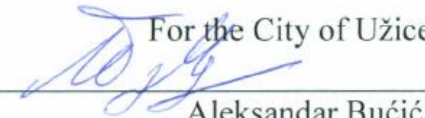

For the City of Užice
Aleksandar Bučić,
Member of the City Council
for the budget and finance



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1 INFORMATION ON THE ISSUER

1.1 General Information

1.1.1 Business Name, Seat, Address, Registration Number and Tax ID Number

Business name: City of Užice
Seat: Užice
Address: Dimitrija Tucovića No. 52, 31000 Užice

City Assembly of Užice

Registration number: 07157878

Tax ID: 101503047

Executive Body of the City of Užice and the Mayor of the City of Užice

Registration number: 07157983

Tax ID: 101503055

1.1.2 Date of Establishment

Užice acquired the status of a Municipality after WWII (1952). By adopting the new Law on Territorial Organization of the Republic of Serbia and Law on Local Self-Government on 29 December 2007, Užice lost the status of a municipality and acquired the status of a City.

1.1.3 Position of the Issuer in the Public Sector of the Republic of Serbia

According to the official data of the Statistical Office of the Republic of Serbia from 2002, the population of Užice – the administrative center of the Zlatibor District – is 83.022 (population of the City accounting for 54.717).

The first reference to Užice was found in a document from the Archives of Dubrovnik dated 9 October 1329, and this date was selected as the Day of the Municipality.

During the 17th century, the City was a significant crafts and cultural center.

Užice was liberated from the Ottoman rule in 1862. According to the first conserved population census after the mass departure of the Turks, the population of Užice was 3.163. The adoption of the Urban Development Plan in 1871 represented the basis for the



intensive construction that followed. The City was developing economically, trade and crafts flourished, guilds were established.

The Đetinja Hydropower Plant, located downstream from the Old City of Užice – one of the City's symbols – was constructed in 1900. This was the first electric power plant in Europe (and second in the world) to be built on the basis of Tesla's multi-phase currents principles, only a few years after the construction of its counterpart on the Niagara River in the USA. Electrical lighting was installed in the City on 2 August 1900 and the Weaving workshop was commissioned in 1901. The expansion of industry and trade created preconditions for the first banks to open. Telegraphic service was introduced in 1860, and telephone service was launched in 1904.

After the Balkan Wars and WWI were over, Užice rapidly began to reinstate its production and industry. The passenger railroad network consisting of the following lines was also constructed during this period: Užice – Vardište line, Užice – Kraljeve Vode, Zlatibor line, and Užice – Kadinjača – Bajina Bašta line.

During WWII, in the period between 1941 – 1945, Užice was the center of important historical events. In 1941, during German occupation, partisans temporarily liberated Užice. During the 67-day existence of the Užice Republic (from 24 September to 29 November), the industry and factories mainly produced military goods, roads and railways were functional and newspapers and books were printed.

In SFRY Užice was renamed to Titovo Užice, together with additional 7 Cities nationwide (Titov Drvar, Titov Veles, Titova Korenica, Titov Vrbas, Titova Mitrovica, Titovo Velenje, Titograd). This was one of the reasons why Užice received extensive financial support from the state and large investments in infrastructure and local industry.

Today Užice is a large industrial, financial and cultural center of Western Serbia located 200 km away from Belgrade, to which it is connected by E763 trunk road.

Formerly a part of Yugoslavia and then of the State Union of Serbia and Montenegro, Serbia has been an independent state since 2006. According to the 2006 Constitution and the 2007 Law on Territorial Organization of the Republic of Serbia, Serbian territorial organization includes autonomous provinces and local self-government units. Serbia (without AP Kosovo and Metohija) has a total of 145 local self-governments, 122 municipalities, and 23 towns and cities (with total of 23 city municipalities not having local self-government status according to the Constitution), with the City of Belgrade (with its 17 city municipalities) possessing special status as the capital.

Republic of Serbia has a unicameral parliament with 250 members. The last election was held on 11 May 2008, and the following regular election will be held in May 2012. The Coalition for European Serbia has 102 MPs, Serbian Radical Party has 56 members, Serbian Progressive Party has 21, Coalition Social Party of Serbia – United Serbia – Party of United Pensioners PUPS has 20 members, Democratic Party of Serbia has 20 members, New Serbia 9, Liberal Democratic Party 12, ethnic minorities' parties have 7 members, and



there are 3 independent members. The Government of the Republic of Serbia was established on 7 July 2008 with the appointment of Mirko Cvetković as the Prime Minister. Serbian government was restructured in March 2011. The Government has a Secretary, 21 members (3 Deputy Prime Ministers and 18 ministers) and 17 ministries. President of the Republic of Serbia, Boris Tadić, was elected on 3 February 2008 for a five-year term of office. The next presidential election will be held in 2013. Detailed information about the Republic of Serbia may be found on the Government of the Republic of Serbia website (www.srbija.gov.rs), as well as on the website of the National Assembly of the Republic of Serbia (www.parlament.gov.rs).

After the year 2000, Serbia has begun a process of political, economic and financial decentralization of government, primarily by adopting the new Law on Local Self-Government in 2002. This Law was afterwards amended in 2007, and accordingly the original jurisdiction of the local self-government shall be primarily: developmental, spatial and urban planning, local economic development, water supply and water management services concerning waste water, hot water and steam (heating), cleaning, landfills, markets, green and public spaces, public transportation and parking services, housing maintenance, construction and maintenance of local road infrastructure, construction and agricultural land management, pre-school education, and the cultural policy of the City. Some competences in the area of social policy, such as primary and secondary education as well as social policy, have been divided between the national and local governments, by having national government funding the employees' salaries, and local self-government bearing the costs of investments and maintenance.

The process of decentralization, particularly in the area of finance, continued with the adoption of the Law on Local Self-Government Finance in 2006, and the Budget System Law, first adopted in 2002, and then amended in 2005 and 2006, the adoption of the latest law in 2009, and recent amendments thereof in 2010.

With regard to macroeconomic indicators, the latest macroeconomic data of the Ministry of Finance of the Republic of Serbia¹ of 15 August 2011 demonstrate that the estimated 2011 gross domestic product will amount to approx. 32.21 billion EUR, or 4.426 EUR per capita. The value of exports in 2010 amounted to 7.39 billion EUR, while the value of imports amounted to 12.19 billion EUR.

In the period 2008 – 2010 the City of Užice experienced solid financial performance. Stable net current surplus demonstrates that the City is capable of prudently managing the budget, which was especially the case in 2009 when the City managed to implement significant cost reduction measures to mitigate the effects of economic recession and the decline in operating (public) revenue by 8%.

¹ Ministry of Finance of the Republic of Serbia:
<http://www.mfin.gov.rs/UserFiles/File/tabele/2011%20avgust/Tabela%201%20Osnovni%20makroekonomski%20indikatori.pdf>



The largest sources of revenue for Užice are income tax (45% of budget revenue on average), registering a positive trend through gradual local economic development recovery, current transfers (19% of budget revenues on average), whereas the share of property taxes amounts to 5% in total budget revenue.

1.1.4 General Acts of the Issuer

The supreme legal document of the City of Užice is the City Statute, adopted on 17 September 2008, (“Official Journal of the City of Užice”, No.11/08). The text adopted by the Legislation Committee of the City Assembly of Užice in 2008 may be found at the following URL:

http://www.graduzice.org/documents/Statut_Grada_Uzica_781.pdf

According to the City Statute, the City bodies include: the City Assembly, the Mayor, and the City Council and City administration. The City Assembly consists of 67 members, elected for a four-year term.

Detailed information about the Assembly and executive bodies of the City of Užice may be found in Chapter 4 of the Information Memorandum.

1.2 Trading in Securities of the Issuer

The City of Užice has not issued any securities yet.

1.3 Geographic Location, Transport and Communication

The City of Užice is located in the central part of Western Serbia as the administrative, economic, social and cultural center thereof. It covers the area of 667 km². The specificity of Užice is found in the fact that it is located in the heart of Southeastern Europe at equal distance from major cities in the region – Belgrade, Sarajevo, Podgorica and Niš. It is connected to Belgrade by E763 trunk road.



Table 1.3.1 Distance between Užice and major cities in the region

City	Population	Distance
Belgrade	2.000.000	200 km
Sarajevo	600.000	190 km
Podgorica	250.000	240 km
Skoplje	700.000	380 km
Niš	300.000	230 km
Novi Sad	300.000	260 km

1.4 Population, Employment and Earnings

According to the Statistical Office of the Republic of Serbia official data from 2002, Užice has 83.022 inhabitants (the City itself has 54.717), and is the administrative center of the Zlatibor District. Having in mind that the official data on population is relatively outdated, the estimates are that the current population is slightly lower than the official figure (approx. 80.000).

Table 1.4.1 Estimated population in the period 2002 -2008

	2002	2003	2004	2005	2006	2007	2008



Population in the City	83.022	82.730	82.417	81.923	80.323	80.700	80.087
Total City population change	/	-238	-313	-494	-1600	377	-613
Population growth rate in the City (%)	/	-0.29	-0.38	-0.60	-1.95	0.47	-0.76
Population growth rate in the district (%)	/	-0.46	-0.55	-0.72	-0.83	-0.93	-0.95
Population growth rate in Serbia (%)	/	-0.26	-0.23	-0.30	-0.39	-0.40	-0.42

The average annual population growth rate in the respective period is negative for all the considered areas, thus indicating the presence of the depopulation issue.

Table 1.4.2 Population structure by type of settlement, 2005

	City		District		Serbia	
	Number	Share (%)	Number	Share (%)	Number	Share (%)
City population	62.162	74,87	156.206	49,84	4.225.896	56,40
Other population	20.860	25,13	155.190	50,16	3,272,105	43,60
Total population	83.022	100	313.396	100	7.498.001	100

Table 1.4.3 Population structure by activity, age and gender

Area	Active population in %	Active male population, age 15-65	Female active population, age 15-65	Elderly (> 65 years of age)	Share of youth in total population	
					1991	2002
Republic of Serbia	67,12	33,27	33,85	16,54	27,69	20,17
Zlatibor District	67,53	34,01	33,52	15,17	22,54	20,66
Užice	69,71	34,64	35,07	14,00	21,60	20,61



This indicator shows the share of available working population. In conformity with the change in population growth and positive migration balance, registered for the entire territory of the City, which primarily results from the positive economic performance and additional longer term economic advancements, the share of active population in the total population of the City is considered to be above the average when compared to the average found in other territorial units in the Republic.

Table 1.4.4 Educational structure of population over 15 years of age

Description		City (number)			District (%)			Serbia (%)		
		Total	Male	Female	Total	Male	Female	Total	Male	Female
No education	Total	3.536	466	3.070	5,05	1,37	8,53	5,66	2,53	8,55
1 – 3 grades of primary school	Total	1.397	269	1.128	2,00	0,79	3,13	2,00	1,23	2,70
4 – 7 grades of primary school		6.688	2.757	3.931	9,56	8,11	10,92	14,19	12,30	15,94
Primary education		17.043	7.818	9.225	24,36	23,01	25,64	23,87	22,97	24,72
High school education		32.915	18.257	14.658	47,05	53,73	40,73	41,07	46,08	36,43
College education		3.682	1.875	1.807	5,26	5,52	5,02	4,51	4,94	4,11
University education		4.336	2.311	2.025	6,20	6,80	5,63	6,52	7,33	5,76
Unknown		367	228	139	0,52	0,67	0,39	2,18	2,62	1,79
Total population (>15)		69.964	33.983	35.981	100	100	100	100	100	100

The structured data in the table shows that 47% of population over 15 years of age completed the secondary level of education, 24% completed primary education, 12% did not completed primary education, while 11% of population has college and university education.

The following table illustrates a cross-section of the total number of employees for the year 2009 and their respective gender structure.

Table 1.4.5 Number of employees in 2009 and their gender structure

Area	Employees		Employees in companies, enterprises, institutions, cooperatives and organizations	Entrepreneurs, self-employed and their employees	Number of employees per 1000 inhabitants	
	Total	Share of females %			Total	Employees in companies, enterprises, institutions, cooperatives and organizations
Republic of Serbia	1.889.085	44,3	1.396.792	492.293	258	191
Zlatibor District	62.627	41,2	45.998	16.629	211	155
Užice	23.181	41,0	17.752	5.429	291	223



Table 1.4.6 Structure of employees by sector in 2009

Description	City	Employees' structure in the City (%)	Employees' structure in the district (%)	Employees' structure in Serbia (%)
Total employees	17.752	100	100	100
Women	8.000	41,00	41,20	44,30
Men	9.752	59,00	58,80	55,70
Agriculture, hunting, forestry and water management	122	0,69	1,93	3,20
Fishing	9	0,05	0,10	0,07
Ore and stone extraction	130	0,73	1,33	1,60
Manufacturing	5.354	30,16	34,43	24,30
Production and supply of energy, gas, water	496	2,78	4,94	3,28
Construction	1.766	9,95	6,95	5,65
Retail, wholesale and automotive repairs	1.641	9,24	7,39	13,82
Hotels and restaurants	164	0,92	2,79	1,61
Transport, storage and communication	1.799	10,13	6,58	7,64
Financial brokerage	411	2,32	1,26	2,64
Real estate sale and lease	358	2,02	1,43	5,71
Public administration and social security	808	4,55	4,64	5,10
Education	1.373	7,73	11,15	9,65
Health and social work	2.696	15,19	12,69	11,65
Other community, social and personal services	629	3,54	2,39	4,08

Positive local economic development is reflected in the relatively low unemployment rate (18.52%) that is just slightly above the average unemployment rate in the Republic of Serbia in 2009 (16.60%).

Table 1.4.7 Unemployment rate, 2007 – 2010 in %

Description	2007	2008	2009	2010
Serbia	28,17	23,80	16,60	19,20
District	35,30	28,60	21,12	32,57
City	23,29	19,45	18,52	18,40



Table 1.4.8 Unemployment by age, 2009

Age	City	Share of total unemployed (%)
Up to 18	113	2,79
19 – 25	593	11,04
25 – 30	646	12,43
30 – 40	1.258	24,48
40 – 50	1.638	27,05
Over 50	1.663	22,22
Total	5.811	100

According to the Statistical Office of the Republic of Serbia data, at the end of 2010 the average net salary in the Republic of Serbia amounted to EUR 341, while the average net monthly salary in Užice was somewhat lower, at approx. EUR 327.

Table 1.4.9 Average net salary per employee in 2010 in EUR

Description	City	District	Serbia
Average gross salary (incl. taxes and contributions)	455	478	475
Average net salary (excl. taxes and contributions)	327	344	341

Table below presents the Statistical Office of the Republic of Serbia data from the end of 2009 illustrating the average net salary per employee (excluding taxes and contributions).

Table 1.4.10 Average net salary per employee, by sector, 2009

Sector	City EUR	District EUR	Serbia EUR
Agriculture, hunting, forestry and water management	311	176	207
Fishing	-	-	189
Ore and stone extraction	276	246	313
Manufacturing	227	186	207
Production and supply of energy, gas, water	319	295	339
Construction	242	215	224
Retail, wholesale and automotive repairs	113	88	232
Hotels and restaurants	95	145	172
Transport, storage and communication	224	220	289
Financial brokerage	501	499	572
Real estate sale and leasing	379	379	297



Public administration and social security	322	287	323
Education	258	239	264
Health and social work	269	259	261
Other utility, social and personal services	286	260	279
Average net salary - total	246	214	254

1.5 Local Economy

Užice has always been one of the most developed Cities in former Yugoslavia. From 2001, following the period of international isolation and economic embargo imposed on Serbia during the 1990's and NATO bombing that resulted in tremendous damage to infrastructure and industry, the economy of Užice was largely recovered, shifting its focus from the industrial to the tertiary sector. State-owned enterprises underwent a process of privatization producing an economy largely dominated by small and medium-sized enterprises.

The economic activity is being carried out in 11 sectors with the largest impact on economic trends found in manufacturing, construction and trade companies. The leading industrial branches are metal industry, processing of non-ferrous metals, textile and timber industries. Užice is an important financial center, given that it is a home to numerous banks and insurance companies' regional branches in Serbia.

The share of the national income of the City of Užice in the national income of the district amounts to 36%, and approximately 1% in the national income of the Republic.

Užice is a home to 780 operating enterprises and 3.248 entrepreneurs.

Table 1.5.1 Structure of enterprises

Type of enterprise	%
Large (>150 employees)	1
Medium (50-150 employees)	5
Small (<50 employees)	94
Total	100

Table 1.5.2 Structure of shops

Type of shop	No.	%
Independent shops	2.640	81
Partnerships	27	1
Shops registered by employed or retired persons	581	18
Total	3.248	100



Strongholds of the economic activity (categorized according to the number of employees) are: Putevi AD (Roads Joint Stock Co.), Valjaonica bakra – Sevojno (Copper Mill – Sevojno), Impol – Seval, Prvi partizan, Jedinstvo Joint Stock Co., and other companies listed in Table 1.5.3, employing a total of 5.708 workers, or 32% of the total number of the employed in the economy.

Table 1.5.3 Key employers and number of employees

Company	No. of employees
Putevi AD (Roads JSC)	1.355
Valjaonica bakra (Copper Mill – Sevojno)	1.068
Impol Seval	724
Prvi Partizan	714
Jedinstvo AD	432
Sreten Gudurić	320
Kadinjača	276
24. Septembar	259
Sinter	196
Jedinstvo – Metalogradnja	185
Autoventil	179
Total	5.708

According to the data from the Regional Chamber of Commerce in Užice from 2009, the countries Užice most exported to during 2009 were the following: Germany (20,67%), Italy (13,26%), USA (7,57%), Montenegro (7,41%), France (5,77%), Bosnia and Herzegovina (5,48%), Russian Federation (5,20%), Austria (4,73%), Slovenia (4,18%), and others (25,73%). The table below shows the export structure in 2009 according to the types of goods.

