

Financial Statements and Independent Auditors' Report

Network of Associations of Local Authorities of  
South East Europe (NALAS)

31 December 2015

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## **GENERAL INFORMATION**

### **Management**

Kelmend Zajazi  
Executive Director

### **Registered office**

Partizanski Odredi 42/7,  
1000 Skopje  
Macedonia

### **Bankers**

Prokredit Bank AD Skopje,  
Jane Sandanski no.109a  
1000 Skopje  
Macedonia

Societe Generale  
Strasbourg  
France

### **Auditors**

Grant Thornton DOO Skopje  
Sv. Kiril i Metodij 52b/1-20  
1000 Skopje  
Macedonia

## Independent Auditors' Report

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To the Management of

Network of Associations of Local Authorities in South-East Europe (NALAS)

We have audited the accompanying special purpose financial statements of the “Network of Associations of Local Authorities in South-East Europe” (“NALAS” or “the Association”), which comprise the Summary of funds and expenditures as at 31 December 2015 and the Statement of sources and uses of funds and Statement of expenditures details for the year then ended and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared by management of NALAS in accordance with the cash receipts and disbursement basis of accounting as described in Note 3.2.

***Management's responsibility for the special purpose financial statements***

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with the cash receipts and disbursements basis of accounting as described in Note 3.2, for determining that the basis of preparation of the special purpose financial statements is acceptable in the circumstances and for such internal control as management determines it necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's responsibility***

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatements.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements.

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

*Opinion*

In our opinion, the accompanying special purpose financial statement's presents fairly in all material respects the financial position of NALAS as of 31 December 2015 and its sources and uses of funds and expenditure details for the year then ended, in accordance with the cash receipts and disbursements basis as described in Note 3.2.

*Basis on accounting*

Without modifying our opinion, we draw attention to Note 3.2 to the special purpose financial statements, which describe the basis of accounting. The financial statements are prepared to state the financial position and results of NALAS as per NALAS's requirements. As a result, the financial statements may not be suitable for another purpose.

*Other matter*

Special purpose financial statements of NALAS as of and for the year ended 31 December 2014 were audited by another auditor, which in its report dated 13 May 2015 expressed an unmodified opinion on those special purpose financial statements.

Grant Thornton DOO, Skopje

Skopje,  
25 March 2016

  
\_\_\_\_\_  
Suzana Stavrik  
Director



  
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Suzana Stavrik  
Certified Auditor

## Network of Associations of Local Authorities of South East Europe (NALAS)

### STATEMENT OF SOURCES AND USES OF FUNDS

For the year 31 December 2015

(Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Membership fees and other own sources	Total 2015	Total 2014
<b>SOURCES OF FUNDS</b>										
Balance at beginning of year as stated		(21,283)	97,113	344,351	7,154	(39,622)	5,935	117,674	511,322	38,131
Currency exchange gains from prior year		(7)	-	-	-	-	-	7	-	-
Transfers for reserve fund and others		1,222	-	-	-	-	-	(1,222)	-	-
Balance at beginning of year corrected		(20,068)	97,113	344,351	7,154	(39,622)	5,935	116,459	511,322	38,131
Membership fee		-	-	-	-	-	-	46,403	46,403	35,761
Other own revenues/contributions (Summer School)		-	-	-	-	-	-	-	-	2,000
Grants from SDC	4	243,467	-	-	-	-	-	-	243,467	263,637
Grants from GIZ	5	-	137,950	-	-	-	-	-	137,950	262,050
ORF (Local Leaders)		-	-	88,600	-	-	-	-	88,600	200,822
ORF (Asset Management)		-	-	111,012	-	-	-	-	111,012	177,284
ORF (Solid Waste Data Collection)		-	-	-	-	-	-	-	-	49,500
ORF (Solid Waste Management in cross-border rural and coastal areas of SEE)		-	-	58,519	-	-	-	-	58,519	-
Attract SEE		-	-	-	-	30,849	-	-	30,849	34,813
UN Women		-	-	-	-	-	3,863	-	3,863	9,768
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	18,785	-	-	-	18,785	-
RCC		-	-	-	-	-	-	-	-	2,673
WBI (Urban Partnership Program)		-	-	-	-	-	-	-	-	49,941
WBI (service contract "Energy Guidelines")		-	-	-	-	-	-	-	-	17,531
<b>TOTAL SOURCES OF FUNDS</b>		<b>223,399</b>	<b>235,063</b>	<b>602,482</b>	<b>25,939</b>	<b>(8,773)</b>	<b>9,798</b>	<b>162,862</b>	<b>1,250,770</b>	<b>1,143,911</b>

