

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
REGIONALAND MUNICIPAL INFRASTRUCTURE
DEVELOPMENT PROJECT
IDA CREDIT No. 4516 GE AND
ECTF GRANT No. TF097715**

**REPORT OF INDEPENDENT AUDITORS
AND
SPECIAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2012**

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE
DEVELOPMENT PROJECT
IDA CREDIT No. 4516 GE AND
ECTF GRANT No. TF097715**

CONTENTS

	Page
Statement of Management Responsibilities	3
Report of Independent Auditors	4-5
Statement of financial position	6
Statement of Project Sources and Uses of Funds	7
Statement of Uses of Funds by Project Activities	8
SOE withdrawal schedule	9
Designated Account statement	10
Notes to the Special Purpose Financial Statements	11-17

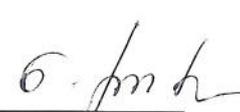
STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the special purpose financial statements and related notes of the Regional and Municipal Infrastructure Development Project (the "Project") financed by the International Development Association Credit No. 4516 GE and European Commission Trust Fund Grant No.TF097715 and the Government of Georgia. They have been prepared in accordance with the basis of accounting described in Note 2 of the accompanying special purpose financial statements.

The Project maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Project's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statements preparation.



Ekaterina Khakishvili
Director



Natalie Godziashvili
Financial Manager

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REPORT OF INDEPENDENT AUDITORS

TO THE MANAGEMENT OF THE REGIONAL AND MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROJECT

1. We have audited the accompanying special purpose financial statements of the Regional and Municipal Infrastructure Development Project (the "Project") implemented by the Municipality Development Fund which comprise the balance sheet as of 31 December 2012, statement of project sources and uses of funds, statement of uses of funds by project activities and designated account statement for the year then ended and a summary of significant accounting policies and other explanatory notes. We have also audited the Project's compliance with the conditions of the relevant Credit and Grant Agreements, the World Bank guidelines and Laws of the Georgia Republic.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the basis of accounting described in Note 2 of the special purpose financial statements. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

3. Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISA") applicable to the audit of financial statements and to compliance auditing, with special reference to ISA 800 "The Independent Auditor's Report on Special Purpose Audit Engagements" and to the relevant Credit Agreement, the World Bank guidelines and Laws of the Georgia Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement and about whether the Project has complied with the conditions of the relevant agreements, guidelines, laws and regulations.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In our opinion:
 - a) the accompanying special purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Project as of 31 December 2012, and related sources and uses of funds and project activities and movement in the designated account for the year ended 31 December 2012, in accordance with the basis of accounting described in Note 2 to the accompanying special purpose financial statements; and
 - b) the Project is, in all material respects, in compliance with the conditions of the relevant Credit and Grant Agreements, the World Bank guidelines and Laws of the Georgia Republic during the year ended 31 December 2012.

Other Matter

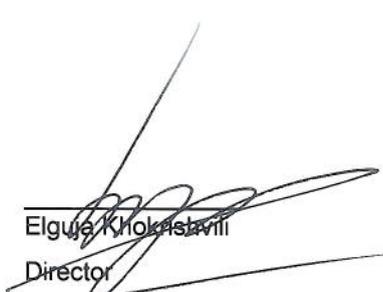
1. The financial statements of the Regional and Municipal Infrastructure Development project for the nine month ended 30 September 2012 and the year ended 31 December 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 12 November 2012 and 29 June 2012 respectively.

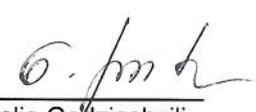
28 June 2013

Moore Stephens Signature

MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
 REGIONAL AND MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROJECT
 IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
 STATEMENT OF FINANCIAL POSITION
 AS OF 31 DECEMBER 2012
 (Expressed in US dollars)

	Notes	31 December 2012	30 September 2012	2011
ASSETS				
NON-CURRENT ASSETS				
Accumulated project expenses		60,360,630	58,988,957	55,409,299
		60,360,630	58,988,957	55,409,299
CURRENT ASSETS				
Bank balances	3	1,749,267	2,517,777	4,494,094
Receivables and prepayments	4	637,286	369,860	178,957
		2,386,553	2,887,637	4,673,051
TOTAL ASSETS		62,747,183	61,876,594	60,082,350
FUNDS				
Accumulated project financing		61,004,998	59,832,558	58,613,905
Other funds	5	397,336	397,336	397,336
Foreign exchange differences		839,713	810,776	794,969
TOTAL RESERVES		62,242,047	61,040,670	59,806,210
LIABILITIES				
Accounts payable	6	505,136	835,924	276,140
TOTAL LIABILITIES		505,136	835,924	276,140
TOTAL LIABILITIES AND FUNDS		62,747,183	61,876,594	60,082,350