Export countries

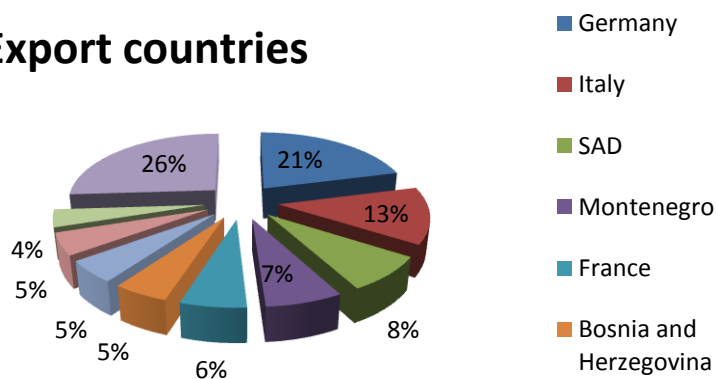
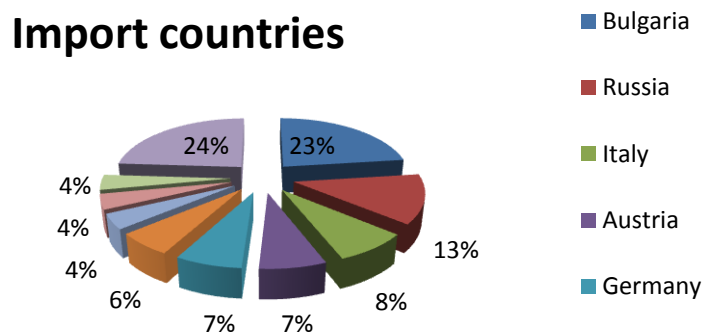




Table 1.5.4 Structure of exports by types of goods, 2009

Type of goods	Amount in \$
Copper and copper products	129.208.019
Aluminum and aluminum products	117.237.203
Arms and ammunition – parts and accessories	38.388.382
Nuclear reactors – boilers, machinery and mechanical devices – parts	9.313.763
Iron and steel products	4.549.364
Plastics and plastic mass products	3.437.644
Electrical machinery, equipment and parts	3.375.118
Apparel and clothing accessories, apart from knitted products	2.988.905
Edible fruit, citrus fruit peels, melons	2.970.595
Furniture, bedding, mattresses, pillow and other filled products, lamps and lighting fittings, illuminated signs, prefabricated buildings	2.124.893
Tools, cutlery, spoons and forks, from base metals	1.719.044
Optical, photographic, cinematographic, measuring, control, precision, medical or surgical instruments and apparatus	1.351.555
Iron and steel	1.204.451
Paper and cardboard	1.090.428
Mineral fuels, mineral oils and products from their distillations, bituminous substances, mineral waxes	1.086.934
Toys, equipment for games and sports, parts and accessories	554.738
Miscellaneous chemical products	452.928
Rubber and rubber products	440.226
Products from stone, plaster, cement, asbestos or similar materials	438.670
Raw hides and skins with fur or without (other than fur skins) and leather	429.324

According to the same source, the import mostly came from the following countries: Bulgaria (23,16%), Russian Federation (12,56%), Italy (7,65%), Austria (7,27%), Germany (7,07%), Montenegro (5,54%), India (4,28%), Bosnia and Herzegovina (4,08%), China (3,57%), and others (24,84%).



More in detail on economic structure of Užice may be found on the following website:

<http://www.graduzice.org/Privreda-19-1>



The total investments realized in the private sector from 2001 – 2010 in Užice exceed EUR 60 million. The structure of foreign direct investment by activity illustrates that a major part of investments went to the metal processing sector.

Table 1.5.5 Realized investments in the private sector in the last 10 years

Name of enterprise	Location	Activity	Number of employees	Value in EUR	Investment year	Investment company country of origin	Type of investment
Valjaonica bakra (Copper Mill)	Sevojno	Metal Processing	1.100	27.000.000	2003	Cyprus, Slovenia, Serbia	Privatization
Impol Seval	Sevojno	Metal Processing	750	28.000.000	2002	Slovenia	Privatization
Putevi AD (Roads JSC)	Užice	Construction	1.355	n/a	2003	Serbia	Ownership transformation
Jedinstvo JSC	Sevojno	Construction	432	n/a	n/a	Serbia	Ownership transformation

1.6 Utility Infrastructure as a Precondition for Economic Development

The City of Užice is connected to the wider region with both road and railroad network. The significant highways that are intersecting at this location are the following: M5: Čačak – Požega – Užice – links with Bosnia, M21: Valjevo – Užice – links with Montenegro, M 19.1: Užice – Bajina Bašta – Zvornik i regional roads R112: Kremna – Kaluđerske bare – Bajina Bašta. R213: Užice – Jelova Gora – Bajina Bašta (Varda). R230: Bela Zemlja – Nikojevići – Čajetina, R263: Užice – Karan – Kosjerić. The presence of main and regional road networks demonstrates the significance of the City in the transport connection between Central Serbia and Montenegro and Bosnia and Herzegovina. Traffic volume on main roads has a growing tendency, particularly during the summer period and in inbound – outbound directions in relation to the City center.

Užice is located in the immediate vicinity of major routes leading to all four corners of Europe. Those are E-763 and E-761 routes.



E-761 European route that starts at Bihać and via Zenica, Sarajevo and Višegrad (Bosnia and Herzegovina) and Užice, Čačak and Kraljevo leads to Kruševac and Corridor 10. This route is the shortest route between Bosnia and Herzegovina and Bulgaria, Greece and Turkey.

E-763 This route starts at Timisoara (Romania) and via Belgrade is the shortest connection with the Southern Adriatic. This route also is one of busiest in this part of Europe connecting Central and Eastern Europe with the Adriatic Sea.

Preparations for building the Belgrade – Požega highway are under way, and the highway is designed to complement the highway route Bar – Boljare in Montenegro that is already under construction. Construction of this highway, that according to plans ought to be operational in 2015, will greatly improve Užice transportation connections to the point that it may become the transportation hub in this part of Europe.

The following table illustrates the length of state and local roads in the territory of the City.

Table 1.6.1 Length of roads, 2007

		City (km)	Share in total length of roads in the district (%)	District (km)
Total length of roads		404	9,86	4.096
Modern roads		291	14,52	2004
State roads category I	Total	84	18,67	450
	Modern roads	84	18,67	450
State roads category II	Total	63	8,59	733
	Modern roads	60	11,13	539
Local	Total	257	8,82	2.913
	Modern roads	147	14,48	1.015

The City of Užice is with a 23.3 km long section of the railroad connected with the main single-track electrified railroad running in the direction Belgrade – Bar, used for both passenger and cargo transport. The railroad that connects Belgrade with the Port of Bar and southern Adriatic has multiple significance. It enables affordable and quick transport of both people and goods. Next to the passenger railroad station located in the mere City center, there is also the cargo terminal located in the Krčagovo industrial zone used for shipping goods to the Port of Bar from where they may be shipped to any point in the world by boat. Local railroad stations are found in: Stapari, Krčagovo and Sevojno. Narrow track passenger railroad Šargan – Vitasi – Mokra Gora is particularly interesting from the tourism aspect.

The following table illustrates the railroad traffic of passengers and goods (last available data is from 2006).



Table 1.6.2 Railway traffic of passengers and goods, 2006

Description	City	Share in total traffic in the district (%)	District
Number of railway stations	4	43,20	14
Number of passengers	54.727	50,32	852.799
Number of cargo	700.000 ton	30,01	2.000.000 ton

Airport Ponikve Užice is a civilian and military airport located 12 kilometers North-West from the City of Užice. The airport is also known under the name Lepa Glava. It is located in the southwestern Serbia, near the border with Bosnia and Herzegovina. It was constructed during the mid-80s of the last century, and based on its technical characteristics designed for both civilian and military purposes. During the 90's regular airline traffic was conducted with Belgrade and Tivat (Montenegro). In the NATO bombing in 1999, this airport sustained serious damage and ever since major effort has been put forward to reconstruct it and adapt it according to the civil aviation needs. Agreement between the Ministry of Defense and the City of Užice concerning cooperation in realization of this project was signed, and the procedure for transferring the airport's occupancy permit from the Government of the Republic of Serbia to the City of Užice is ongoing. Regional Chamber of Commerce through the European Program [RAIRdev](#) has devised the Feasibility Study for conversion of the Ponikve airport.

The problem of organized supply of potable water was resolved by constructing the regional water supply system „Vrutci“ that ought to supply Užice and its vicinity, and the individual water supply systems and capping that ought to supply settlements outside the urban area. The main potential of the City in terms of supply of potable water lies primarily in the large number of streams and springs with clean unspoiled water, which with slight conditioning can be used for drinking, and the “Vrutci” water supply system with own water treatment plant „Cerovića brdo“, and the current capacity of 600 lit/sec that with insignificant investment can be increased to 1.200 lit/sec. The length of the water supply network is 275 km.

Table 1.6.3. Water supply system, 2009

Consumers	No. of consumers	Price in €/m ³	Consumption m ³
Households	20.179	0,28	325.000
Legal entities	1.197	0,68	37.000



PUC „Gradska toplana Užice“ (Užice District Heating) is a state owned public utility enterprise founded in 1987 (by the Assembly of Užice). Primary activity of the enterprise is production and distribution of heat energy for heating the City of Užice and settlements Krčagovo and Sevojno.

Next to its core activity, the enterprise is engaged in the following supplementary activities: installation, repair and reconstruction of HVAC and thermal power plants and installations; design and construction of central heating installations, steam and hot water generating plants; and measurement of emission of combustion products from furnaces.

Table 1.6.4 Remote heating beneficiaries

	No. of beneficiaries	Heated surface	Price in €/m ²
Collective housing	5.543	295.866 m ²	0,57
Individual housing			
Budget institutions	26	40.218 m ²	
Commercial premises	570	52.933 m ²	1,68
Total	6.139	389.019 m²	

In terms of electrical infrastructure, the electricity in the territory of the City of Užice is distributed from the transformer substation 110/35 kV „Gornja Pora“ via transformer substation 35/10 kV „Dovarje“, „Terazije“, „Uremovački potok“, „Krčagovo“, „Carina“, „Bela zemlja“, „Pora“ and „Kremna“. Substation 35/10 kV „Sevojno 1“ supplies with power from the 110/35 kV „Sevojno“, as well as the largest consumers the Copper mill and Impol – Seval, that receive their power directly from the transformation of 110/6 kV. 10 kV network in the urban area and Sevojno is cable (underground).

Industrial consumers are powered by 10 kV and 0,4 kV across the grid, depending on the amount of consumption and the peak load.

Households are powered from the 0,4 kV mixed grid, both cable and above ground. The central part of the City is powered from the 0,4 kV cable grid, while the wider section of Užice is supplied by 0,4 kV above ground network. Suburban sections are supplied with electricity solely via the 0,4 kV above ground network.

Telephone traffic in the territory of the City of Užice is organized via public digital and analog exchanges. Telephone capacity enabling 41.5 telephone lines per 100 inhabitants indicates a well-developed network in the City of Užice.

In terms of Internet services, Telekom Serbia provides a broadband access to Internet via ADSL modem, with additional option to access the Internet through other operators with a cable modem, wireless and through UMTS (3G) mobile network.



Table 1.6.5 Postal (PTT) traffic, 2009

Description		City	Share in the district (%)
Number of post offices		16	24,24
Number of telephone subscribers		39.034	32,81
Postal traffic (sent)	Letters	1.661.686	40,01
	Parcels	4.556	39,55

More information on utility infrastructure can be found in the Community Profile on the website of the City of Užice:

http://www.graduzice.org/Javna_preduzeca-83-1

1.7 Education, Culture and Sports

1.7.1 Education

City of Užice is a large educational center with developed network of educational institutions at all levels. Children and youth constitute about 30% of the total population of the City of Užice. Their education is being implemented through the work of the following institutions:

- Preschool;
- Nine elementary schools, out of which six urban and three rural schools, as well as two specialized schools, Primary school for hearing impaired children " Miodrag V. Matić " and the School of Music "Vojislav-Lale Stefanović";
- Six high schools; and
- High Business and Technical Vocational School and Faculty of Education Užice

Table 1.7.1.1 Capacities of educational institutions

	No. of institutions	No. of education profiles	No. of pupils/students
Preschool	1	/	/
Primary schools	11	/	/
High schools	6	/	/
Colleges	1	6	1.156
Universities	1	2	857



1.7.2. Culture

Užice has always been one of the most important Serbian cultural centers that gave rise to many Serbian writers and artists. Užice today is the City with numerous cultural institutions and events. Užice has always nourished cultural institutions that had significant importance on the macro regional level. Therefore, Užice has a number of cultural institutions of regional importance – the National Theatre, the National Library, the National Museum, the Historical Archives, etc. Cultural institutions of local character – City Gallery, "Jokanovića kuće" Showroom, cinema, etc. are intended for local needs. Cultural facilities represent the seat of cultural life. The City abounds in a number of significant cultural events that have, for a number of years now, attracted a large number of visitors, both participants and spectators from the country and abroad, and artists.

1.7.3. Sports

Užice is one of the most developed sports centers in Serbia. Sport in Užice is an essential part of everyday life. In 2007 Užice had 60 sports clubs in 26 sports fields with the total of 4.877 registered athletes.

During the last decades of the past century and in the past few years the City of Užice has been recognized as the City of women's volleyball. Volleyball club „Jedinstvo“ is the club that has won nine championship titles and eight national cup trophies. This club has also had some notable performances in European competitions. „Jedinstvo“ has fostered a large number of great players and team members, and in the preceding 20 years it was impossible to imagine the national team lineup without players from this club. „Jedinstvo“ is now the standard club in the First League. Men's volleyball team “Užice” has also been active in Užice lately, bringing together a large number of children from both the City and the surrounding area that are trained by former national team players Vladimir Vasović, Jovan Janjušević and others.

Užice is the most prominent athletic center in Serbia. Members of athletic teams „Mladost“ and „Užice“ are big names of Serbian athletics, such as: Olivera Jevtić, Mirko Petrović, Danijel Vukajlović, Tatjana Lojanica, Snežana Kostić, Marija Papić, Nikola Stamenić and others, the proud owners of the utmost awards and medals from both European and world competitions.

Užice is also a soccer City. That fact is confirmed by the long-standing tradition of this sport in the City on Đetinja and the number of children that still run after the colorful “ladybug”. Užice has 7 soccer clubs: „Sloboda Point Sevojno“, „Jedinstvo“, „Zlatibor“, „Prvi Partizan“, „Siti“, „Tara“ and „Bioska“.

Užice proudly highlights its own basketball tradition of over 60 years. Basketball has been played in the old „Sokolana“ and later in the „Veliki Park“ hall. Men's basketball team from Užice played under various names, including „Sloboda“, „Raketa“, and “Sevojno“ and during the mid-80's of the last century achieved the most significant results ever



achieved in the history of Užice basketball. During the season 1987/88, team “Prvi Partizan” managed to qualify and enter the First League in the “large” Yugoslavia. Today, the players from “Sloboda” basketball team compete in the Serbian league – West Division. Women’s basketball team “Sevojno” has for a number of years played in the First League in the days of old Yugoslavia. Today, members of the “Play Off” team compete in the Ib league.

1.8 Joining the European Union

On 9 November 2010 the European Commission adopted the annual strategy on the enlargement of the European Union – EU Enlargement Package 2010. This Package represents the annual assessment of the enlargement agenda and provides an overview of the current state of affairs concerning preparations, upcoming challenges and methods for advancement of Western Balkans, Turkey and Island. Serbia submitted its application for the EU membership in 2009. On 25 October 2010 General Affairs Council forwarded the application to the Commission. The Commission is currently processing the application and preparing its Opinion.

Serbia Progress Report for 2010⁴ was also adopted on 9 November 2010. According to the assessment of the European Commission, Serbia has made progress in political democratization, with stable government and broad congruence in orientation of political parties towards the strategic goal of joining the EU. According to the Commission assessment, despite the serious impact of economic and financial crisis, the state of Serbian economy has improved in 2010, highlighting the progress made toward harmonization of Serbian legislation with European standards. It was assessed that Serbia implements provisions of the Interim Agreement and realizes progress in meeting the requirements of the Stabilization and Association Agreement in numerous fields, particularly in agriculture, science and research and statistics.

On 24 November 2010 European Commissioner for Enlargement and Neighborhood Policy Mr. Štefan Füle, submitted to the Government of Serbia the Questionnaire on the Application for Membership of Serbia in the European Union to be filled out as a requirement for acquiring the candidate status for EU membership. The Serbian government prepared and submitted answers to questions from the Questionnaire, following which the European Commission will begin the process of drafting an opinion, which takes about a year

Since 2007 Serbia has annually received around EUR 200 million from funds under Instruments for Pre-Accession (IPA) Assistance of the European Union.

City of Užice has within the IPA program applied for funding of the following projects:

⁴ Serbia Progress Report:

http://www.seio.gov.rs/upload/documents/Izvestaji/izestaj_o_napretku_srbije_2010_sa_%20aneksom.pdf



With Federation of Bosnia and Herzegovina:

- Magic Tourist Circle – Program for sustainable development of tourism in the Drina Region (Užice, Bajina Bašta, Višegrad). City of Užice (lead applicant 1), Bajina Bašta Municipality (partner from Serbia), Municipality of Višegrad (applicant 2)
- Strengthening institutional capacity through promoting joint tourist offer of the wider region of Goražde and Užice, Arbeiter-Samariter-Bund Deutschland e.V (applicant 1), Ministry of Economy of the Bosnia – Podrinje Canton – Goražde, Bosnia and Herzegovina (partner 1), TO of Bosnia – Podrinje Canton – Goražde (partner 2), City of Užice (applicant 2), Regional Tourist Organization of the Western Serbia (partner 1), and TO Užice (partner 2).

With Montenegro:

- On the herbal path – Promotion of Kolašin – Užice biodiversity through the creation of eco-tourist routes. NGO Natura and Kolašin Municipality (applicant 1), TO Užice (applicant 1), City of Užice (partner from Serbia).