The accompanying notes from 1 to 8 form an integral part of the NALAS special purpose financial statements

## Network of Associations of Local Authorities of South East Europe (NALAS)

### STATEMENT OF SOURCES AND USES OF FUNDS (continued)

For the year 31 December 2015

(Expressed in EUR)

<b>STRUCTURAL EXPENSES</b>	<b>Note</b>	<b>SDC grant</b>	<b>GIZ grant</b>	<b>ORF</b>	<b>WB</b>	<b>Attract SEE</b>	<b>Other projects</b>	<b>Membership fees and other own sources</b>	<b>Total 2015</b>	<b>Total 2014</b>
Personnel		92,367	61,396	-	-	-	-	-	153,763	120,002
Office expenditures		18,689	21,183	-	-	-	-	686	40,558	35,548
Statutory meetings		20,665	31,255	-	-	-	-	-	51,920	57,522
External relations		7,997	1,192	-	-	-	-	-	9,189	9,520
<b>Total structural expenses</b>		<b>139,718</b>	<b>115,026</b>	-	-	-	-	<b>686</b>	<b>255,430</b>	<b>222,592</b>
<b>TASK FORCES AND KNOWLEDGE CENTER</b>										
Task Force on Fiscal Decentralisation		2,360	9,625	-	-	-	-	-	11,985	19,188
Task Force on Urban Planning		1,643	9,389	-	-	-	-	-	11,032	5,835
Task Force on Association Development		17,846	21,291	-	-	-	-	-	39,137	14,244
Task Force on Solid Waste Management		10,746	4,840	-	-	-	-	-	15,586	8,325
Task Force on Energy Efficiency		1,724	2,078	-	-	-	-	-	3,802	10,554
Task Force on Sustainable Tourism		2,979	9,634	-	-	-	-	-	12,613	8,512
Knowledge Center		47,790	50,798	-	-	-	-	154	98,742	110,669
<b>Total task forces and knowledge center</b>		<b>85,088</b>	<b>107,655</b>	-	-	-	-	<b>154</b>	<b>192,897</b>	<b>177,327</b>

## Network of Associations of Local Authorities of South East Europe (NALAS)

### STATEMENT OF SOURCES AND USES OF FUNDS (continued) For the year 31 December 2015 (Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Membership fees and other own sources	Total 2015	Total 2014
ORF (Local Leaders)		-	-	188,839	-	-	-	-	188,839	21,645
ORF (Asset Management)		-	-	131,604	-	-	-	-	131,604	56,331
ORF (Solid Waste Data Collection)		-	-	31,447	-	-	-	-	31,447	5,279
ORF (Solid Waste Management in cross-border rural and coastal areas of SEE)		-	-	35,284	-	-	-	-	35,284	-
Attract SEE		-	-	-	-	-	-	-	-	60,977
UN Women		-	-	-	-	-	9,571	-	9,571	3,833
RCC		-	-	-	-	-	-	-	-	2,673
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	7,839	-	-	-	7,839	-
WBI (Urban Partnership Program)		-	-	-	-	-	-	-	-	60,107
WBI (service contract "Energy Guidelines")		-	-	-	-	-	-	-	-	16,927
Audit fees		5,997	-	-	-	-	-	-	5,997	6,005
<b>TOTAL EXPENDITURES</b>		<b>230,803</b>	<b>222,681</b>	<b>387,174</b>	<b>7,839</b>	<b>-</b>	<b>9,571</b>	<b>840</b>	<b>858,908</b>	<b>633,696</b>