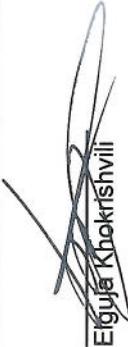

 Elguja Khokhlov
 Director


 Natalie Godziashvili
 Financial Manager

The notes set out on pages 11-17 form an integral part of these financial statements

**MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROJECT
IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
STATEMENT OF PROJECT SOURCES AND USES OF FUNDS
FOR 3 MONTHS ENDED 31 DECEMBER 2012
(Expressed in US dollars)**

	ACTUAL			PLANNED		VARIANCE		PAD
	For 3 Months to 31 December 2012	For 9 Months to 30 September 2012	31 December 2012	For 3 Months to 31 December 2012	31 December 2012	For 3 Months to 31 December 2012	31 December 2012	
SOURCES OF FUNDS								
IDA Credit No.4516 GE (Note 8)	541,722	447,194	39,238,173	-	-	-	-	-
ECTF Grant No.TF097715 (Note 8)	314,989	851,431	3,628,140	-	-	-	-	-
Government co-financing	315,729	170,082	8,894,055	-	-	-	-	-
MDF co-financing	-	-	3,358,159	-	-	-	-	-
Municipalities co-financing	-	(250,054)	5,886,471	-	-	-	-	-
Sub-total	1,172,440	1,218,653	61,004,998	-	-	-	-	-
Other funds (Note 6)	-	-	397,336	-	-	-	-	-
Foreign exchange rate difference	28,937	15,807	839,713	-	-	-	-	-
LESS: USES OF FUNDS								
Works and goods under:								
a. Part A 1	-	-	11,322,762	-	-	11,322,762	-	-
b. Part A 2	828,155	481,492	25,113,096	-	-	24,003,449	828,155	1,109,647
c. Part B of the Project-before amendment	-	-	14,281,156	-	-	14,281,156	-	13,175,093
c. Part B of the project-after amendment	283,358	2,746,447	8,161,651	943,535	9,055,631	(660,177)	(893,980)	10,299,480
Consultants' services and training	260,160	351,719	1,479,057	259,917	1,327,095	243	151,962	3,863,514
Operating costs and the commission visibility	-	-	2,908	-	2,908	-	-	54,000
Sub-total	1,371,673	3,579,658	60,360,630	1,203,452	59,993,001	168,221	367,629	68,992,087
NET CHANGE IN WORKING CAPITAL (Note 7)	(170,296)	(2,345,198)	1,881,417					

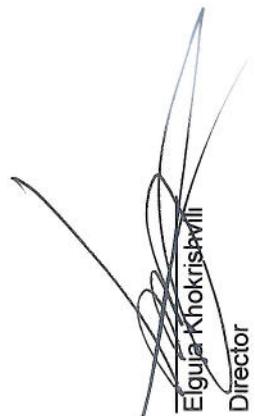

Eijuga Khokrishvili
Director


Natalie Godziashvili
Financial Manager

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**MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROJECT
IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY
FOR 3 MONTHS ENDED 31 DECEMBER 2012
(Expressed in US dollars)**

	ACTUAL			PLANNED			VARIANCE			PAD
	For 3 Months to 31 December 2012	For 9 Months to 30 September 2012	31 December 2012	For 3 Months to 31 December 2012	31 December 2012	For 3 Months to 31 December 2012	31 December 2012	31 December 2012		
Part A:										
Infrastructure investment										
Part A 1	-	-	11,322,762	-	11,322,762	-	-	-	33,400,000	
Part A 2	828,155	481,492	25,113,096	828,155	24,003,449	828,155	1,109,647	1,109,647	8,200,000	
	828,155	481,492	36,435,858	828,155	35,326,211	828,155	1,109,647	1,109,647	41,600,000	
Part B:										
Emergency Rehabilitation and Construction										
	283,358	2,746,447	22,445,715	943,535	23,339,695	(660,177)	(893,980)	(893,980)	23,592,087	
	283,358	2,746,447	22,445,715	943,535	23,339,695	(660,177)	(893,980)	(893,980)	23,592,087	
Part C:										
Institutional Development										
	260,160	351,719	1,479,057	259,917	1,327,095	243	151,962	151,962	3,800,000	
	260,160	351,719	1,479,057	259,917	1,327,095	243	151,962	151,962	3,800,000	
TOTAL	1,371,673	3,579,658	60,360,630	1,203,452	59,993,001	168,221	367,629	367,629	68,992,087	