Social Innovation Fund and the UNDP

- Day care center for children with disabilities
The total project value is RSD 7.287.640,00
Value of donation: RSD 3.750.730,00
City budget: RSD 2.988.752,00
Contribution from the „Petar Radovanović“ Home – RSD 541.158,00

SDC

- Unit for development of local administration of the City of Užice
- GIS and KAPIS
- Local tax administration /SDC, GTZ

USAID:

- Stationary traffic study
- Business Incubator Center /NIP, USAID

Exchange 2:



- The project for a change – improving and strengthening local capacity to absorb EU funds

Exchange 3

- Cultural Bridge between Mountain and Plain – creating local cultural policies through cooperation and exchange of Užice and Pančevo

Projects that applied for funding from the Ministry for the NIP, that were implemented:

- Business Incubator Center, RSD 2.977.000
- Construction and reconstruction of streets with necessary infrastructure, RSD 24.200.000
- Construction of sewerage, RSD 30.000.000
- Construction of sewerage collectors in the nature park Mokra Gora, RSD 47.900.000
- Sports facilities and playgrounds in the local community, RSD 3.119.858
- Upgrading kindergarten Poletarac, RSD 990.000

In 2010, the following projects applied for funding from the Ministry for the NIP:

- Sports hall for school sports in Užice
- Construction of a kindergarten in Pora
- Construction of sewerage collectors in the nature park Mokra Gora
- Reconstruction and rehabilitation of road network (NIP and EIB)
- Distribution pipeline RG 08-19 Užice – Čajetina –Zlatibor and GMRS “Čajetina” i GMRS “Zlatibor”
- Distribution pipeline Užice (operating pressure) from 4 to 16 bar GM 08-16

Ministry for Public Administration and Local Self-Government

- Shelter -2010 (games of chance fund, RSD 2.000.000)



Table 1.8.1 City of Užice Projects 2008-2011

City of Užice	Project name	Applicant status	Funding	Realization period
RDA Zlatibor (CBC –SRB-BIH)	The development of typical products from Northeastern Bosnia and Herzegovina and Serbian Zlatibor District	Applicant - 2 Applicant 1 – Gradačac – Modriča Independent Development Office	Project value: EUR 211.420,25 RS Grant value: EUR 84.733,87 Co-financing: EUR 17.355,13	1.7.2011- 28.2.2013.
Public Enterprise „Waterworks and Sewerage Užice“ (CBC –SRB-MNE)	Loss reduction and optimization of the water supply system	Applicant 2 Applicant1 – Public Enterprise Waterworks Nikšić	Project value: EUR 387.768 RS Grant value: EUR 159.741,12 Co-financing: EUR 30.426,88	
Public Enterprise „Waterworks and Sewerage Užice“ (CBC –SRB-MNE)	Development of water supply and sewerage GIS	Applicant 2 Applicant1 – Public Enterprise Waterworks Nikšić	Project value: EUR 98.641,14 RS Grant value: EUR 41.925, 67 Co-financing: EUR 7404,45	
Užice Municipality EXCHANGE 3 (second call)	Cultural Bridge between Mountain and Plain – creating local cultural policies through cooperation and exchange of Užice and Pančevo	Bearer Partner: Municipality of Pančevo	Project value: EUR 186.943,5 Grant value: 168.249,2 Co-financing: EUR 18.694,3	25.03.2011- 25.6.2012
Užice Municipality EXCHANGE 3 (second call)	Water supply in accordance with the EU standards	Partner Bearer: Municipality of Gornji Milanovac, Partner: Public Enterprise Gornji Milanovac		
Užice Municipality	Lets Grow Together	Bearer Consortium of partners: Ivanjica, Požega, Kosjerić, Čajetina	Project value: EUR 309.000 Grant value: 274.672,8 Co-financing: EUR 34.327,2	
Užice Child Rights Centre (CBC –SRB-BIH)	Youth leadership for social cohesion and cross-border cooperation	Applicant 1 Applicant 2 – Foundation for Creative Development, Sarajevo		



2 OPERATION, ASSETS AND LIABILITIES OF THE ISSUER

2.1 Activities of the Issuer

2.1.1 Competence of the City of Užice

The City exercises competences established under the Constitution and the Law, tasks within the framework of rights and duties of the Republic of Serbia, delegated under the law. The Republic in accordance with the type and scope of delegated tasks ensures the funds for performance thereof.

The City shall under its competence, through its bodies, and in accordance with the Constitution and the law:

- 1) Adopt City development programs,
- 2) Adopt City spatial plan,
- 3) Adopt urban development plans,
- 4) Adopt the Budget and the Annual Balance Sheet of the City,
- 5) Regulate the rate of City revenue, as well as methods and criteria for determining the amount of local fees and charges,
- 6) Regulate and ensure the delivery and development of public utility activities (water treatment and distribution, treatment and disposal of rainwater and wastewater, production and supply of steam and hot water, in-line urban and suburban road transportation, maintenance of cleanliness in the City, maintenance of landfills, regulation, maintenance and use of farmers' markets, parks, public green, recreational and other public areas, public parking lots, lighting, regulation and maintenance of cemeteries and burial services, etc), as well as ensure organizational, financial and other conditions for performance thereof;
- 7) Establish public utility and other public enterprises to deliver utility and other activities of relevance for the City;
- 8) Ensure maintenance of residential buildings and their safe use, and determine the amount of fees for upkeep thereof;
- 9) Implement the procedure of eviction of illegal tenants from apartments and common areas in residential buildings;
- 10) Adopt program for construction land development, regulate and ensure performance of activities in construction land development and use, and determine the amount of fees for construction land development and use;
- 11) Adopt plans and programs and implement local economic development projects, and ensure improvement of the overall economic activity framework in the City,
- 12) Regulate and ensure the use of office space under its control, determine the amount of fees for office space use, and supervise the use thereof;
- 13) Ensure protection of the environment, adopt programs for use and protection of natural resources and the environment, and local action and recovery plans, in accordance with



strategic documents and own interests and specificities, and determine special fees for environmental protection and improvement;

14) Regulate and ensure performance of tasks related to construction, rehabilitation and reconstruction, maintenance, protection, utilization, development and management of local and unclassified roads and streets in urban settlements;

15) Regulate and ensure special conditions and organization of taxi services;

16) Regulate and ensure the organization of transport in liner shipping in the territory of the City, and determine coastal and water sections that can be used for construction of hydro structures and vessel storage;

17) Establish stockpiles and determine their size and structure, with consent from competent ministries, for the purpose of meeting the needs of local population;

18) Establish institutions and organizations in the field of preschool and primary education, and culture of importance for the City and national minorities, primary health care, physical education, sports, child protection and tourism, and monitor and ensure their functioning;

19) Undertake measures for ensuring and realizing health care of interest for the citizens in the territory of the City;

20) Ensure conditions for education of national minorities;

21) Establish institutions in the field of social protection and monitor and ensure their functioning, issue permits for the commencement of work of social protection institutions established by other legal and natural persons, determine eligibility for the provision of social services, establish norms and standards for conducting activities of institutions it founded, issue regulations concerning rights to social protection and perform state guardian activities;

22) Support the development of various forms of self-help and solidarity with persons with special needs, as well as persons who are in substantially unfair position compared to other citizens, and promote activities and provide assistance to organizations of disabled persons and other social aid organizations in the territory of the City;

23) Organize activities related to protection of cultural heritage of importance for the City and national minorities living in the territory of the City, encourage the development of cultural and artistic creativity of all national minorities in the territory of the City, ensure resources for financing and co-financing of cultural projects and programs of importance for the City and national minorities living in the City, and create conditions for operation of archives, institutes, museums, libraries and other cultural institutions founded by the City;

24) Organize protection from natural and other major disasters and fire protection, and create conditions for removal thereof or mitigation of their consequences;

25) Adopt principles for protection, use and cultivation of agricultural land, and ensure implementation thereof, determine erosive areas, ensure the use of pastures and perform tasks to improve farming;

26) Regulate and determine the manner for using and managing resources, public wells and fountains, establish water management requirements, and issue water management approvals and permissions for structures of importance for the City;



- 27) Ensure and provide conditions for preservation, use and improvement of areas with natural healing properties,
- 28) Encourage and ensure the development of tourism in the territory of the City and determine the amount of tourist fee,
- 29) Ensure the development and improvement of hospitality industry, crafts and trade, regulate working hours, and places where certain activities can be performed, and provide other conditions for performance thereof,
- 30) Manage the City property and use state owned means, and ensure conservation and maximization thereof,
- 31) Regulate and organize activities related to keeping and protecting domestic and exotic animals,
- 32) Organize legal activities to protect rights and interests of the City,
- 33) Adopt strategies and special measures for the purpose of removing inequality and creating equal opportunity conditions for realizing human and minority rights,
- 34) Encourage and support the development of cooperatives,
- 35) Organize legal aid services for citizens,
- 36) Ensure realization, protection and promotion of human rights and individual and collective rights of minority and ethnic groups; ensure realization, protection and promotion of gender equality, adopt strategies and special measures for creating equal opportunities for exercising rights and eliminating inequalities,
- 37) Determine languages and letters of national minorities officially in use in the territory of the City and ensure equal use thereof in procedures before bodies of the City, public enterprises, institutions and organizations and services founded by the City; ensure inscription of names of places, rivers, lakes and other geographic names, names of streets and squares, City bodies, traffic signs, public notices and warnings, and other public inscriptions in languages and letters of national minorities officially in use in the City according to its traditions,
- 38) Ensure public information of importance for the City and ensure conditions for public information in Serbian language and languages of national minorities officially in use in the territory of the City, establish television and radio stations for the purpose of reporting in language of national minorities officially in use in the City, as well as for the purpose of reporting in the language of national minorities that is not officially in use, when such reporting represents the achieved level of minority rights,
- 39) Prescribe sanctions for violations of City regulations,
- 40) Establish inspection services and inspect enforcement of regulations and other general acts within the jurisdiction of the City,
- 41) Establish communal police, ensure and organize performance of their tasks in accordance with the law,
- 42) Regulate organization and work of reconciliation committees,
- 43) Regulate and ensure the use of City name, emblem and other symbols,
- 44) Support the work of civic organizations and associations,



- 45) Regulate and create conditions for caring for the youth, adopt and realize the strategy and the policy action plan for youth, establish youth offices and create conditions of youth organization,
- 46) Plan in peaceful times measures for realizing own functions in the state of war or emergency that specifies the execution of defense duties and obligations prescribed by the law and derived from the Defense Plan of the Republic concerning rescue and protection of people and property in the territory of the City, and determine obligations of legal entities from within its own competence, and
- 47) Perform other activities of direct interest for citizens in accordance with the Constitution, the law and the Statute.

The City shall be independent in performance of activities within its competence, in accordance with the Constitution, the law and the Statute.

The following table shows the structure of generated expenditures in the budget of the City in the last three (3) budget years. Expenditures are presented based on functional classification that represents a classification of expenditures according to the tasks within the competence of the City of Užice, in accordance with the Law on Local Self-Government (“Official Gazette of the Republic of Serbia”, No. 129/2007) and the Statute of the City.

Table 2.1 Functional classification of consolidated budget expenditures of the City, (000 RSD)

Classification	Description	Execution 2008		Execution 2009		Execution 2010	
		Amount	%	Amount	%	Amount	%
0	Social care	133.346	9,0	151.551	11,5	144.078	8,7
1	General public services	106.408	7,2	129.460	9,7	157.057	9,5
3	Public order and safety	173.169	11,7	194.707	14,7	233.478	14,1
4	Economic affairs						
5	Environmental protection	7.763	0,5	6.716	0,5	5.510	0,3
6	Housing and public utilities	727.357	49,2	511.852	38,6	750.766	45,4
7	Health	3.095	0,2	1.908	0,2	2.450	0,2
8	Recreation, culture and religion	178.251	12,0	183.382	13,8	202.774	12,2
9	Education	151.505	10,2	145.842	11,0	159.387	9,6
	TOTAL EXPENDITURES	1.480.894	100	1.325.418	100	1.655.500	100

Based on functional classification of consolidated budget execution of the City, we can conclude that during previous three years the most prominent were expenditures and expenses concerning housing and public utilities (44,2% on average), safety and public order (13,5% on average), and recreation, culture and religion (12,7% on average). Expenditures for education and general public services were also significant. What follows are the expenditures for social care, environmental protection and health.



2.1.2 Sources of Funding of the City of Užice

For the delivery of the tasks delegated to the City under the Constitution and the law, for the performance of tasks delegated by law within the framework of rights and obligations of the Republic, the City shall collect revenue and proceeds determined under the Law on Local Self-Government Finance (“Official Gazette of the RS”, Nos. 62/2006 and 47/2011).

City affairs shall be funded from: original and shared revenues, transfers, revenue from borrowing and other revenues and earnings set forth by law. For meeting the needs of population in the City or a portion thereof, funds may be ensured from self-contributions that are regarded as budget revenues of the City.

Original revenues shall be taxes, fees and other charges the base and rate and/or amount of which is determined by the City Assembly of Užice, in accordance with the law, and other revenues generated by the City through own activities. Those shall include:

- ◆ Property taxes, excluding taxes for the transfer of rights and taxes on inheritance and gift
- ◆ Local administrative fees;
- ◆ Local utility fees;
- ◆ Tourist fee;
- ◆ Construction land use fee;
- ◆ Construction land development fee;
- ◆ Environmental protection and improvement fee;
- ◆ Revenues from concessions for public utility purposes and revenue from other concessions the City enters into in accordance with the law;
- ◆ Fines imposed in misdemeanor proceedings for offenses prescribed by the Assembly and assets confiscated in such proceedings;
- ◆ Income from lease or use of publicly owned real estate used by the City and indirect budget beneficiaries;
- ◆ Revenues from sale of moveable assets used by the City and indirect budget beneficiaries;
- ◆ Revenue generated from activities of City bodies and organizations;
- ◆ Revenue from interest on funds from the City budget;
- ◆ Revenues from donations to the City;
- ◆ Revenue from self-contributions;
- ◆ Other revenues established by law.

Shared revenues shall be taxes and fees the base and rate of which shall be determined by the Republic, and generated revenue shared between the Republic and the City. Shared revenues that are entirely or partially transferred to the City, by the territory of which they were realized, shall be:

- ◆ Income tax:



- Income from: agriculture and forestry, self-employment, real estate, lease of moveable property, personal insurance;
- 80% of income tax paid according to employee's place of residence;
- Other revenues in accordance with the law;
- ◆ Inheritance and gift tax
- ◆ Tax on transfer of property rights
- ◆ Annual fee for motor vehicles, tractors and trailers
- ◆ Fee for: environmental pollution, use of mineral resources, extracted material from rivers, use of forests, water use, change in use of agricultural land, use of natural medicinal factors;
- ◆ Tourist fee
- ◆ Other fees in accordance with the law.

Transfers from the budget of the Republic that belong to the City budget under the law shall be:

- ◆ **General transfer**, determined annually based on realized gross domestic product and distributed to all local self-governments according to criteria established by law;
- ◆ **Conditional** transfer used for funding certain functions and expenditures.

Any additional transfer or delegating of new tasks to the City imposes an obligation of the Republic to ensure matching funds and revenue sources needed to perform such tasks.

City revenues shall consist from **general budget revenue** that may be used for any purpose in accordance with the law and the Decision on the Budget of the City, excluding revenues whose **purpose has been established by law**.

Collection of own budget revenues of the City of Užice shall be conducted in accordance with the law and other regulations, regardless of budgeted amounts for certain types of revenues.

City Tax Administration of Užice shall be responsible, inter alia, for regular and enforced collection of local public revenues, unless specified otherwise by particular decision of the City Assembly, then for implementing the tax procedure (assessment, collection and control over local public revenues) and ensuring rights and obligations of taxpayers, as well as keeping the register of payers of own City revenues based on information derived from the Unified Register of Taxpayers.

Below is the depiction of generated revenues and earnings of the City in the past three (3) budget years.

Table 2.1.2 Consolidated budget revenue and earnings of the City of Užice, 2008 – 2010 (000 RSD)

N o.	Description	Execution 2008		Execution 2009		Execution 2010	
		Amount	%	Amount	%	Amount	%
1.	ORIGINAL REVENUES AND PROCEEDS	381.780	25,9	331.776	25,0	496.924	30,2
	Property tax	83.435	5,7	58.313	4,4	92.909	5,6
	Local fees, charges and other proceeds	89.697	6,1	119.524	9,0	140.562	8,5



	Construction land use fee	6.919	0,5	10.440	0,8	5.490	0,3
	Payroll tax, mixed and unspecified proceeds, and items	45.075	3,1	73.044	5,5	89.445	5,4
	Construction land development fee	125.628	8,5	61.715	4,6	42.012	2,6
	Donations	926	0,1	8.722	0,7	6.506	0,4
	Proceeds from sale of non-financial assets	47	0	18	0	0	0
	Proceeds from borrowing	30.053	2,0	0	0	120.000	7,3
2.	SHARED REVENUES AND PROCEEDS	1.093.174	74,1	996.979	75,0	1.148.678	69,8
	Shared income tax	662.835	44,9	646.134	48,6	693.676	42,2
	Other shared taxes and fees	67.690	4,6	81.178	6,1	98.051	6,0
	Current transfers	344.887	23,4	264.399	19,9	272.603	16,6
	Capital transfers	2.820	0,2	1.150	0,1	83.093	5,0
	Proceeds from sale of financial assets	14.942	1,0	4.118	0,3	1.255	0,1
	TOTAL REVENUES AND PROCEEDS (1+2)	1.474.954	100	1.328.755	100	1.645.602	100

Source: City of Užice

Based on generated revenues and proceeds over the previous three budget years it can be concluded that original revenues and proceeds amount to 27% on average, while shared revenues and proceeds amount on average to 73% of the City of Užice budget. The most significant sources of City funding were shared income tax (45% on average) and current transfers (19% on average). Revenue from property tax with an average share of only 5% in the period 2008 – 2010 has great potential to increase in the future. Following the decline in total budget revenue and proceeds in 2009 by 10% when compared to 2008, 2010 recorded a growth in budget revenues and proceeds by 23.8%, mostly due to increased proceeds from local fees by 17.6%, and proceeds from borrowing.