## Network of Associations of Local Authorities of South East Europe (NALAS)

### STATEMENT OF SOURCES AND USES OF FUNDS (continued) For the year 31 December 2015 (Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Membership fees and other own sources	Total 2015	Total 2014
Bank interest	4	675	-	-	-	-	-	30	705	770
Currency exchange gains/loss	7	-	-	-	-	-	-	96	96	920
Transfer for reserve funds and others		-	-	-	(7,154)	-	-	7,154	-	-
Savings returned grant funds to GIZ		-	-	-	-	-	-	-	-	(583)
<b>Surplus / (deficit) of funds over expenditures</b>		<b>(6,729)</b>	<b>12,382</b>	<b>215,308</b>	<b>10,946</b>	<b>(8,773)</b>	<b>227</b>	<b>169,302</b>	<b>392,663</b>	<b>511,322</b>
Advances (given) / received	6	-	-	(51,974)	-	-	-	449	(51,525)	(60,766)
<b>Cash available / (deficit) at end of year</b>		<b>(6,729)</b>	<b>12,382</b>	<b>163,334</b>	<b>10,946</b>	<b>(8,773)</b>	<b>227</b>	<b>169,751</b>	<b>341,138</b>	<b>450,556</b>

#### Cash available at end of year

##### consist of:

Bank accounts

Petty cash

#### Total cash available at end of year

Bank accounts	337,137	447,863
Petty cash	4,001	2,693
<b>Total cash available at end of year</b>	<b>341,138</b>	<b>450,556</b>

Authorized on behalf of -

Executive Director

Date:

## Network of Associations of Local Authorities of South East Europe (NALAS)

### STATEMENT OF EXPENDITURE DETAILS For the year ended 31 December 2015 (Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Membership fees and other own sources	Total 2015	Total 2014
<b>STRUCTURAL EXPENSES</b>										
<b>1. Personnel</b>										
Personnel expenses		92,367	61,396	-	-	-	-	-	153,763	120,002
<b>Total personnel expenses</b>		<b>92,367</b>	<b>61,396</b>	-	-	-	-	-	<b>153,763</b>	<b>120,002</b>
<b>2. Office expenditures</b>										
Operational expenses		18,689	21,183	-	-	-	-	686	40,558	35,548
<b>Total office expenditures</b>		<b>18,689</b>	<b>21,183</b>	-	-	-	-	<b>686</b>	<b>40,558</b>	<b>35,548</b>
<b>3. Statutory meetings</b>										
General assembly		12,481	21,615	-	-	-	-	-	34,096	32,400
CLO meetings		8,184	9,640	-	-	-	-	-	17,824	25,122
Executive Bureau Meeting		-	-	-	-	-	-	-	-	-
<b>Total expenses for statutory meetings</b>		<b>20,665</b>	<b>31,255</b>	-	-	-	-	-	<b>51,920</b>	<b>57,522</b>
<b>4. External relations</b>										
External relations		7,997	1,192	-	-	-	-	-	9,189	9,520
<b>Total external relations</b>		<b>7,997</b>	<b>1,192</b>	-	-	-	-	-	<b>9,189</b>	<b>9,520</b>
<b>Total structural expenses</b>		<b>139,718</b>	<b>115,026</b>	-	-	-	-	<b>686</b>	<b>255,430</b>	<b>222,592</b>