Elguja Khokrishvili
Director


Natalie Godziashvili
Financial Manager

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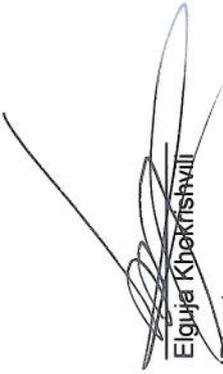
MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
 REGIONAL AND MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROJECT
 IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
 SOE WITHDRAWAL SCHEDULE
 FOR 3 MONTHS ENDED 31 DECEMBER 2012
 (Expressed in US dollars)

IDA Credit No. 4516 GE

Application No.	Application date	CATEGORY			Total
		1b. Part A2 of the Project	1c. Part B of the Project- before amendment	2. Consultants' services	
WA-026	19. Jun. 2012	4,659	9,957	324,263	338,879
WA-027	19. Sep. 2012	-	-	87,173	87,173
		4,659	9,957	411,436	426,052

ECTF Grant No. TF097715

Application No.	Application date	CATEGORY			Total
		1a. Part A1 of the Project	Ab. Part A2 of the Project	Total	
WA-009	18. Jun. 2012	12,891	52,451	65,342	65,342
		12,891	52,451	65,342	65,342


 Egluja Khokhishvili
 Director


 Natalie Godziashvili
 Financial Manager

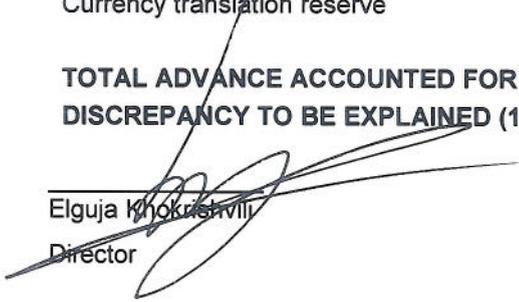
MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
 REGIONAL AND MUNICIPAL INFRASTRUCTURE
 DEVELOPMENT PROJECT IDA CREDIT No. 4516– GE AND ECTF No. TF097715
 NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
 FOR 3 MONTHS ENDED 31 DECEMBER 2012
 (Expressed in US dollars)

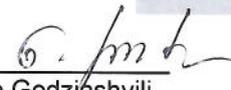
IDA Credit No 4516 GE

	3 Months to 31 December 2012
OPENING BALANCE AT 1 October 2012	2,317,026
ADD:	
Cumulative unexplained discrepancy	-
Credit replenishment during the year	541,722
PRESENT OUTSTANDING AMOUNT ADVANCED TO DESIGNATED ACCOUNT (1)	2,858,748
CLOSING BALANCE AT 31 December 2012	1,630,822
ADD:	
Amount of eligible expenses paid during the year	1,227,926
Transfer to transit account in GEL	-
TOTAL ADVANCE ACCOUNTED FOR (2)	2,858,748
DISCREPANCY TO BE EXPLAINED (1)- (2)	-

ECTF Grant No TF097715

	In USD equivalents
OPENING BALANCE AT 1 October 2012	16,943
ADD:	
Cumulative unexplained discrepancy	-
Credit replenishment during the year	-
PRESENT OUTSTANDING AMOUNT ADVANCED TO DESIGNATED ACCOUNT (1)	16,943
CLOSING BALANCE AT 31 December 2012	-
ADD:	
Amount of eligible expenses paid during the year	17,019
Currency translation reserve	(76)
TOTAL ADVANCE ACCOUNTED FOR (2)	16,943
DISCREPANCY TO BE EXPLAINED (1)- (2)	-


 Elguja Khokhishvili
 Director


 Natalie Godziashvili
 Financial Manager

**MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE
DEVELOPMENT PROJECT IDA CREDIT No. 4516– GE AND ECTF No. TF097715
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR 3 MONTHS ENDED 31 DECEMBER 2012
(Expressed in US dollars)**

1. GENERAL INFORMATION

The Credit Agreement of Regional and Municipal Infrastructure Development Project No. 4516 GE was signed on October 3, 2008 between Georgia and the International Development Association (the "IDA"). The total amount of the credit was agreed to be SDR 25,500,000.