2.2 Assets and Liabilities of the Issuer

The Statute provides that the City shall have own assets, independently managed and disposed with by the City bodies, in accordance with the law. This provision of the Statute is enforceable only pertaining to independent management, but not concerning the disposition with assets. The City shall first obtain an approval from the Property Directorate of the Republic of Serbia to dispose with own property pending adoption of the Law on Public Property that will resolve the issue in accordance with the Constitution of the Republic of Serbia which envisages that local self-governments shall have own assets. Forms of disposition with property shall be: sale, mortgage, use of property as source of capital when establishing new legal entity, and others.



2.2.1 Real Estate, Facilities and Equipment

Pursuant to the Law on Planning and Construction from 2009, local self-government units have become entitled to (public) ownership over construction land for which they were prior to the adoption of the aforesaid law recorded in the public register of real estate and associated rights as holders of rights to use.

Publicly owned construction land or construction land owned by local self-government units may be alienated or leased for construction, or in the process of public bidding or tendering by means of a public announcement, according to market conditions and in accordance with the Law on Planning and Construction.

Užice has one of the four free zones in the territory of the Republic of Serbia that provide a possibility for work in manufacturing and service industries without paying customs and tax and other benefits guaranteed under the Law on Free Zones in the Republic of Serbia. „Užice Free Zone“ offers: Greenfield locations for new facilities, lease of storage space in Free Zone's facilities, lease of open storage space, lease of office space and logistic support (loading, unloading, storage and transportation).



Figure 1 - Užice Free Zone

Benefits of doing business in the Free zone:

- Fiscal benefits (exemption from all taxes for foreign direct investments, exemption from VAT, fees and local self-government taxes),
- Exemption from customs duties for imported equipment, raw materials for production of exports, construction materials intended for construction of infrastructure in the free zone and others,
- Financial benefits (free flow of capital, profits and dividends),
- Efficient free zone administration (one stop-shop),
- Simple and quick customs procedure (Customs Administration is located in the Free Zone),
- Local subsidies for using the infrastructure (low prices and low cost of services),



- Provision of a set of services to clients at reduced prices (organization of transport, handling, loading, shipping services, agency services, insurance and re-insurance services, banking transactions, etc.),

Benefits from investing in Free Zone in Serbia:

- The location on Corridor 10 that connects Europe with the Middle East,
- Free Trade Agreement with the EU
- Free Trade Agreement with Russia (0% customs rate)
- Free Trade Agreement CEFTA
- Free Trade Agreement with Belarus and Turkey
- Educated and skilled workforce
- Simplified regulations on foreign trade and foreign investment
- The lowest rate of corporate tax in Europe - 10%

City of Užice offers two sites to potential investors:

- Greenfield site
- Brownfield site

GREENFIELD SITE - "TERMINAL"

Location: Sevojno, immediately next to the E-761 highway

Distance from the City center: 5 km

Area: 9.4 Ha

Purpose: Construction

Ownership: Copper Mill and Impol Seval

Planning grounds: Detailed Urban Plan

Infrastructure: Electricity, water, pressurized air, natural gas, district heating, sewerage, PTT, access roads



Figure 2 - Greenfield location – Terminal



BROWNFIELD SITE - "Mesingane cevi" Hall

Location: Sevojno, immediately next to the E-761 highway

Distance from City center: 5 km

Area: 1.7 Ha

Object size: 9170 m²

Purpose: Construction

Ownership: Copper Mill

Planning grounds: Detailed Urban Plan

Infrastructure: Water, pressurized air, district heating, sewerage, PTT, Internet, access roads



Figure 3 - Brownfield location –“Mesingane cevi” Hall

SEVOJNO L WORK ZONE

Location: Sevojno, immediately next to the E-761 highway

Distance from City center: 5 km

Area: 3.1 Ha

Purpose: Agriculture

Ownership: City of Užice

Planning grounds: Detailed Urban Plan

Infrastructure: Electricity, water, natural gas, PTT, access roads

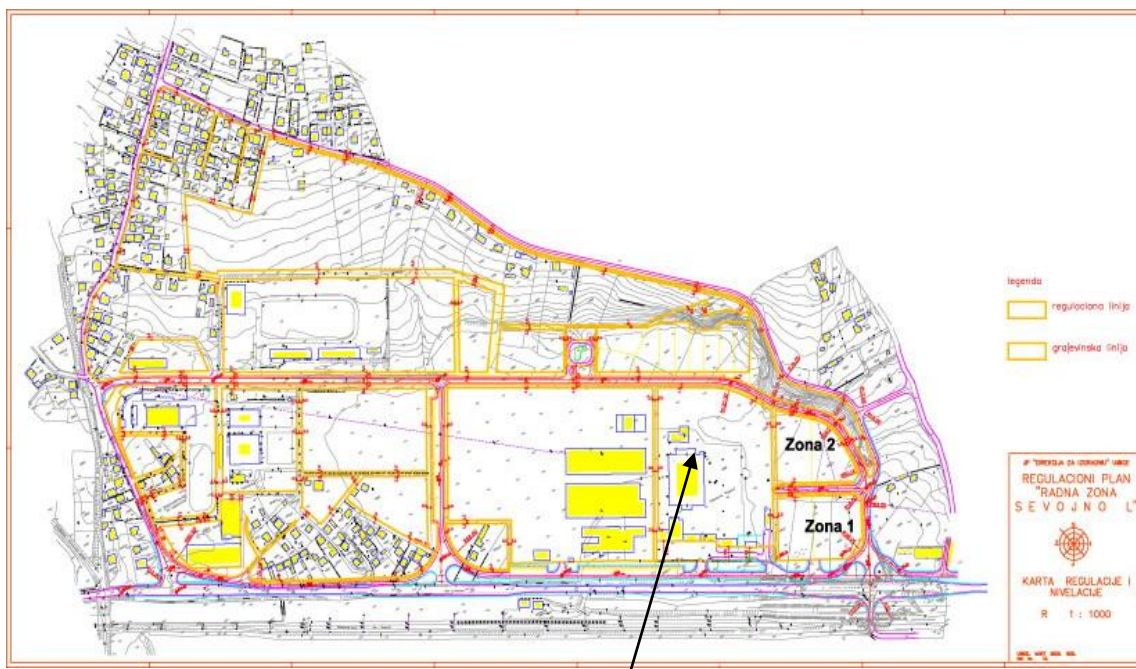


Figure 4 - Work Zone – Sevojno L

ADA VRELA WORK ZONE

Location: Vrela – immediately next to the E-761 highway

Distance from City center: 2 km

Area: 3.5 Ha

Purpose: Construction

Ownership: City of Užice

Planning grounds: Urban Plan

Infrastructure: Electricity, water, natural gas, PTT, access roads

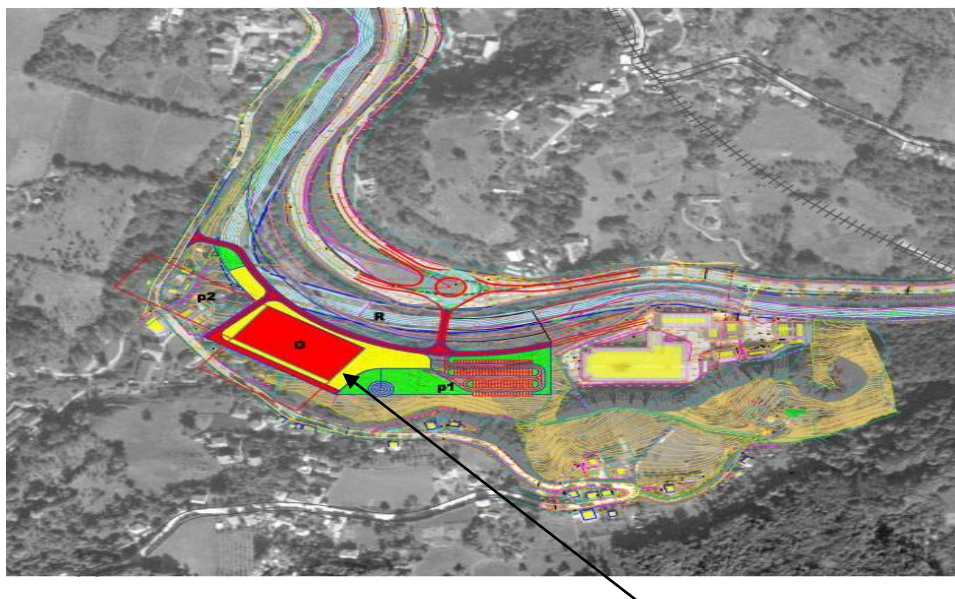


Figure 5 – Business zone – Ada Vrela

The following table contains available sites for investments.

Table 2.1.1.1 Available sites for investments

Site name	Site location	Industrial business zones and localities	
		Existing	Planned
Main development zone	Užice, Sevojno and Gorjani	Existing industrial zones WZ Krčagovo - 32.00ha Impol Seval and Copper Mill Complex – 36.50ha Sevojno L WZ – 42 ha 26 acres	WZ Sevojno D 48.50 hectares Free Zone Užice in Sevojno
		Existing commercial and business zones	Quarry Surduk 14.30 ha
		Froteks, Mejug Complex in Sevojno Site below Impol Seval in Sevojno	
		Existing commercial and business sites In Turica, textile industry, construction materials warehouse, stonecutter	Economic and trade zone in Gorjani, 36.50 ha



		In Duboko – furniture manufacture In Pora next to the road Below WZ Sevojno L in Sevojno	
		Existing industrial sites Complex Kože in Vrela Enterprise Fluks in Sariča Osoju Complex in Lokva (Jugent cold storage, Izolater)	
Southern development zone	Kačer, Drijetanj and section of Ljubanja	Existing commercial and business sites Printing Rujno	Land on the left side of the M5 Zlatibor – Užice highway, in Bela Zemlja
		Existing industrial sites Textile industry Pahulja in Popova voda- 31.50 ha Meat processing site in Kačer Complex Marking in Ljubanja	
Eastern suburban zone	Potočanje Krvavci, Zlakusa and Potpeč		Planned commercial and business sites along the No. 6 municipal road, on the crossroads of Potočanje-Zlakusa-Potpeč, 2.00 ha
Western development zone	Mokra Gora, Kremna, Bioska, Vrutci	Existing industrial sites Kotroman on M.Gora - 1.8ha Sawmill in Kremna	
Northern development zone	Gostinica, Ribaševina, Gubin Do, Trnava, Karan, Leliči, Kamenica, Dobrodo, Ponikovica	Existing industrial sites Cold storage along the R 263 regional road Karan-Ribaševina-Trnava Copper mill facility in Karan Textile industry Javor in Karan Cold storage Trgoagent in Leliči Still room in Kamenica Facility Luna	Planned industrial sites on the crossroads of R263, OP 14 and OP 9 roads, Karan-Ribaševina - Trnava in Lunovo selo - 2.5 ha
Southern development zone	Section of Ljubanja, Zbojštica, Drežnik, Skržuti, Ravni, Nikojevići	Existing industrial sites Quarry Rid - 4.20 ha Quarry in Skržuti Copper mill facility in Ravni	



Information on available locations of undeveloped construction land may be found on the following websites:

- ◆ City of Užice website – Invest in Užice:

http://www.graduzice.org/Investiraj_u_Uzice-216-1

- ◆ City of Užice website – Community Profile:

http://www.graduzice.org/documents/Profil_zajednice_Grad_Uzice_mart_2010_777.pdf

A complete overview of land available for construction of commercial and industrial facilities, as well as facilities for family and residential living is found on the website of the Directorate for Construction of the City of Užice (<http://www.direkcijaue.rs/>).

When it comes to managing other property, except land, City of Užice, like all other local self-governments, is entitled to use but not dispose with such property. The owner of property is the Republic of Serbia also having the disposition right.

Potential investors may obtain further information from the representatives of aforementioned institutions:

- ◆ PE „Directorate for Construction”, telephone number +381 (0)31 519 141
- ◆ City Administration for Urban Planning, telephone number +381 (0) 31 590 190

2.2.2 Share in Other Legal Entities

The City is the founder of 5 public utility companies and 2 public enterprises:

- **PUC „Waterworks”** deals with production and distribution of drinking water;
- **PUC „Bioktoš”** deals with waste removal, sanitary and similar activities, performs funeral and related services, manages, furnishes, regulates and construct marketplaces, and provides road transport services (parking service);
- **PUC „Toplota“ (District heating)** produces and supplies the City with steam and hot water;
- **PUC „Niskogradnja” (Construction of roads and streets)** deals with road network construction and maintenance;
- **Regional Sanitary Landfill „Duboko”** deals with waste management,;
- **PE „Stan”** performs activities related to the maintenance of residential and commercial buildings (that are available to the City of Užice, and entrusted to the public enterprise for maintenance);
- **PE „Directorate for Construction”** performs activities related to planning and spatial development, regulating, use and improvement of construction land and goods of public interest.



The following table shows the main financial performance indicators of City enterprises taken from their annual balance sheets for 2009 and 2010.

Table 2.2.1 Financial information for City Enterprises for 2009 and 2010 (000 RSD)

Name of Enterprise		Total revenue	Total expenditure	Total assets	Total liabilities	Capital	Capital share
PUBLIC UTILITY COMPANIES							
„Waterworks”	2009	308.029	397.543	2.645.914	59.210	2.586.704	100%
	2010	271.347	387.720	2.320.149	69.620	2.250.529	100%
„Gradska toplana” (District Heating)	2009	435.830	431.050	720.832	464.651	89.972	100%
	2010	519.371	512.552	687.929	438.938	89.972	100%
„Bioktoš”	2009	277.763	273.097	261.444	83.569	177.875	100%
	2010	314.596	306.404	298.724	115.039	183.685	100%
„Niskogradnja” (Construction of Roads and Streets)	2009	207.645	206.540	110.424	110.424	35.722	100%
	2010	216.416	241.669	125.817	125.817	35.925	100%
„Regional Sanitary Landfill Duboko”	2009	9.257	16.873	728.800	521.237	542.547	100%
	2010	17.969	25.285	1.103.271	186.253	582.034	100%
PUBLIC ENTERPRISES							
PE „Directorate for Construction”	2009	493.969	493.865	765.933	132.134	673.766	100%
	2010	666.111	666.274	879.470	156.521	779.783	100%
„Stan”	2009	78.613	79.566	240.210	206.578	33.632	100%
	2010	86.575	85.329	274.795	239.917	34.878	100%
TOTAL	2009	1.811.106	1.898.534	5.473.557	1.577.803	4.140.218	100%
	2010	2.092.385	2.225.233	5.690.155	1.332.105	3.956.806	100%

2.2.3 Concessions and Other Contracts on Public-Private Partnership

City of Užice has so far entered into four public-private partnership agreements.

I Joint stock company for building gas pipelines and gas distribution “Užice-gas”

It was founded on 23 May 2007 in Užice. Shareholders and founders are the City of Užice and enterprise “MPP Jedinstvo” from Sevojno.

The main activities of the joint stock company “Užice-Gas” are:

- Gas pipelines development
- Natural gas distribution
- Management of the natural gas distribution system
- Retail of natural gas for tariff customers

The role of local self-government pertains to: devising project documentation, issuing approvals, reinstatement of excavated streets.



The role of the private partner pertains to: services, works and material for building secondary distribution network for 13.500 connections throughout the City of Užice.

The dynamics of works:

- 75.339 m of distribution network built
- Distribution network in Sevojno settlement released on 25 January 2010
- Distribution network in Krčagovo settlement released on 30 December 2010

II Free Zone “Užice”

The founders are:

- “Copper Mill Sevojno” Joint Stock Co., Sevojno
- “Impol -Seval Aluminum Mill ”, Joint Stock Co., Sevojno
- City of Užice

The dynamics of works:

- City of Užice Assembly adopted the Decision on the Establishment of the Free zone “Užice” on 1 December 2009
- Contract on establishing the Free zone Užice signed on 16 March 2010
- Decision from the Government of the Republic of Serbia on the issuance of approval for designation of the “Free zone Užice”, Sevojno issued on 24 June 2010
- Free zone “Užice” opened on 08 October 2010

The Free zone area includes two locations: Sevojno I and Sevojno II covering the total area of 53 ha 27a 17m2.

Sevojno I location includes the existing capacities of the “Copper Mill Sevojno” Joint Stock Co., and “Impol - Seval Mill”, Joint Stock Co., and the related land provided for Greenfield sites.

Sevojno II location includes a section of the production and business premises of the “Impol - Seval Technology” LLC, founded and owned by “Impol –Seval”, Joint Stock Co.

Zone beneficiaries are:

“Copper Mill” joint stock co. www.coppersev.com

“Impol – Seval” joint stock co. www.seval.rs

”Mill femod” LLC, www.femodsev.com

”Mill Packaging” LLC, www.coppersev.com

”Impol - Seval Technology” LLC, http://www.seval.rs/tehnika-Impol_Seval_Tehnika

Long-term expansion of the Zone is planned towards Gorjani and Zlakuse areas.

III "Business incubator centre Užice" LLC

Agreement establishing the “Business incubator centre Užice” LLC was signed on 4 July 2008.



Company founders are:

1. City of Užice
2. Regional Development Agency “Zlatibor” LLC

Business incubator centre is an instrument of local economic development that helps entrepreneurs in the early years of their business to survive easier in the market. Any legal entity registered after 1 July 2007 for either production, innovation or intellectual activities may become the resident of the Business incubator. The advantage of joining the Business incubator Užice is in the fact that during a 4-year period, the membership ensures subsidized rents, administrative and business and technical assistance and training. The Incubator has 20 business units between 20 m² and 115 m², shared administrative and sanitary premises.

More information can be found at: <http://www.bicuzice.com/>

IV Regional Development Agency “Zlatibor” LLC, Užice

RDA “Zlatibor” was founded through the transformation of the Agency for Development of Small and Medium Enterprises, and by the local self-government and businesses from Zlatibor region.