The Grant Agreement for the Regional and Municipal Infrastructure Development Project No. TF097715 was signed on September 13, 2010 between Georgia and International Bank for Reconstruction and Development (the "IBRD"). The total amount of the grant was agreed to be Euro 2,822,823 equivalent in USD 3,592,087.

The Project is managed by the Municipal Fund of Georgia (the "MDF") established pursuant to Presidential Decree No. 294 dated 7 June 1997.

The legal address of MDF is 150, Aghmashenebeli Avenue, 0112, Tbilisi, Georgia.

The project consists of the following parts:

Part A: Infrastructure Investment

1. Provision of financial resources to creditworthy Local Self Governments (the "LSGs") to finance investment subprojects for the rehabilitation and expansion of priority municipal services and infrastructure needs on a sustainable basis, through the performance of works and provision of goods and consultants' services (USD 20,000,000 IDA financing, USD 6,700,000 MDF contribution and USD 6,700,000 LSG's contribution).
2. Provision of financing on the grant basis to carry out investment subprojects for municipal services and infrastructure projects in non-creditworthy LSGs, through the carrying out of works and provision of goods and consultants' services (USD 7,000,000 IDA financing and USD 1,200,000 LSG's contribution).

Part B: Emergency Rehabilitation and Construction

Emergency rehabilitation of conflict damaged regional and municipal infrastructure and services, including: (a) public buildings and shelters, and construction of durable housing; (b) infrastructure restoration and improvement of housing conditions for conflict affected people in Georgia, which includes: (i) increasing the volume of water supply, improving public water standpipes and provision of grey water house connection to about 1,963 internally displaced people's houses in 11 settlements; (ii) rehabilitating drainage channels and pedestrian crossings in 11 settlements and construction of the bridge at the Mtkvari River leading to Akhalsopeli settlement; (iii) providing about 133 solid-waste containers and 11 trucks in 12 settlements; and (iv) improving the physical conditions of walls, floors, and provision of entrance sheds and air ventilation in 1,263 houses in 9 settlements, all through the carrying out of works and provision of goods and consultants' services (USD 10,000,000 IDA financing, USD 10,000,000 government co-financing and Euro 2,822,822 equivalent in USD 3,592,087).

Part C: Institutional Development

Enhancing the institutional capacity and performance of the Ministry of Finance, the Municipal Development Fund, LSGs, and utilities to assist in the carrying out of programs for the development of capacity to discharge public services functions with economy and efficiency, through the provision of goods, consultants' services and training (USD 3,000,000 IDA financing and USD 800,000 Government co-financing).

**MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE
DEVELOPMENT PROJECT IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR 3 MONTHS ENDED 31 DECEMBER 2012
(Expressed in US dollars)**

1. GENERAL INFORMATION (CONTINUED)

The following table illustrates the categories of eligible expenditures to be financed by IDA under the Project, the allocation of the total amount of loan to each category and the percentage of expenditures to be financed for each category:

Category	Amount of loan allocated	Percentage of expenditures to be financed
	SDR	%
(1) Works and goods under:		
a. Part A 1 of the Project	4,200,000	50%
b. Part A 2 of the Project	14,000,000	85%
c. Part B of the Project-before amendment	4,193,632	50%
c. Part B of the Project-after amendment	2,172,368	40%
(2) Consultants' Services under Parts A and C of the Project	854,000	80%
(3) Training under Parts A and C of the Project	80,000	100%
(4) Operating Costs and the Commission Visibility	-	
Total	25,500,000	

The following table illustrates the categories of eligible expenditures to be financed by ECTF under the Project, the allocation of the total amount of grant to each category and the percentage of expenditures to be financed for each category:

Category	Amount of loan allocated	Percentage of expenditures to be financed
	EUR	%
(1) Works and goods under:		
a. Part A 1 of the Project		
b. Part A 2 of the Project		
c. Part B of the Project – before amendment		
c. Part B of the Project – after amendment - Works	2,435,367	55%
c. Part B of the Project – after amendment - Goods	286,226	55%
(2) Consultants' Services	99,800	55%
(3) Training	-	
(4) Communication and Visibility	1,430	55%
Total	2,822,823	

**MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE
DEVELOPMENT PROJECT IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR 3 MONTHS ENDED 31 DECEMBER 2012
(Expressed in US dollars)**

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These special purpose financial statements have been prepared based on the accrual basis of accounting and in compliance with the World Bank Accounting and Reporting Guidelines.

a) Translation of foreign currencies

The functional currency of the Company is Georgian Lari (the "GEL"). The presentation currency of these special purpose financial statements is US dollars (the "USD"). Transactions in currencies other than presentation currency are recorded at the rates of exchange defined by the National Bank of Georgia (the "NBG") prevailing on the dates of transactions. At the reporting date, the monetary items denominated in currencies other than the presentation currency are translated into USD at the NBG rate effective at the reporting date.

	Official currency rate of the National Bank of Georgia	
	USD	EUR
Exchange rate as at 31 December 2012	1.6567	2.1825
Exchange rate as at 31 December 2011	1.6703	2.1614

All exchange rate differences are recognized in the statement of project Sources and Uses of Funds and the accumulated figure of exchange rate differences is disclosed in the statement of financial position.

b) Bank balances

Bank balances consist of cash amounts in the treasury accounts and in bank accounts.

c) Advances paid to contractors

Advances paid to contractors are stated at cost and include prepayments made to subcontractors under the works and goods category expenditures.

d) Sources of funds

The IDA Credit and ECTF Grant, Municipality co-financing and Government co-financing of the project is recognized when earned at the time of receipts of funds or direct payments made to contractors. The accumulated project financing is disclosed under the Funds caption in the Statement of Financial Position. The amount of funds received during the reporting year is disclosed in the Statement of Project Sources and Uses of Funds.

e) Accounts payable

Accounts payable are stated at cost and include retentions and other payables to contractors. The balance of retentions payable to contractors represents amounts retained from progress payments against certificates of executed works, for the purpose of liquidation of post-completion faults and defects.

**MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE
DEVELOPMENT PROJECT IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR 3 MONTHS ENDED 31 DECEMBER 2012
(Expressed in US dollars)**

**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

f) *Project expenses*

Project expenses are recognized when incurred. The accumulated project expenses are disclosed in the Statement of Financial Position.

g) *The World Bank financing*

To facilitate timely disbursements for eligible expenses the Designated Account (DA) in US dollars is established and maintained until the Project completion. The DA is opened as the state Treasury's foreign currency account at the NBG. The DA is drawn upon to make payments to contractors, suppliers and consultants under the project. The movement of amounts on the DA is shown in the Designated Account Statement.

Project funds flow from the IDA either through the DA which is replenished on the basis of withdrawal applications or statements of expenditures (SOE's) or on the basis of direct payment withdrawal applications and/or special commitments on the terms and conditions agreed between the IDA and the Government. The IDA also reimburses the Government for eligible expenses paid by the Government.

h) *Project closing date*

According to the IDA Credit Agreement No. 45116 GE, the closing date of the Project is 30 June 2013 and in accordance with the ECTF Grant Agreement No. TF097715, the closing date is 30 June, 2012.

3. BANK BALANCES

	31 December 2012	30 September 2012	2011
Designated account IDA Credit No. 4516 GE	1,630,822	2,317,026	3,615,812
Designated account ECTF Grant No. TF097715	-	16,943	407,806
Treasury account in GEL	-	-	54,223
Current accounts at commercial banks	118,445	183,808	416,253
	1,749,267	2,517,777	4,494,094

4. RECEIVABLES AND PREPAYMENTS

	31 December 2012	30 September 2012	2011
Receivables from municipalities	103,000	-	-
Advances paid to contractors	257,183	263,789	59,468
Receivables from the State Budget	16	8,054	8,054
Receivables from the MDF	5,716	-	5,716
Receivables from other Projects	271,371	98,017	105,719
	637,286	369,860	178,957

Under civil works contracts, advances amounting to 10-15% of the total contract price are made to civil works contractors. Advances are redeemed from subsequent progress payments made against acceptance acts received for executed works.

**MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE
DEVELOPMENT PROJECT IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR 3 MONTHS ENDED 31 DECEMBER 2012
(Expressed in US dollars)**

5. OTHER FUNDS

Other funds include penalties accrued on civil works contractors, in accordance with the terms and conditions of the contracts.

6. ACCOUNTS PAYABLE

	31 December 2012	30 September 2012	2011
Retentions	176,292	195,023	-
Payable to State treasury	-	186,801	-
Payable to MDF	332,412	-	-
Payable to contractors	(14,997)	305,393	125,010
Payable to other Projects	11,429	148,707	151,130
	505,136	835,924	276,140

Under the Works and Goods category expenditures, 5% of total contract amount is retained to be paid to contractor after the expiration of the faults and defects period (normally 1 year). Amounts are retained from each progress payment made to contractors against presented acceptance acts for executed works.