The founders are:

- Government of the Republic of Serbia,
- City of Užice,
- Regional Chamber of Commerce Užice,
- General Association of Užice Entrepreneurs,
- Vojvođanska banka JSC, Novi Sad,
- Alfa Bank, Belgrade, and
- Municipalities Arilje, Bajina Bašta, Nova Varoš, Požega, Priboj, Prijepolje, Čajetina, Kosjerić.

2.2.4 Major Capital Investments

The City budget was in 2006 indebted by a loan from Banca Intesa in the amount of EUR 2.000.000, which on the payment day amounted to RSD 174.517.600,00, under the contract number 10- 421-1/06 from 06 February 2006, intended for completion of the primary gas pipeline network Preljina-Užice. The loan was granted for a 10-year term with the EIR of 6.01 %. The EUR exchange rate was 87.25.

The loan is intended for financing construction of the distribution gas pipelines DP 08-10 and DP 08-16 and the main metering and control station MMCS Užice (Preljina-Užice route). City’s liabilities under the contract no. 352-41/98-01, from 4 September 1998 shall be to finance the resolution of property issues en route gas pipeline and the MMCS Užice, to finance mechanical, construction and electrical works on the pipeline, and to finance the



procurement of construction materials and construction works concerning the MMCS Užice.

The second loan was approved in the amount of EUR 151.898,73 and paid in RSD, and on the day of payment amounted to RSD 12.028.860,42 under the contract number 10-400-87/06 from 9 November 2006, intended for the reconstruction and expansion of the kindergarten “Bambi”. In order to solve the issue of housing preschool children at the kindergarten facility that was noted by the City, and in order to satisfy the need for a new facility, the institution “Dečiji vrtić” Užice implemented construction of the new kindergarten “Bambi”. Loan repayment deadline is 9 November 2016, including a 6-month grace period, starting from the date of contract signing. EIR is 7.10%. In 2006 only due interest in the amount of RSD 32.271,00 was paid. EUR exchange rate was 79.28.

Municipality borrowed again for Banca Intesa in 2008 to purchase space for the Directorate for Construction in the amount of EUR 358.500,90, what on the payment date amounted to RSD 30.052.628,55. Contract no. 10-400-27/08 was signed on 28 February 2008. The loan was approved for a period of 5 years with the effective interest rate of 7,56 %. EUR exchange rate was 83.82. In order to permanently solve the problem concerning business premises of the Public Enterprise Directorate for Construction, a temporary body of the City of Užice by means of Conclusion 01 number 06-61/07 initiated the procedure for purchasing business premises where this public enterprise has performed its activities as lessee, owned by the seller.

In 2010 City budget was indebted for the following capital investments: water supply system, roads, Dairy Market and City Stadium. The loan was approved by the Banca Intesa in the amount of RSD 120.000.000,00, under the contract no. 420-3/2010, from 21 December 2010. The loan was granted for a period of 5 years with a 6-month grace period with the effective interest rate of 4.83%.

In order to complete the capital projects from 2010 and previous years, financed from the City budget, or co-financed by the City, and release them for their purpose, the funds were obtained for the following:

- Funding the water supply network project in the territory of the City of Užice jointly with the Water Directorate of the Republic;
- Funding roads reconstruction in the territory of the City of Užice jointly with the Ministry for the NIP;
- Constructing the market hall for sale of dairy and meat products within the Marketplace, according to the highest standards in food circulation;
- Funding the reconstruction of the City Stadium jointly with the Ministry for Spatial Planning and Environmental Protection, pursuant to the Law on Stimulating Construction Industry.

2.2.5 Lien

City of Užice does not own property over which lien has been constituted.



2.2.6 Litigation and Other Proceedings

City of Užice does not participate in any litigation or other proceedings pending before a court or administrative body.

2.2.7 Total Amount of Liabilities of the Issuer Not Due by the Date of Application

The current level of debt of the City is approx. RSD 213 million. The following table shows the structure of the debt, and the use of funds for financing various infrastructure projects.

Table 2.2.3 Debt structure

Project	Period	Interest rate	Grace period	Initial debt (EUR)	Annuity	Debt on 30.09.2011 (EUR)
Gas pipeline	2006-2016	Euribor 1M+3,5%	No	2.000.000	16.670,00	866.358,63
Kindergarten	2006-2016	Euribor 3M+3%	6 months	151.898,73	1.332,45	81.278,88
Directorate	2008-2013	Euribor 1M+2,9%	6 months	358.500,90	6.638,91	119.500,14
Capital investments	2010-2015	Euribor 3M+3,5%	6 months	1.126.348,09	20.858,30	1.063.776,19
TOTAL				3.636.747,72	45.499,66	2.130.913,84

2.2.8 Total Amount of Outstanding Liabilities of the Issuer Due on the Date of Application

City of Užice regularly services its obligations and has no outstanding liabilities due.

2.2.9 City Administration Employees

The total number of employees and the number of employees with a certain level of education in the local self-government and budget beneficiaries in the past three years is presented in the following table.

Table 2.2.2 Number and educational structure of employees

Education	2008		2009		2010	
	City administration	Budget beneficiaries	City administration	Budget beneficiaries	City administration	Budget beneficiaries
University	55	105	67	98	74	94
College	30	136	35	132	30	125
High School	53	91	52	88	53	88
Other	28	121	24	120	21	124
Total	166	453	178	438	178	431



2.3 Financial Information

2.3.1 City of Užice Budget for the Previous Four Years

The City independently disposes with belonging revenues and proceeds, in accordance with the law and the decision on the budget of the City of Užice, adopted in accordance with the Budget System Law („Official Gazette of the RS“, Nos. 09/02, 87/02 and 54/09). Pursuant to the Law, the budget shall represent the decision that estimates revenues and proceeds and determines expenditures and expenses for a given year. The budget shall consist of general and special parts. **The general part of the budget** shall include:

- ◆ Income statement, net acquisition of non-financial assets and budget surplus or deficit;
- ◆ Overall fiscal surplus or deficit;
- ◆ Funding account: use of the surplus or funding deficit
- ◆ Evaluation of new loans and debt repayment, and
- ◆ Current and permanent budget reserve.

The following is the representation of the City of Užice budget execution for the last 3 budget years.

Table 2.3.1 Consolidated City budget execution, 2008 - 2010 (000 RSD)

Classification	Description	Execution 2008	Execution 2009	Execution 2010
A	REVENUES AND PROCEEDS	1.429.959	1.324.638	1.524.347
7	CURRENT REVENUES	1.429.912	1.324.620	1.524.347
8	PROCEEDS FROM SALE OF NONFINANCIAL ASSETS	47	18	-
B	EXPENDITURES AND EXPENSES	1.460.050	1.300.016	1.630.098
4	CURRENT EXPENDITURES	1.147.544	1.140.299	1.298.188
5	EXPENDITURES FOR PURCHASE OF NON-FINANCIAL ASSETS	312.507	159.717	331.910
	NET PURCHASED NON-FINANCIAL ASSETS (8-5)	(312.460)	(159.699)	(331.910)
I	BUDGET SURPLUS/DEFICIT (A-B)	(30.091)	24.622	(105.751)
9,6	ACCOUNT FUNDING			
9	Proceeds from borrowing and financial assets	44.994	4.118	121.255
6	Repayment of debt and purchase of financial assets	20.844	25.402	25.402
II	FISCAL SURPLUS/DEFICIT (I+9-6)	(5.941)	3.338	(9.898)
3	SURPLUS FROM PREVIOUS YEARS	14.273	8.332	11.669
III	TOTAL SURPLUS/DEFICIT (II+3)	8.332	11.670	1.771

Source: City of Užice



Based on presented data on the City of Užice consolidated budget execution, it can be noted that the total generated surplus in the period 2008 – 2010 was between RSD 1.8 and 11.7 billion.

In the period 2008 – 2010 generated fiscal deficit (except in 2009 when there was a fiscal surplus) was between RSD 5.9 and 75.9 billion, due to growth of capital investment expenditures (nonfinancial assets purchase) under conditions of reduced revenues and proceeds of the City. Fiscal deficit was mostly covered from transferred unspent funds from previous years, and therefore at the end of the observed year a total fiscal surplus was recorded.

Table 2.3.2 Realization of consolidated budget revenues and proceeds of the City, 2008-2010
(000 RSD)

Classification	Description	Execution 2008	Execution 2009	Execution 2010
7	REVENUES	1.429.912	1.324.619	1.524.347
71	Taxes	875.911	878.478	984.709
711	Taxes on income, profits and capital gains	662.835	646.134	693.676
711110	Income taxes	484.274	489.656	510.216
711120	Tax on income from self-employment			
711140	Tax on income from property	105.538	88.927	94.345
711180	Self contributions			
711100	Other income taxes	73.023	67.551	89.115
712	Income fund taxes	1.511	293	74
713	Property tax	150.146	137.938	182.770
713120	Property tax	83.435	58.313	92.909
713310	Inheritance and gift tax	3.475	6.268	7.819
713420	Tax on capital transactions	63.236	73.357	82.042
713610	Tax on income from shares and interest	-	-	-
714	Taxes on goods and services	44.000	56.781	65.187
714430	Utility fees for the use of billboards	18	121	51
714440	Fire protection funds	670	748	407
714510	Motor vehicles taxes, fees and charges	15.324	16.677	18.498
714540	Fees for use of resources of common interest	-	-	-
714550	Tourist fee	6.194	6.447	6.642
714560	City charges	8.528	24.979	32.679
714570	City utility fee	13.266	7.809	6.910
716	Other taxes	17.419	37.332	43.002
716110	Utility company fee	17.419	37.332	43.002
73	Donations and transfers	348.404	273.121	361.982
732100	Capital donations from international organizations	926	8.722	6.506
733100	Current transfers from other governmental levels	344.887	264.339	272.623
733200	Capital transfers from other governmental levels	2.591	-	82.853
74	Other revenues	205.142	171.625	175.871
741	Revenues from property	53.614	83.197	99.213



741100	Interest	5.215	7.325	4.950
741530	Construction land use fee	47.240	74.882	92.098
741500	Other charges	1.159	990	2.165
742	Revenue from sale of goods and services	145.367	76.973	64.617
742100	Revenues from sale of goods and services or lease by market organizations	14.943	10.756	18.084
742200	Fees and charges	128.735	64.758	44.990
742300	Other revenue from sale goods and services	1.689	1.459	1.543
743	Fines and confiscated assets	979	1.553	8.190
744	Voluntary transfers from natural and legal entities	229	1.150	220
745	Mixed and unspecified revenue	4.953	8.752	3.631
77	Memorandum items for reimbursement of expenses	455	1.395	1.785
	PROCEEDS	45.041	4.136	121.255
8	Proceeds from sale of nonfinancial assets	47	18	-
81	Proceeds from sale of fixed assets	47	18	-
82	Proceeds from sale of stock	-	-	-
9	Proceeds from borrowing and sale of financial assets	44.994	4.118	121.255
91	Proceeds from borrowing	30.053	-	120.000
92	Proceeds from sale of financial assets	14.941	4.118	1.255
3	SURPLUS FROM PREVIOUS YEARS	14.273	8.332	11.669
32	Unspent funds from previous years	14.273	8.332	11.669
	TOTAL REVENUE AND PROCEEDS	1.489.226	1.337.087	1.657.271

Source: City of Užice

From the data on actual budget revenues and proceeds of the City of Užice in the period 2008 – 2010, the following can be concluded:

- ◆ Revenues from taxes recorded an overall growth by 0.3% in 2009 due to reduced business activity in the Republic of Serbia, increase in unemployment, and decline of nominal gross wages, while revenues from taxes in 2010 recorded an overall growth by 12.1%.
- ◆ Revenues from donations and transfers showed a high volatility in the period 2008 – 2009 (decline by 21.6% in 2009), due to drastic reduction in general transfers from the budget of the Republic to cities and Cities in Serbia with the largest fiscal capacity. Revenues from donations and transfers recorded a growth in 2010 by 32.5%.
- ◆ Proceeds from sale of non-financial assets fluctuate each year depending on market conditions for sale of certain City property, and are reused for the maintenance or purchase thereof.
- ◆ During the reporting period the City has borrowed in 2008 in the amount of RSD 30 million and in 2010 in the amount of RSD 120 million, while the largest proceeds from



sale of financial assets were generated in 2008 in the amount of RSD 14.9 million, to decline in the next two years to RSD 4.1 million in 2009, and RSD 1.3 million in 2010. The proceeds represent revenue generated in the course of privatization.

Table 2.3.2.1 Revenues from privatization, 2008 – 2010

NO.	NAME	2008	2009	2010
1	ZLATIBORKA	0,00	0,00	0,00
2	GRADINA	8.068.527,81	0,00	0,00
3	PRVI PARTIZAN	249.120,45	0,00	0,00
4	FRIZER	265.625,57	0,00	0,00
5	JEDINSTVO METALOGRADNJA	0,00	1.708.434,40	0,00
6	AUTOVENTILI	0,00	119.802,00	0,00
7	RAKETA JSC SEVOJNO	0,00	0,00	0,00
8	SRETEN GUDURIĆ	2.279.922,22	0,00	0,00
9	KADINJAČA	136.780,95	0,00	0,00
10	ALFAPLAST	0,00	0,00	0,00
11	INOS SINMA	1.497.794,16	0,00	0,00
12	UZICE SHARE FUND	0,00	0,00	0,00
13	OTHER REVENUES FROM SALE OF SHARES	547.166,76	737.605,30	0,00
14	ART	853.535,00	1.022.721,69	0,00
15	METALOPRERADA	232.472,05	0,00	0,00
16	SINTER	49.517,25	266.825,87	0,00
17	ZLATIBOR STANDARD	0,00	0,00	0,00
18	SLOGA	537.791,56	0,00	655.282,19
19	KOZARA	0,00	0,00	0,00
20	IRC-NIC	30.884,00	6.655,00	0,00
21	VETERINARY STATION	192.500,00	0,00	348.366,73
22	LEATHER FACTORY	0,00	255.297,92	0,00
TOTAL		14.941.637,78	4.117.342,18	1.003.648,92

Table 2.3.3 Execution of expenditures and expenses from the consolidated City budget (000 RSD)

Classification	Description	Execution 2008	Execution 2009	Execution 2010
	EXPENDITURES	1.147.543	1.140.299	1.298.188
4	CURRENT EXPENDITURES	1.147.543	1.140.299	1.298.188
41	Payroll expenditures	368.486	400.193	402.981
42	Use of goods and services	507.064	455.687	543.225
44	Repayment of interest and borrowing costs	12.070	9.615	11.093
45	Subsidies	33.343	27.379	77.055
46	Donations, grants and transfers	145.046	136.882	142.535
47	Social security and social care	27.353	38.988	34.192



48	Other expenditures	54.171	71.555	87.107
	EXPENSES	333.351	185.119	357.312
5	NONFINANCIAL ASSETS EXPENSES	312.507	159.717	331.910
51	Fixed assets	306.371	159.717	331.910
52	Stock	0	0	0
54	Natural assets	0	0	0
55	Nonfinancial assets from NIP funds	6.136	0	0
6	DEBT AND FINANCIAL ASSETS EXPENSES	20.844	25.402	25.402
61	Repayment of principal	20.844	25.402	25.402
62	Purchase of financial assets	0	0	0
	TOTAL EXPENDITURES AND EXPENSES	1.480.894	1.325.418	1.655.500

Source: City of Užice

Based on data on executed budget expenditures and expenses of the City of Užice in the period 2008 – 2010, the following can be concluded:

- ◆ Expenditures and expenses were executed in accordance with the realization of the budget revenues and proceeds.
- ◆ The growth of current expenditures stalled in 2009 with significant reduction in transfers to City enterprises and maintenance of payroll expenditures at the 2008 level.
- ◆ Expenditures for purchase of non-financial assets, after a period of two years of decline, increased by RSD 172 million, which is far more than generated proceeds from sale of non-financial assets, with the resulting conclusion that the City of Užice continues to increase the value of its assets.
- ◆ Expenditures for financial assets and repayment of loans mainly relate to the repayment of principle.

Table 2.3.4 Execution of consolidated City budget, 2009 and 2010 (summative revenues and proceeds) (000 RSD)

Classification	Description	Execution 2009	Execution 2010	Index 10/09
A	REVENUES AND PROCEEDS (7+8)	1.324.637	1.524.347	115,08
7	CURRENT REVENUES	1.324.619	1.524.347	115,08
71	Taxes	878.478	984.709	112,09
73	Donations and transfers	273.121	361.982	132,54
74,77	Other revenues	171.625	175.871	102,47
8	PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS	18	0	
81	Proceeds from sale of fixed assets	18	0	
82	Proceeds from sale of stock	0	0	
B	EXPENDITURES AND EXPENSES (4+5)	1.300.016	1.630.098	125,39
4	CURRENT EXPENDITURES	1.140.299	1.298.188	113,85
41	Payroll expenditures	400.193	402.981	100,70
42	Use of goods and services	455.687	543.225	114,62



44	Repayment of interest and borrowing costs	9.615	11.093	115,37
45	Subsidies	27.379	77.055	284,44
46	Donations, grants and transfers	136.882	142.535	104,13
47	Social security and social care	38.988	34.192	87,70
48	Other expenditures	71.555	87.107	121,73
5	EXPENDITURES FOR NON-FINANCIAL ASSETS	159.717	331.910	207,81
51	Fixed assets	159.717	331.910	207,81
52	Stock	0	0	0
54	Natural assets	0	0	0
	NET PURCHASE OF NON-FINANCIAL ASSETS (8-5)	(159.699)	(331.910)	(207,83)
I	BUDGET SURPLUS/DEFICIT (A-B)	24.621	(105.751)	-429,52
9,6	ACCOUNT FUNDING	(21.284)	95.853	450,35
91	Proceeds from borrowing		120.000	
92	Proceeds from sale of financial assets	4.118	1.255	
61	Repayment of principal	25.402	25.402	
62	Purchase of financial assets			
II	FISCAL SURPLUS/DEFICIT (I+9-6)	3.337	(9.928)	-297,51
3	SURPLUS FROM PREVIOUS YEARS	8.332	11.669	140,05
III	TOTAL SURPLUS/DEFICIT (II+3)	11.669	1.741	14,92

Source: City of Užice

By comparing data on actual revenues and proceeds and expenditures and expenses of the City of Užice budget in the period 2009 – 2010, it is evident that:

- ◆ Expenditures and expenses were executed in accordance with the generated budget revenues and proceeds, but, due to increased expenditures and expenses generated budget deficit in 2010 amounted to RSD 105.8 million.
- ◆ After transferring funds from 2009, the total surplus generated in 2010 amounted to RSD 1.7 million.
- ◆ Current revenue rose by 15.1% compared to 2009, owing to increased revenue collection from taxes by 12.1% and increased revenue from donations and transfers by 32.5%.
- ◆ Current expenditures rose by 13.8% compared to 2009, primarily owing to increase of expenditures for the use of goods and services by 19.2%.
- ◆ Expenditures for purchase of non-financial assets generated in the observed period rose in terms of fixed assets by 107.8%.

2.3.2 Excerpt from City of Užice Annual Balance Sheets for Past Three Years

By the end of the year for which the budget is passed, City Assembly shall adopt the City budget annual balance sheet, in accordance with the Budget System Law. City budget and annual balance sheet of the City shall be made available to the public. Pursuant to Article



79 of the Law, **annual balance sheet** shall be prepared in accordance with the internationally accepted accounting standards and contain the following:

- ◆ Balance Sheets
- ◆ Income statement
- ◆ Report on expenditures for purchase of nonfinancial assets and earnings from sale thereof;
- ◆ Balance of funding;
- ◆ Report on budget execution;
- ◆ Explanation of discrepancies between approved and executed funds;
- ◆ Report on received donations and borrowing in domestic and foreign cash and capital markets and debt repayments;
- ◆ Report on use of funds from current and permanent budget reserves;
- ◆ External audit report on financial statements referred to in points 1) – 9);
- ◆ Report on output of the programmed budget;
- ◆ Detailed report on implementation of program funds and projects funded from the budget;
- ◆ Notes on accounting policies and additional analysis.

Attached to this document are the City of Užice Annual Balance Sheets for 2008, 2009, and 2010, prepared in accordance with the Law. All financial statements within the annual balance sheets were produced as consolidated reports. 46 indirect budget beneficiaries were subject to consolidation.

Overview: Indirect budget beneficiaries subject to consolidation

Name of indirect budget beneficiary	No. of beneficiaries
City Attorney General	1
Regional center for professional development of teaching staff	1
Kindergarten	1
Historical Archives	1
National Theatre	1
National Museum	1
National Library	1
City Gallery	1
Municipal Cultural Center	1
Main Park	1
Sports Association	1
Construction Directorate	1
Tourist organization	1
Tourist organization of the Western Serbia Region	1
Solidarity Fund for Housing Development	1
Local Communities	31



TOTAL

46

Below are excerpts from key financial statements from appended City of Užice annual balance sheets for previous three years.

Table 2.3.5 Excerpt from consolidated Balance Sheet of the City of Užice (000 RSD)

Account	Description	Balance on 31.12.2008.	Balance on 31.12.2009.	Balance on 31.12.2010.
A	ASSETS	550.441	562.044	673.711
0	NON-FINANCIAL ASSETS	541.370	518.768	597.794
01	NON-FINANCIAL ASSETS IN FIXED ASSETS	541.370	518.768	597.794
02	NON-FINANCIAL ASSETS IN STOCK			
1	FINANCIAL ASSETS	9.071	43.276	75.917
11	LONG-TERM FINANCIAL ASSETS		30.000	63.933
12	CASH, PRECIOUS METALS, SECURITIES, RECEIVABLES AND SHORT-TERM INVESTMENT	9.071	13.276	3.639
13	ACCRUALS			8.345
35	OFF BALANCE SHEET ASSETS			
P	LIABILITIES	550.441	562.044	673.711
2	LIABILITIES	162.314	157.999	272.752
21	LONG-TERM LIABILITIES	161.575	153.044	256.013
22	SHORT-TERM LIABILITIES			
23	PAYROLL EXPENDITURE LIABILITIES			
24	OTHER EXPENDITURE LIABILITIES			
25	ACCOUNTS PAYABLE		1.557	8.345
29	DEFERED EXPENSES	739	3.398	8.394
3	CAPITAL, DETERMINATION OF BUSINESS PERFORMANCE	388.127	404.045	400.959
31	CAPITAL	379.795	393.376	399.188
32	SURPLUS REVENUE AND EARNINGS – SURPLUS	8.332	11.669	1.771
32	UNDISTRIBUTED SURPLUS REVENUES AND PROCEEDS FROM PREVIOUS YEARS			
32	DEFICIT FROM PREVIOUS YEARS			
35	OFF BALANCE SHEET LIABILITIES			

Source: City of Užice

Based on data presented in the City of Užice balance sheets for provided three years, the following can be concluded:

- ◆ From 2008 – 2010, the value of total assets of the City increased by RSD 123.3 million, or 22.4%, and therefore on 31 December 2010, the value of City assets amounted to RSD 674 million.
- ◆ It is necessary to draw attention to the fact that balance sheet did not include all assets used by the City due to unsolved property issues with the Republic. There are



estimates that the value of total assets of the City will be far greater following the adoption of anticipated laws on restitution and public property.

- ◆ Capital of the City increased by 3.3% to reach RSD 401 million by the end of 2010.
- ◆ Long-term liabilities of the City at the end of 2010 were RSD 256 million, and relate to loans for financing: gas pipeline, kindergarten, directorate and capital investments.

Table 2.3.6 Excerpt from consolidated income statement of the City (000 RSD)

Classification	Description	Execution 2008	Execution 2009	Execution 2010
A	CURRENT REVENUES AND PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS	1.429.959	1.324.637	1.524.347
7	CURRENT REVENUES	1.429.912	1.324.619	1.524.347
71	Taxes	875.911	878.478	984.709
73	Donations and transfers	348.404	273.121	361.982
74	Other revenues	205.142	171.625	175.871
77	Memorandum items for reimbursement of expenses	455	1.395	1.785
78	Transfers between budgetary beneficiaries			
8	PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS	47	18	
81	Proceeds from sale of fixed assets	47	18	
82	Proceeds from sale of stock			
B	CURRENT EXPENDITURES AND EXPENSES FOR NON-FINANCIAL ASSETS	1.460.050	1.300.016	1.630.098
4	CURRENT EXPENDITURES	1.147.543	1.140.299	1.298.188
41	Payroll expenditures	368.486	400.193	402.981
42	Use of goods and services	507.064	455.687	543.225
43	Depreciation and use of means for work			
44	Repayment of interest and borrowing costs	12.070	9.615	11.093
45	Subsidies	33.343	27.379	77.055
46	Donations, grants and transfers	145.046	136.882	142.535
47	Social security and social care	27.353	38.988	34.192
48	Other expenditures	54.171	71.555	87.107
5	EXPENDITURES FOR NON-FINANCIAL ASSETS	312.507	159.717	331.910
51	Fixed assets	306.371	159.717	331.910
52	Stock			
54	Natural assets			
55	Assets funded from NIP funds	6.136		
	DETERMINATION OF RESULTS			
	Surplus of revenues and earnings – budget surplus (A-B)		24.621	
	Deficit of revenues and earnings – budget deficit (B-A)	30.091		105.751
	ADJUSTMENT OF SURPLUS/DEFICIT OF REVENUES AND PROCEEDS	56.674	12.450	133.924
	Part of general surplus revenues and proceeds from previous years used for covering expenditures and expenses in the current year	11.680	8.332	11.669
	Part of depreciation funds used for purchasing non-financial assets			
	Part of unspent funds carried over from previous years to cover expenditures and expenses in the current year			



	Amount of revenues from privatization used to cover expenditures and expenses in the current year	44.994	4.118	121.255
	COVERAGE OF EXPENDITURES FROM CURRENT REVENUES AND PROCEEDS	18.251	25.402	25.402
	Expenditures for repayment of liabilities for loans	18.251	25.402	25.402
	Expenditures for purchase of financial assets			
32	SURPLUS OF REVENUES AND PROCEEDS – SURPLUS	8.332	11.669	1.771
	Part of surplus revenues and proceeds specifically committed to next year			
	General portion of surplus revenues and proceeds for transfer to the next year	8.332	11.669	1.771

Source: City of Užice

Income Statements for 2008, 2009 and 2010 reported all revenues and proceeds and expenditures and expenses from non-financial assets that were realized between 1 January and 31 December of the given budget year. The Statements determine the generated surplus or deficit of revenues and proceeds at the end of every budget year. Subsequent to establishing performance in a given budget year, the statement presents sources of funds for covering generated deficit in revenues and proceeds, or the manner of use of surplus revenues and proceeds. The final statements show the surplus revenues and proceeds to be transferred into the next budget year.

In the period 2008 – 2010 the City of Užice generated budget surplus in 2009 in the amount of RSD 24.6 million, with recorded budget surplus in 2008 and 2010 in the amount of RSD 30.1 million and 105.8 million, respectively. Surplus from previous financial years and earnings from privatization resulted in generated fiscal surplus in the amount of RSD 8.3 million and RSD 1.8 million respectively.

Table 2.3.7 Excerpt from report on capital expenditures and proceeds of the City (000 RSD)

Classification	Description	Execution 2008	Execution 2009	Execution 2010
A	PROCEEDS	45.041	4.136	121.255
8	PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS	47	18	0
81	Proceeds from sale of fixed assets	47	18	0
82	Proceeds from sale of stocks	0	0	0
9	PROCEEDS FROM BORROWING AND SALE OF FINANCIAL ASSETS	44.994	4.118	121.255
91	Proceeds from borrowing	30.053	0	120.000
92	Proceeds from sale of financial assets	14.941	4.118	1.255
B	EXPENDITURES	333.351	185.119	357.312
5	EXPENDITURES FOR NON-FINANCIAL ASSETS	312.507	159.717	331.910
51	Fixed assets	306.371	159.717	331.910
52	Stock	0	0	0
54	Natural assets	0	0	0
55	Non-financial assets funded from NIP funds	6.136	0	0
6	EXPENDITURES FOR REPAYMENT OF	20.844	25.402	25.402



PRINCIPAL AND PURCHASE OF FINANCIAL ASSETS				
61	Repayment of principal	20.844	25.402	25.402
62	Purchase of financial assets	0	0	0
PROCEEDS DEFICIT (B-A)		288.310	180.983	236.057

Source: City of Užice

Income Statements for 2008, 2009 and 2010 report all proceeds from sale of assets (non-financial and financial) and borrowing, as well as expenditures for purchasing assets and repayment of principle generated and executed between 1 January and 31 December of the budget year. The statements report the generated surplus or deficit in proceeds over expenditures at the end of the budget year.

Table 2.3.8 Excerpt from consolidated cash flow report of the City (000 RSD)

Classification	Description	Execution 2008	Execution 2009	Execution 2010
A	CASH INFLOW	1.474.953	1.328.755	1.645.602
7	CURRENT REVENUES	1.429.912	1.324.619	1.524.347
71	Taxes	875.911	878.478	984.709
73	Donations and transfers	348.404	273.121	361.982
74	Other revenues	205.142	171.625	175.871
77	Memorandum items for reimbursement of expenses	455	1.395	1.785
78	Transfers between budgetary beneficiaries	0	0	0
8	PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS	47	18	0
81	Proceeds from sale of fixed assets	47	18	0
82	Proceeds from sale of stock	0	0	0
9	PROCEEDS FROM BORROWING AND SALE OF FINANCIAL ASSETS	44.994	4.118	121.255
91	Proceeds from borrowing	30.053		120.000
92	Proceeds from sale of financial assets	14.941	4.118	1.255
B	CASH OUTFLOWS	1.480.894	1.325.418	1.655.500
4	CURRENT EXPENDITURES	1.147.543	1.140.299	1.298.188
41	Payroll expenditures	368.486	400.193	402.981
42	Use of goods and services	507.064	455.687	543.525
43	Depreciation and use of means for work	0	0	0
44	Repayment of interest and borrowing costs	12.070	9.615	11.093
45	Subsidies	33.343	27.379	77.055
46	Donations, grants and transfers	145.046	136.882	142.535
47	Social security and social care	27.353	38.988	34.192
48	Other expenditures	54.171	71.555	87.107
5	EXPENDITURES FOR NON-FINANCIAL ASSETS	312.507	159.717	331.910
51	Fixed assets	306.371	159.717	331.910
52	Stock	0	0	0
54	Natural assets	0	0	0
55	Assets funded from NIP funds	6.136	0	0
6	EXPENDITURES FOR REPAYMENT OF PRINCIPAL	20.844	25.402	25.402



	AND PURCHASE OF FINANCIAL ASSETS			
61	Repayment of principal	20.844	25.402	25.402
62	Purchase of financial assets			
	SURPLUS CASH INFLOW (A-B)		3.337	
	DEFICIT CASH INFLOW (B-A)	5.941		9.898
C	CASH BALANCE, BEGINNING OF YEAR	11.554	7.225	11.644
D	CORRECTED INFLOW FOR RECEIVED FUNDS IN THE BALANCE	1.477.546	1.328.755	1.645.602
	Correction of cash inflow for funds collected and not recorded through classes 7, 8 and 9	2.593	1.108	25
E	CORRECTED OUTFLOW FOR PAID FUNDS IN THE BALANCE	1.480.894	1.325.419	1.655.501
	Correction of cash outflow for the amount of calculated depreciation recorded at the expense of own revenues			
	Correction of cash outflow for the amount of paid expenditures not recorded through classes 4, 5 and 6	981	25	1.298
*	CASH BALANCE AT THE END OF YEAR (C+D-E)	7.225	11.644	1.771

Source: City of Užice

*Minus the amount of receivables from the previous financial year

Cash Flow Statements for 2008, 2009 and 2010 report all inflows and outflows of cash funds in the consolidated account of the City Treasury, classified according to revenues and proceeds paid between 1 January and 31 December of the budget year. By including cash balance at the year's beginning and non-recorded inflows and outflows (class of accounts from 4 to 9), the statements determine and present the cash balance in the consolidated treasury account at the budget year-end. Therefore, the statements represent the cash flow consolidation for all sub-accounts within the City of Užice Treasury.

Table 2.3.9 Excerpt from consolidated reports on City budget execution (000 RSD)

Classification	Description	Execution 2008	Execution 2009	Execution 2010
A	CURRENT REVENUES AND PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS	1.429.959	1.324.637	1.524.347
7	CURRENT REVENUES	1.429.912	1.324.619	1.524.347
71	Taxes	875.911	878.477	984.709
73	Donations and transfers	348.404	273.122	361.982
74	Other revenues	205.142	171.625	175.871
77	Memorandum items for reimbursement of expenses	455	1.395	1.785
78	Transfers between budgetary beneficiaries	0	0	0
8	PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS	47	18	0
81	Proceeds from sale of fixed assets	47	18	0
82	Proceeds from sale of stock	0	0	0
9	PROCEEDS FROM BORROWING AND SALE OF FINANCIAL ASSETS	44.995	4.118	121.255
91	Proceeds from borrowing	30.053	0	120.000
92	Proceeds from sale of financial assets	14.942	4.118	1.255
B	TOTAL REVENUES AND PROCEEDS	1.474.954	1.328.755	1.645.602
C	CURRENT EXPENDITURES AND EXPENSES	1.460.050	1.300.016	1.630.098



	PURCHASE OF NON-FINANCIAL ASSETS			
4	CURRENT EXPENDITURES	1.147.543	1.140.299	1.298.188
41	Payroll expenditures	368.486	400.193	402.981
42	Use of goods and services	507.064	455.687	543.225
43	Depreciation and use of means for work	0	0	0
44	Repayment of interest and borrowing costs	12.070	9.615	11.093
45	Subsidies	33.343	27.379	77.055
46	Donations, grants and transfers	145.046	136.882	142.535
47	Social security and social protection	27.353	38.988	34.192
48	Other expenditures	54.181	71.555	87.107
5	EXPENDITURES FOR NON-FINANCIAL ASSETS	312.507	159.717	331.910
51	Fixed assets	306.371	159.717	331.910
52	Stock	0	0	0
54	Natural assets	0	0	0
55	Assets funded from NIP funds	6.136	0	0
6	EXPENDITURES FOR REPAYMENT OF PRINCIPAL AND PURCHASE OF FINANCIAL ASSETS	20.844	25.402	25.402
61	Repayment of principal	20.844	25.402	25.402
62	Purchase of financial assets	0	0	0
D	TOTAL EXPENDITURES AND EXPENSES	1.480.894	1.325.418	1.655.500
	BUDGET SURPLUS (A-C) > 0		24.621	
	BUDGET DEFICIT (C-A) > 0	30.091		105.751
	SURPLUS PROCEEDS (9-6) > 0	24.151		95.853
	SURPLUS CASH INFLOW (B-D) > 0		3.337	
	DEFICIT CASH INFLOW (D-B) > 0	5.940		9.898

Source: City of Užice

Reports on budget execution for 2008, 2009, and 2010 show planned and generated revenues and proceeds, as well as approved appropriations and executed budget expenditures and expenses of the City and budgetary beneficiaries between 1 January and 31 December of the budget year. Report shows the execution of the Decision on the Budget of the City of Užice. It shows the sources of funding of budget and budgetary beneficiaries' expenditures and expenses; such are revenues and proceeds from: the budget of the Republic, the budget of the City, donations and other sources (for example, budgetary beneficiaries' own revenues).

These reports are different from the execution of the nonconsolidated budget of the City (illustrated under 2.3.1 City of Užice budget for past three years), because next to budget revenues and proceeds and expenditures and expenses, they include revenues and proceeds of all budget beneficiaries that are consolidated under the City of Užice.