7. NET INCREASE IN WORKING CAPITAL

	31 December 2012	30 September 2012	2011
Bank balances	(768,510)	(1,976,317)	1,749,267
Advances and receivables	261,710	190,903	637,286
Accounts payable	336,504	(559,784)	(505,136)
	(170,296)	(2,345,198)	1,881,417

8. IDA CREDIT NO. 4516 GE AND ECTFGRANT NO. TF097715

IDA Credit No. 4516 GE	For 3 Months to 31 December 2012
SOE procedures	87,173
Direct payments	-
Refund	(1,834,130)
Other procedures	2,288,678
	541,722

**MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE
DEVELOPMENT PROJECT IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR 3 MONTHS ENDED 31 DECEMBER 2012
(Expressed in US dollars)**

ECTF GRANT No. TF097715

**For 3 Months to 31 December
2012**

SOE procedures	-
Direct payments	310,100
Reimbursements	-
Other Procedures	4,890
	314,990

**9. RECONCILIATION BETWEEN THE AMOUNTS RECEIVED BY THE MDF AND DISBURSED BY THE
WORLD BANK**

Credit No 4516 GE

For the period from January 1, 2012 to December 31, 2012

<u>Category</u>	<u>Appl.</u>	<u>MDF</u>	<u>WB</u>	<u>Difference</u>
1. Works and Goods under:				
d. Part A2 of the Project	WA-026	51,460	51,460	-
	WA-028	984,600	984,600	-
		<u>1,036,060</u>	<u>1,036,060</u>	<u>-</u>
cPart B of the Project	WA-026	71,471	71,471	-
	WA-027	1,135,078	1,135,078	-
	WA-028	3,520	3,520	-
		<u>1,210,069</u>	<u>1,210,069</u>	<u>-</u>
2 Consultants' Services	WA-026	324,263	324,263	-
	WA-027	87,173	87,173	-
	WA-028	165,481	165,481	-
		<u>576,917</u>	<u>576,917</u>	<u>-</u>
Redemption of credit designated account advance	WA-027	(680,529)	(680,529)	-
	WA-018	(1,153,600)	(1,153,600)	-
		<u>(1,834,129)</u>	<u>(1,834,600)</u>	<u>-</u>
Total		<u>988,917</u>	<u>988,917</u>	<u>-</u>

**MUNICIPALITY DEVELOPMENT FUND OF GEORGIA
REGIONAL AND MUNICIPAL INFRASTRUCTURE
DEVELOPMENT PROJECT IDA CREDIT No. 4516 – GE AND ECTF GRANT No. TF097715
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
FOR 3 MONTHS ENDED 31 DECEMBER 2012
(Expressed in US dollars)**

**9. RECONCILIATION BETWEEN THE AMOUNTS RECEIVED BY THE MDF AND DISBURSED BY THE
WORLD BANK (CONTINUED)**

Grant No TF097715
For the period from January 1, 2012 to December 31, 2012

<u>Category</u>	<u>Appl.</u>	<u>MDF</u>	<u>WB</u>	<u>Difference</u>
1. C. Part B of the Project – after amendment – Works				
	WA-009	31,537	31,537	-
	WA-010	376,058	376,058	-
	WA-015	234,754	234,754	-
	WA-017	43,762	43,762	-
	WA-018	266,338	266,338	-
		<u>952,449</u>	<u>952,449</u>	<u>-</u>
1. C. Part B of the Project – after amendment – Goods	WA-009			
		71,139	71,139	-
		<u>71,139</u>	<u>71,139</u>	<u>-</u>
2. Consultants' Services				
	WA-009	72,089	72,089	-
	WA-010	10,924	10,924	-
	WA-015	24,514	24,514	-
	WA-019	4,890	4,890	-
		<u>112,417</u>	<u>112,417</u>	<u>-</u>
Reimbursement				
1. c. Part B of the Project – after amendment - Works	WA-011			
		576,833	576,833	-
		<u>576,833</u>	<u>576,833</u>	<u>-</u>
Redemption of grant designated account advance				
	WA-009	(174,765)	(174,765)	-
	WA-010	(112,384)	(112,384)	-
	WA-015	(234,754)	(234,754)	-
	WA-016	(24,514)	(24,517)	-
		<u>(546,417)</u>	<u>(546,417)</u>	<u>-</u>
Total		<u>1,166,421</u>	<u>1,166,421</u>	<u>-</u>