2.3.3 Relevant Performance Indicators for Previous Three Years

In order to demonstrate successful performance and credit rating of the City of Užice, the Report on Execution of the City Budget for budgetary funds was reclassified. That was conducted by regrouping the current revenues and current expenditures from annual financial reports for 2008, 2009, and 2010. Reclassified report on budget execution allows



special consideration of revenues and expenditures within the current budget, and especially within the capital budget of the City.

The current budget shows the current revenues and current expenditures. Current revenues include all original and shared budget revenues of the City as well as current transfers from the Republic of Serbia. Current expenditures are classified according to economic classification as: payroll, social benefits, purchase of goods and services, current transfers, current subsidies to enterprises, paid interest and charges and other current expenditures.

The capital budget shows the capital investments expenditures and means for their funding. Appropriations in the capital budget include: non-financial assets expenses, capital transfer to other levels of government and capital subsidies to public enterprises founded by the City. Revenues in the capital budget include: proceeds from sale of non-financial assets and current revenues intended for financing capital investment expenditures (capital transfers from the Republic, self-contributions, construction land development and construction land lease fees and capital donations and transfers).

Table 2.3.10 Reclassified non-consolidated reports on execution of the City budget (000 RSD)

No.	Description	Execution 2008	Execution 2009	Execution 2010
A	CURRENT REVENUES AND EXPENDITURES			
1.	CURRENT REVENUES	1.255.463	1.179.988	1.303.291
	Property tax	83.435	58.313	92.909
	Local charges and fees	89.697	119.524	140.562
	Shared income tax	6.919	10.440	5.490
	Other shared taxes and fees	662.835	646.134	693.676
	Current transfers	67.690	81.178	98.051
2.	CURRENT EXPENDITURES	1.113.052	1.099.279	1.225.107
	Payroll expenditures	368.486	400.193	402.981
	Expenditures for goods and services	507.064	455.687	543.225
	Payment of interest and fees	12.070	9.615	11.093
	Current subsidies	0	0	17.900
	Current transfers and donations	143.898	123.241	128.609
	Social insurance and social care	27.353	38.988	34.192
	Other current expenditures	54.181	71.555	87.107
3	CURRENT SURPLUS/DEFICIT (1-2)	142.411	80.709	78.184
B	CAPITAL REVENUES AND EXPENDITURES			
4.	CAPITAL REVENUES AND PROCEEDS	174.496	144.649	221.056
	Self-contributions	0	0	0
	Construction land development and use fees	170.703	134.759	131.457
	Capital transfers	2.820	1.150	83.093
	Capital donations	926	8.722	6.506
	Proceeds from sale of non-financial assets	47	18	0
5.	CAPITAL EXPENDITURES AND EXPENSES	346.998	200.737	404.991
	Expenses for purchase of non-financial assets	312.507	159.717	331.910
	Capital transfers to other levels of government	1.148	13.641	13.926
	Capital subsidies to public companies	33.343	27.379	59.155



6.	NET PURCHASE OF NON-FINANCIAL ASSETS	(172.502)	(56.088)	(183.935)
7.	BUDGET SURPLUS/DEFICIT (3-6)	(30.091)	24.621	(105.751)
C	ACCOUNT FUNDING			
	Proceeds from sale of financial assets	14.941	4.118	1.255
	Proceeds from borrowing	30.053	0	120.000
	Expenses for purchase of financial assets	0	0	0
	Repayment of debt	20.844	25.402	25.402
8.	SURPLUS/DEFICIT AFTER FINANCING	(5.941)	3.337	(9.898)
D	UNSPENT FUNDS FROM PREVIOUS YEARS	14.273	8.332	11.669
	Unspent funds from previous years	14.273	8.332	11.669
	TOTAL SURPLUS/DEFICIT	8.332	11.669	1.771

Source: City of Užice

Table 2.3.11 Generated surplus in the current budget of the City (000 RSD)

N o.	Description	2008	2009	2010
1.	Total revenues and proceeds (non-consolidated)	1.474.953	1.328.755	1.645.602
2.	Current revenues (reclassified)	1.255.463	1.179.988	1.303.291
3.	Current surplus	142.411	80.709	78.184
4.	Current surplus in total revenues and earnings (3/1)	9,65%	6,07%	4,75%
5.	Current surplus in current revenues (3/2)	11,34%	6,83%	5,99%

Based on reclassified data on City nonconsolidated budget execution it can be concluded that the City of Užice in 2008, 2009, and 2010 had a stable surplus of current revenues over current expenditures, that ranged between RSD 78 and RSD 142 million. The City maintained a stable growth of current surplus at the average level of 17.4% of current revenues, despite the significant reduction in current transfers from the Republic budget, owing to reduction of current expenditures in 2010.

Table 2.3.12 Expenditures for long-term debt repayment (000 RSD)

N o.	Description	2008	2009	2010
	Long-term liabilities			
1.	Debt liabilities at year beginning	152.066	178.446	161.415
2.	Proceeds from borrowing	30.053	0	120.000
3.	Expenditures for debt repayment	20.844	25.402	25.402
4.	Debt liabilities at years end (1+2-3)	161.275	153.044	256.013
	Short-term liabilities for long-term debt			
5.	Unpaid interest and fees at years beginnings	0	0	0
6.	Calculation of interest and fees			
7.	Payment of interest and fees	12.070	9.615	11.093
8.	Interest and fees and years end (5+6-7)			



Table 2.3.13 Net current surplus in the City budget, after debt repayment
(000 RSD)

No.	Description	2008	2009	2010
1.	Total revenues and proceeds (non-consolidated)	1.474.953	1.328.755	1.645.602
2.	Current revenues (reclassified)	1.255.463	1.179.988	1.303.291
3.	Current surplus	142.411	80.709	78.184
4.	Expenditures for debt repayment	20.844	25.402	25.402
5.	Net current surplus after debt repayment (3-4)	121.567	55.307	52.782
6.	Net current surplus in total revenues and earnings (5/1)	8,24%	4,16%	3,20%
7.	Net current surplus in current revenues (5/2)	9,68%	4,68%	4,04%

Source: City of Užice

Data in the previous table show the amount of net current surplus that remains after repayment of debt related liabilities that can be used for financing capital investment expenditures or new debt repayment. In the past three budget years net current surplus rose from 4.04% to 9.68% of reclassified current revenues of the City of Užice nonconsolidated budget.

Table 2.3.14 Managing debt of the City (000 RSD)

No.	Description	2008	2009	2010
DEBT PURSUANT TO THE LAW ON PUBLIC DEBT				
1.	Current nonconsolidated budget revenues from previous year	1.255.463	1.179.988	1.303.291
2.	Debt liabilities at year end	161.275	153.044	256.013
3.	Ratio 1: Share of debt liabilities in current revenues (2/1 ≤ 50%)	12,84%	12,96%	19,64%
4.	Expenditures for interest and fees	12.070	9.615	11.093
5.	Debt repayment	20.844	25.402	25.402
6.	Total debt expenditures and expenses (4+5)	32.914	35.017	36.495
7.	Ratio 2: Share of debt expenditures and expenses in current revenues (6/1 ≤ 15%)	2,62%	2,96%	2,80%
8.	Ratio 3: Two thirds of current surplus/current revenues > 15%	7,56%	4,55%	3,99%
DEBT REPAYMENT FROM CURRENT SURPLUS				
9.	Current surplus	142.411	80.709	78.184
10.	Current surplus before interest (9+4)	154.481	90.324	89.277
11.	Ratio 4: Share of debt expenditures and expenses in current surplus (6/10)	21,30%	38,76%	40,87%
12.	Net current surplus	121.567	55.307	52.782
13.	Ratio 5: Share of debt expenditures and expenses in net current surplus (6/12)	27,07%	63,31%	69,14%

Source: City of Užice

When analyzing conditions stipulated by the Law on Public Debt of the RS, it is evident that the ratio between current revenues and current levels of municipal debt is within the



framework of the law, i.e., the City meets the necessary legal provisions for additional borrowing.

In particular, debt obligations at year-end used to finance capital projects do not exceed 50% of generated current revenues. Also, the expenditures for debt servicing and payment of principal do not exceed 15% of current revenues, thus it is not required for the City to meet the provision of the Law listed under number 8 in the table above.

It is worth noting that the City in all three observed budget years generated current surplus, which shows that the City budget has good and sustainable revenue structure, and more importantly stabile and regulated current expenses structure.

The total cost of servicing the existing debt, on average for the observed three years, amounts to about 15% of the current surplus plus interest.

In addition to the current surplus, the level of net current surplus is also positive, indicating a stabile level of current account surplus generated following the annual repayment of existing debt.

All this indicates that the City is fiscally fit to increase its debt without causing fiscal instability in the long run.

Based on the above mentioned it can be concluded that the City of Užice carefully manages its debt and that the current and new borrowing is intended solely for financing infrastructure projects, and not for covering the budget deficit.

Table 2.3.15 City cash funds management (000 RSD)

No.	Description	2008	2009	2010
	CASH BALANCE			
1.	Cash balance (CTA), beginning of year	11.554	7.225	11.644
2.	Total cash inflows	1.474.953	1.328.755	1.645.602
3.	Total cash outflows	1.480.894	1.325.418	1.655.500
4.	Cash balance (CTA), end of year (1+2-3)	5.613	10.562	1.746
	CASH AND INVESTMENT BALANCE (end of year)			
1.	Consolidated treasury account cash	9.094	6.037	7.404
2.	Investments with banks	60.000	65.000	62.000
	Overnight deposit	0	12.000	0
	On sight deposit	60.000	53.000	62.000
	Term deposit	0	0	0
3.	Investment in short-term securities			
	MF treasury bills			
	NBS bills			
4.	Total cash and investments (1+2+3)	69.094	71.037	69.404

Source: City of Užice





3 DEVELOPMENT POLICY OF THE ISSUER

3.1 Planned Development Activities of the Issuer

3.2. Budget Projection for the Upcoming Years, Based on the Memorandum of the RS

The basis for planning budget revenues and proceeds and expenditures and expenses of the City of Užice for the next three fiscal years is found in the **Memorandum on the Budget and Economic and Fiscal Policy for 2011, with Projections for 2012 and 2013**, adopted by the Government of the Republic of Serbia.



Table 3.2.1 Projection of the City of Užice budget proceeds and expenses, 2011 – 2016 (000 RSD)

N o.	Description	2011	2012	2013	2014	2015	2016
1.	ORIGINAL REVENUES AND PROCEEDS	645.000	547.970	559.482	567.804	672.897	577.254
	Property tax	100.000	106.000	111.300	116.865	120.371	122.778
	Local fees and charges	218.000	226.720	231.254	231.254	230.000	230.000
	Income tax, mixed and unspecified proceeds and memorandum items	7.000	6.000	5.000	5.000	5.000	5.000
	Construction land use fee	85.000	89.250	91.928	94.685	97.526	99.476
	Construction land development fee	100.000	70.000	70.000	70.000	70.000	70.000
	Donations	35.000	50.000	50.000	50.000	50.000	50.000
	Proceeds from sale of non-financial assets	0	0	0	0	0	0
	Proceeds from borrowing	100.000				100.000	
2.	SHARED REVENUES AND PROCEEDS	1.245.000	1.647.500	1.709.325	1.783.741	1.818.931	1.856.070
	Shared income tax	745.000	1.300.000	1.365.000	1.433.250	1.461.915	1.491.153
	Other shared fees and charges	130.000	136.500	143.325	150.491	158.016	165.917
	Current transfers	278.000	139.000	139.000	139.000	139.000	139.000
	Capital transfers	88.000	70.000	60.000	60.000	60.000	60.000
	Proceeds from sale of non-financial assets	4.000	2.000	2.000	1.000	0	0
	TOTAL REVENUES AND PROCEEDS (1+2)	1.890.000	2.195.470	2.268.807	2.351.545	2.491.828	2.433.324



Classification	Description	2011	2012	2013	2014	2015	2016
	EXPENDITURES	1.388.697	1.406.196	1.444.252	1.477.236	1.495.946	1.499.524
4	CURRENT EXPENDITURES	1.388.697	1.406.196	1.444.252	1.447.236	1.495.946	1.499.524
41	Payroll expenditures	436.127	453.572	467.180	481.195	493.225	505.555
42	Use of goods and services	585.513	608.934	627.201	639.745	639.745	639.745
44	Payment of interest and associated costs of borrowing	25.100	24.598	24.106	23.624	23.151	21.994
45	Subsidies	54.000	30.000	30.000	30.000	30.000	25.000
46	Donations, grants and transfers	157.800	164.112	169.035	174.106	179.330	184.710
47	Social insurance and social protection	33.315	34.980	36.730	38.566	40.495	42.520
48	Other expenditures	96.842	90.000	90.000	90.000	80.000	80.000
	EXPENSES	501.303	789.274	824.555	874.309	995.882	933.800
5	EXPENSES FOR NON-FINANCIAL ASSETS	464.603	754.274	789.555	839.309	960.882	893.800
51	Fixed assets	464.603	754.274	789.555	839.309	960.882	893.800
52	Stock	0	0	0	0	0	0
54	Natural assets	0	0	0	0	0	0
55	Non-financial assets from NIP funds	0	0	0	0	0	0
6	DEBT AND FINANCIAL ASSETS EXPENSES	36.700	35.000	35.000	35.000	35.000	40.000
61	Repayment of principal	36.700	35.000	35.000	35.000	35.000	40.000
62	Purchase of financial assets	0	0	0	0	0	0
	TOTAL EXPENDITURES AND EXPENSES	1.890.000	2.195.470	2.268.807	2.351.545	2.491.828	2.433.324



Table 3.2.2 Projection of the City budget cash flow and indebtedness (000

RSD)

No.	DESCRIPTION	EXECUTION	PLAN	PROJECTION				
		2010	2011	2012	2013	2014	2015	2016
1.	CURRENT REVENUES (w/o revenue from int	1.524.347	1.698.000	2.123.470	2.206.807	2.290.545	2.331.828	2.373.324
2.	Revenue from interest	0	0	0	0	0	0	0
3.	CURRENT EXPENDITURES (w/o interest exp	1.287.095	1.363.597	1.381.598	1.420.146	1.453.612	1.472.795	1.477.530
4.	Interest and charges	11.093	25.100	24.598	24.106	23.624	23.151	21.994
5.	CAPITAL REVENUES	226.159	309.303	717.274	762.555	813.309	835.882	873.800
6.	CAPITAL EXPENDITURES	0	88.000	70.000	60.000	60.000	60.000	60.000
7.	CAPITAL REVENUES	331.910	464.603	754.274	789.555	839.309	960.882	893.800
8.	BUDGET SURPLUS/DEFICIT (5+6-7-8)	-105.751	-67.300	33.000	33.000	34.000	-65.000	40.000
9.	Proceeds from sale of financial assets	1.255	4.000	2.000	2.000	1.000	0	0
10.	Proceeds from borrowing	120.000	100.000	0	0	0	100.000	0
11.	Expenditures for purchase of financial assets	0	0	0	0	0	0	0
12.	Debt repayment	25.402	36.700	35.000	35.000	35.000	35.000	40.000
13.	SURPLUS/DEFICIT AFTER FINANCING (8+9+10-11-12)	-9.898	0	0	0	0	0	0
14.	Unspent funds from previous years	11.669	0	0	0	0	0	0
15.	TOTAL SURPLUS (13+14)	1.771	0	0	0	0	0	0
	DEBT INDICATORS							
16.	Current revenues in past year from nonconsolidated budget	1.524.347	1.698.000	2.123.470	2.206.807	2.290.545	2.331.828	2.373.324
17.	Debt liabilities, end year	256.013	219.313	184.313	149.313	114.313	79.313	39.313
	Ratio 1: share of debt liabilities in current revenues (17/16 ≤ 50%)	16,79%	12,92%	8,68%	6,77%	4,99%	3,40%	1,65%
18.	Total debt expenditures and expenses	36.495	61.800	59.598	59.106	58.624	58.151	61.994
	Ratio 2: share of debt expenditures and expenses in current revenues (18/16 ≤ 15%)	2,39%	3,64%	2,81%	2,68%	2,55%	2,49%	2,61%
19.	Current surplus, before payment of interest (1+2-3)	237.252	334.403	741.872	786.661	836.933	859.033	895.794
	Ratio 3: share of debt expenditures and expenses in current surplus (18/19)	15,38%	18,48%	8,03%	7,51%	7,00%	6,76%	6,92%



3.3 Capital Investment Plan for the Period 2010 – 2015

Capital investment plan is a document jointly prepared by the Department for Local Economic Development, the Commission for Capital Investment Plan, and representatives of the administration, budget beneficiaries, public enterprises, institutions and other social partners.

Units of local-self government in Serbia invest in utility infrastructure in order to ensure basic services to their citizens and maintain and attract domestic and foreign investors. One of the most important issues for local self-government is planning and funding construction of new infrastructure. Budget funds are scarce and often insufficient for systematic funding of capital investments. Systematic approach in planning of capital investments enables local self-government to better utilize local budget capacities and access outside sources of funding (EU – pre-accession funds, NIP funds and other donations). Capital investment plan is a plan that covers capital projects in the 5-year period. The plan includes projects of general importance and value over EUR 100.000. The first year of implementation and funding of capital investment is considered to be the annual capital budget. Annual capital budget is determined annually as an excerpt from the long-term capital program relating to a specific year.

Development of a comprehensive investment plan enables the development of new, and improvement of the existing services for citizens, and allows implementation of main development strategies of the City. Long-term capital investment plan should include all public investments planned in the territory of the City of Užice or within its competence. In order to implement the project the Mayor by means of a Decision formed the Commission for planning capital investments, and appointed the Coordinator thereof.

LIST OF CAPITAL PROJECT BY AREAS

Department for local economic development received 147 projects that were grouped and then divided into 12 areas/sectors:

- ECONOMY
- TRAFFIC INFRASTRUCTURE
- ENVIRONMENTAL PROTECTION
- SOCIAL WELFARE
- ENERGY
- UTILITY INFRASTRUCTURE
- CULTURE
- SPORT AND TOURISM
- EDUCATION
- HEALTH
- MARKETPLACES
- OTHER PROJECTS

Out of the total number (40) of ranked projects, the following 12 projects/investments were classified as priority and will be funded from budget revenues, donations, borrowings and other funds.



Table 3.3.1. Ranking of 12 capital projects, 2010 – 2015

No.	PROJECT NAME	VALUE IN RSD
1	Construction of residential and commercial facilities in place of military barracks "Četvrti puk" – Krčagovo (conversion of military assets into civilian)	509.546.100
2	System for waste water collection, removal and processing in Užice with waste water treatment plant in Gorjani	3.000.000.000
3	Construction of the municipal waste treatment plant – Duboko landfill	3.000.000.000
4	Regional airport Ponikve	1.890.000.000
5	Rehabilitation of the old landfill at Sarića osoj	200.000.000
6	Construction of the City swimming pool	400.000.000
7	Reconstruction, extension and upgrading of the oncology clinic at the Užice General Hospital	30.400.000
8	Gas distribution network	2.008.386.800
9	"Zlakusa" intersection with connection to the M-5 highway, with an overpass over the Belgrade – Bar railway and the section of the local road	160.000.000
10	National Theatre - Užice 1.1. Repair of the façade and the roof of the National Theatre 2.2. Reconstruction of the auditorium, stage and installations	246.473.300
11	Utility furnishing of the section of the Sevojno L work zone, with construction of the Drgačevska street	182.600.000
12	Project documentation, reconstruction and renovation of facilities at Zlatibor and in Bečići	No set amount

3.4 Description and Implementation Plan for Projects Funded by Bond Issue with Basic Indicators of Project Profitability (if there is a Feasibility Study)

The City plans to build a City swimming pool as well as possibly refinance existing financial obligations.

The planned amount of borrowing is RSD 300 million, out of which RSD 100 million is for financing swimming pool investment (total project value is RSD 400 million), while remaining RSD 200 million is intended for refinancing the existing loans.



The existing loans were withdrawn for financing infrastructural projects involving the construction of the following facilities:

Project	Period	Interest rate	Grace period	Initial debt (EUR)	Annuity	Debt on 30.09.2011 (EUR)
Gas pipeline	2006-2016	Euribor 1M+3,5%	No	2.000.000	16.670,00	866.358,63
Kindergarten	2006-2016	Euribor 3M+3%	6 months	151.898,73	1.332,45	81.278,88
Directorate	2008-2013	Euribor 1M+2,9%	6 months	358.500,90	6.638,91	119.500,14
Capital investments	2010-2015	Euribor 3M+3,5%	6 months	1.126.348,09	20.858,30	1.063.776,19
TOTAL				3.636.747,72	45.499,66	2.130.913,84

All projects were initiated during the period 2006 – 2010, and the planned completion dates are anywhere from 2013 – 2016.

Considering the credit terms at the time of borrowing, the issue of the municipal bond would allow the local self-government to obtain funds at more favorable conditions to refinance the existing obligations.

The project for building the City swimming pool intends to first and foremost raise the quality of life of the citizens, what further directly influences productivity and favorable and attractive living conditions in a positive way, what at the end may prevent the constant migration of younger population to bigger cities in the Republic of Serbia.

Table 3.4.1 General information on the project

GENERAL INFORMATION ON THE PROJECT	
Project name:	CONSTRUCTION OF THE TOWN SWIMMING POOL
Sector:	Sports
Type:	Sports facility
Project status:	In progress
Municipality:	Užice

Table 3.4.2 Project team members

PROJECT TEAM MEMBERS				
NO.	First and last name	Institution	Position in the project team	Competences/responsibilities
1.	Andrić Zorica	Ministry of Youth and Sports	Project Team Manager	Coordination of the project team
2.	Zdenka Radovanović	Ministry of Youth and Sports	Member	Coordination of construction
3.	Žaklina Gostiljac Masella	Ministry of Youth and Sports	Member	Legal affairs
4.	Predrag Gavović	City administration	Member	City of Užice coordinator for NIP projects
5.	Darko Šimšić	PE Directorate for Construction	Member	Coordination of activities
6.	Petar Vujadinović	City administration	Member	Operating activities



Table 3.4.3 Main project goals

PROJECT GOALS	
1.	Planning the construction of the sports facility of special importance for the development of sports in the Republic of Serbia based on general national interest
2.	Ensuring modern and functionally built and maintained sports infrastructure
3.	Providing equitable regional representation, equal conditions for preparation, participation and achievement of results in water sports for all ages
4.	Providing opportunities for the implementation of activities and programs in sports organizations
5.	Improvement and massification of water sports
6.	Strengthening sports ethics and spirit of sports
7.	Providing opportunities for international sports cooperation
8.	Providing conditions for organizing and holding swimming competitions
9.	Improving opportunities for education, upbringing, social guidance, sports and health of school population and population of various age groups in the Republic of Serbia
10.	Increasing the number of sports teams in the Republic of Serbia
11.	Constructing new sports facility that meets international standards and suits the established needs for sports development in the Republic of Serbia
12.	Planned number of potential users of the facility is 50.000.

The analysis of planned and realized capital projects shows indications of a large indirect profit the City would generate from implementing such projects.



Figure 6 - City swimming pool



Table 3.4.4 Plan of anticipated activities

PLAN OF ACTIVITIES							
No. of act.	Activity	Competent institution	Responsible member of project team	Period of implementation		No result	Result
				Start date	End date		
1.1	Preparing tender documentation for selecting the best offer	Competent Ministry, PE Directorate of Construction	Darko Šimšić	01.02.2011	01.03.2011	1.1.1	Prepared tender documentation for selecting the best offer for works performance
1.2	Announcing the tender for selecting the most favorable offer	Competent Ministry, PE Directorate of Construction	Darko Šimšić	01.03.2011	15.03.2011	1.2.1	Public procurement procedure announced for selecting the best offer for works performance
1.3	Selecting the most favorable offer and signing of the Contract with the selected Contractor	Competent Ministry, PE Directorate of Construction	Darko Šimšić	16.03.2011	01.04.2011	1.3.1	-Most favorable offer selected -Project contractual rights and obligations specified
2.1	Announcing the commencement of works	Local self-government	Darko Šimšić	25.03.2011	01.04.2011	2.1.1	Commencement of works
2.2	Supervision	Local self-government	Darko Šimšić	01.04.2011	30.12.2011	2.2.1	Control of works
2.3	Works execution - construction	Selected contractor	Darko Šimšić	01.04.2011	30.12.2011	2.3.1	Executed construction works - completion
2.4	The handover of works and final calculation	Competent Ministry, PE Directorate of Construction	Darko Šimšić	15.12.2011	31.12.2011	2.4.1	Creating conditions for the issuance of the occupancy permit



4 INFORMATION ON THE LOCAL GOVERNMENT

4.1 City Assembly of Užice

City of Užice is the territorial unit where citizens exercise local self-government in accordance with the Constitution of the Republic of Serbia, the Law on Local self-Government and the City Statute. The City has the capacity of a legal entity, and its bodies are the City Assembly, the Mayor, City Council and City Administration. Executive bodies are the Mayor and City Council.

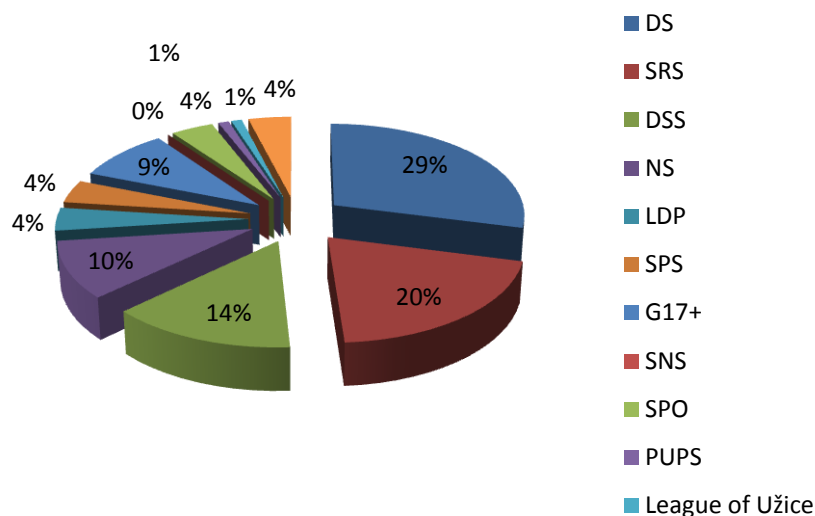
City Assembly of Užice has 67 members elected for a four-year term, according to the procedure and in the manner provided by Law. The following table shows members' structure in the City Assembly.

Table 4.1 City Assembly of Užice members' structure, 2008

Party	Number of representatives in the City Assembly	Share in total number of representatives in the City Assembly (%)
DP (DS)	19	29
SRP (SRS)	13	20
(DPS) DSS	9	14
NW (NS)	6	10
LDP	3	4
SPS	3	4
G17+	6	9
SPP (SNS)	/	/
SRM (SPO)	3	4
PUPS	1	1
League for Užice Civic Group	1	1
Užice Movement Civic Group	3	4
TOTAL	67	100



City Assembly members' structure



The City Assembly shall:

- ◆ Adopt the City Statute and Assembly Rules of Procedure;
- ◆ Adopt the City Budget and the Annual Budget Balance Sheet;
- ◆ Determine the rate of original revenues of the City, as well as method and criteria for determining the amount of local charges and fees;
- ◆ Adopt City development programs;
- ◆ Adopt City Spatial Plan and urban plans and regulate the use of construction land;
- ◆ Adopt regulations and other general acts;
- ◆ Decide on establishment of services, public enterprises, institutions and other organizations and supervise their work, and decide on termination or suspensions thereof in accordance with the law;
- ◆ Establish public agencies in accordance with the law;
- ◆ Establish bodies, organizations, offices and services to meet the needs of the City, regulate their organization and ensure organizational, material and other conditions for their work;
- ◆ Appoint and dismiss managing and supervisory boards, appoint and dismiss managing directors of public utility and other public enterprises, institutions, organization and services established by the City;
- ◆ Appoint and dismiss the Assembly President and Deputy Assembly President; appoint and dismiss the Mayor, Deputy Mayor and City Council members; determine the



amount of fees for construction land development and use, determine the amount of fees for maintenance of residential buildings it manages;

- ◆ Adopt a document on public borrowing of the City in accordance with the law governing public debt and so on. Detailed information on jurisdictions of the City of Užice Assembly is found in the City Statute.²

4.2 Executive Bodies of the City of Užice

Executive bodies of the City of Užice are the Mayor and the City Council.

The Assembly elects the Mayor from members elected for four-year terms, by a majority vote of all members of the Assembly. The Assembly President proposes the candidate for Mayor. The Candidate for Mayor nominates the Deputy Mayor Candidate from among the members, elected by the Assembly in the same manner as the Mayor.

The Mayor shall perform the following:

- ◆ Represent the City;
- ◆ Propose the manner for resolving issues decided upon by the Assembly;
- ◆ Order execution of the City budget and decide on the use of funds from current and permanent budget reserves;
- ◆ Approve general regulations governing the number and the structure of employees in institutions funded from the City budget, and the number and the structure of employees and other persons hired to implement City budget beneficiaries' programs or parts thereof;
- ◆ Determine the draft urban plan and present it for public scrutiny, and refer it for expert discussion;
- ◆ Conclude contracts on receiving donations;
- ◆ Suspend the application of the City Council' decision that is not in accordance with the law;
- ◆ Decide on organizing and implementing public works of interest for the City;
- ◆ Decide on granting the right to use or lease, as well as cancel the contract on use or lease, and mortgage on property used by City bodies (with consent from the Property Directorate of the Republic of Serbia);
- ◆ Establish City executive bodies;
- ◆ Direct and coordinate the work of city administration and ensure organizational, material and other conditions for their work;
- ◆ Pass individual acts for which is authorized by law, the Statute or the decision of the Assembly;
- ◆ Inform the public about its work;

² Town of Užice Statute



- ◆ Establish expert advisory bodies for certain tasks within its jurisdiction;
- ◆ Convene and preside over City Council sessions;
- ◆ Appoint and dismiss Deputy Mayor's assistants, etc.

The Mayor shall be the President of the City Council.

Deputy Mayor shall be the member of the City Council according to his function.

The Assembly elects City Council members for a four-year term, by a majority vote of all members. Member of the City Council shall not simultaneously be members of the Assembly, but may be responsible for one or more specific areas within the jurisdiction of the City.

The City Council shall:

- ◆ Propose the Statute, City budget and other decisions and documents adopted by the Assembly;
- ◆ Directly execute and ensure implementation of decisions and other acts of the Assembly;
- ◆ Decide on temporary financing when Assembly fails to adopt the City budget before the beginning of a new fiscal year;
- ◆ Ensure the legality of work;
- ◆ Approve tariffs for utility public services of utility enterprises founded by the City and approve the tariffs for services of other public enterprises founded by the City;
- ◆ Determine the prices of preschool services;
- ◆ Supervise the work of city administrations, annul or abolish city administrations' acts that are not in accordance with the law, Statute or other general act or decision adopted by the Assembly;
- ◆ Decide in the second instance administrative procedure on rights and obligations of citizens, enterprises and institutions and other organization concerning administrative matters within the jurisdictions of the City;
- ◆ Ensure execution of delegated authorities concerning rights and obligations of the Republic, or the Autonomous Province; appoint and dismiss city administrations' heads and their deputies, and decide on their exemption;
- ◆ Establish expert and advisory working bodies for certain tasks within own jurisdiction;
- ◆ Inform the public about own work;
- ◆ Adopt rules of procedure;
- ◆ Devise the draft urban plan, etc.

The Mayor of the City of Užice is Mr. Jovan Marković. He was born in 1972 in Užice. He graduated in 1996 from the Faculty of Philosophy in Niš, and he holds an undergraduate degree as a teacher of physical education. In 2001 he obtained his masters degree from the same university where he obtained his undergraduate degree. He has worked as both elementary and high school teacher. During the period 2001 – 2008 he has worked as the director of the Užice Kindergarten. During that period, the construction of new and



reconstruction of existing facilities significantly increased the capacities and improved the work of this educational facility with approximately 200 employees. Since 2006, he has been the president of the Municipal Board of the Democratic Party in Užice and member of the Main Board of the same party. He is married with two children. Užice of the future for him is a modern, European City with opportunities for better quality and carefree life for its citizens founded on respectable tradition.

Deputy Mayor is Mr. Milovan Petrović. He was born in 1950 in Bjeluša, Arilje. He has finished elementary school in Bjeluša, High School for teachers in Užice and Faculty of Economy while working. He has been a full time employee at the PTT Public Enterprise. He has been elected managing director of the enterprise in 1988. Following the transformation of the PTT system, he has worked as working unit director and the director of the Užice-Čačak branch of the "Telekom Srbija" enterprise. As a director he achieved significant results in developing postal and telephone traffic in this area, and successfully managed reconstruction and restoration of the telephone capacities damaged during NATO bombing in 1999. In mid 2001 he founded the furniture manufacturing company "Zip Univerzal". He is a recipient of numerous public awards.

Assistants to the Mayor are:

- 1) Svetlana Jevđović Matić, Assistant Mayor for City Planning,
- 2) Đorđe Mijušković, Assistant Mayor for Transport and Infrastructure,
- 3) Brankica Jeremić, Assistant Mayor for Social Affairs.

The City Council members are:

- 1) Jovan Marković – Mayor
- 2) Milovan Petrović – Deputy Mayor
- 3) Ilija Milićević, born in 1957, university graduate, responsible for education, culture, youth, sports and physical education and work of related public institutions, permanently engaged by the City Council,
- 4) Predrag Gavović, born in 1967, university graduate, responsible for work of local communities, permanently engaged by the City Council,
- 5) Aleksandar Bučić, born in 1975, university graduate, responsible for budget and finance,
- 6) Radivoje Radivojević, born in 1951, university graduate, responsible for work of public enterprises, permanently engaged by the City Council,
- 7) Nataša Stamatović Joković, born in 1971, university graduate, responsible for tourism, hospitality industry and trade,
- 8) Dr Vladimir Gordić, born in 1963, university graduate, responsible for primary health care,
- 9) Zoran Milojević, born in 1955, university graduate, responsible for agriculture and cooperatives,
- 10) Milomir Cvetković, born in 1958, high school graduate, responsible for transport,
- 11) Radovan Cicvarić, born in 1974, university graduate, responsible for social protection.



4.3 Jurisdiction over Borrowing of the City of Užice

Legal framework for borrowing of the City of Užice is regulated under the Law on Public Debt (“Official Gazette of the RS“, No. 61/2005) and the City Statute.

The law regulates the right to long-term borrowing of the City to fund or refinance capital investment expenditures envisaged in the City budget. The City may borrow in the country or abroad, in domestic or foreign currency, in accordance with the Law. It can borrow by taking a loan or issuing securities, provided that the Republic of Serbia and financial institutions may only purchase such securities.

Decision on borrowing of the City of Užice shall be adopted by the City Assembly, following previously obtained opinion from the Ministry of Finance, pursuant to the Law and Statute. The Ministry shall provide an opinion within 15 days from the day of submitting a request for an opinion. Should the Ministry fail to provide the opinion concerning the request of the City in the aforesaid timeframe, it shall be considered as the opinion was issued

When borrowing, the City must manage the debt in accordance with the law, so that:

- ◆ Amount of outstanding debt for capital investment expenditures does not exceed 50% of the total generated current budget revenues of the City in the past year;
- ◆ Amount of principal and interest maturing each year for all outstanding long-term borrowing for financing capital investment expenditures does not exceed 15% of total generated current budget revenues of the City in the past year.

The City may deviate from these limits in accordance with the Law, under following conditions:

- ◆ Amount of outstanding long-term borrowing for capital investment expenditures may exceed 50% of total generated budget revenues of the City in the past year, when it comes to loan with a repayment term, excluding the grace period, of at least five years.
- ◆ For long-term loan from the previous paragraph, the amount of principal and interest maturing each year for all outstanding long-term loans may exceed 15% if two thirds of the current surplus in relation to the total current revenue generated represents a share greater than 15%.