## Network of Associations of Local Authorities of South East Europe (NALAS)

**STATEMENT OF EXPENDITURE DETAILS (continued)**  
**For the year ended 31 December 2015**  
**(Expressed in EUR)**

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Membership fees and other own sources	Total 2015	Total 2014
<b>TASK FORCES AND KNOWLEDGE CENTER</b>										
<b>1.Task Force on Fiscal Decentralisation</b>										
Ordinary meetings		-	1,179	-	-	-	-	-	1,179	5,081
Summer School/Final conference		1,023	8,223	-	-	-	-	-	9,246	13,186
Experts and consultants		1,337	-	-	-	-	-	-	1,337	921
Outputs		-	223	-	-	-	-	-	223	-
<b>Total task force on fiscal decentralisation</b>		<b>2,360</b>	<b>9,625</b>	-	-	-	-	-	<b>11,985</b>	<b>19,188</b>
<b>2.Task Force on Urban Planning</b>										
Ordinary meetings		1,643	9,389	-	-	-	-	-	11,032	5,835
Final conference		-	-	-	-	-	-	-	-	-
Experts and consultants		-	-	-	-	-	-	-	-	-
Outputs		-	-	-	-	-	-	-	-	-
<b>Total task force on urban planning</b>		<b>1,643</b>	<b>9,389</b>	-	-	-	-	-	<b>11,032</b>	<b>5,835</b>
<b>3. Task Force on Association Development</b>										
Ordinary meetings		4,066	12,155	-	-	-	-	-	16,221	10,321
Quick response		1,981	3,845	-	-	-	-	-	5,826	-
Shadowing/Internship		4,589	-	-	-	-	-	-	4,589	641
Meetings of MA's staff		-	-	-	-	-	-	-	-	-
Meetings of presidents of LGAs		6,480	5,291	-	-	-	-	-	11,771	-
Other initiatives		-	-	-	-	-	-	-	-	-
NEXPO		-	-	-	-	-	-	-	-	2,345
SEE 2020		730	-	-	-	-	-	-	730	937
Strategic planning		-	-	-	-	-	-	-	-	-
<b>Total task force on association development</b>		<b>17,846</b>	<b>21,291</b>	-	-	-	-	-	<b>39,137</b>	<b>14,244</b>

*The accompanying notes from 1 to 8 form an integral part of the NALAS special purpose financial statements*

## Network of Associations of Local Authorities of South East Europe (NALAS)

### STATEMENT OF EXPENDITURE DETAILS (continued) For the year ended 31 December 2015 (Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Membership fees and other own sources	Total 2015	Total 2014
<b>4. Task Force on Solid Waste Management</b>										
Ordinary meetings		10,746	4,840	-	-	-	-	-	15,586	8,325
Final conference		-	-	-	-	-	-	-	-	-
Experts and consultants		-	-	-	-	-	-	-	-	-
Outputs		-	-	-	-	-	-	-	-	-
<b>Total task force on solid waste management</b>		<b>10,746</b>	<b>4,840</b>	-	-	-	-	-	<b>15,586</b>	<b>8,325</b>
<b>5. Task Force on Energy Efficiency</b>										
Ordinary meetings		1,724	2,078	-	-	-	-	-	3,802	10,554
Final conference		-	-	-	-	-	-	-	-	-
Experts and consultants		-	-	-	-	-	-	-	-	-
Outputs		-	-	-	-	-	-	-	-	-
<b>Total task force on energy efficiency</b>		<b>1,724</b>	<b>2,078</b>	-	-	-	-	-	<b>3,802</b>	<b>10,554</b>
<b>6. Task Force on Sustainable Tourism</b>										
Ordinary meetings		2,979	7,866	-	-	-	-	-	10,845	8,512
Final conference		-	-	-	-	-	-	-	-	-
Experts and consultants		-	1,092	-	-	-	-	-	1,092	-
Outputs		-	676	-	-	-	-	-	676	-
<b>Total task force on sustainable tourism</b>		<b>2,979</b>	<b>9,634</b>	-	-	-	-	-	<b>12,613</b>	<b>8,512</b>

## Network of Associations of Local Authorities of South East Europe (NALAS)

### STATEMENT OF EXPENDITURE DETAILS (continued) For the year ended 31 December 2015 (Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Membership fees and other own sources	Total 2015	Total 2014
<b>7. Knowledge Center</b>										
Establish NALAS e-Academy		2,895	-	-	-	-	-	154	3,049	2,005
Expert and content resource		-	1,068	-	-	-	-	-	1,068	-
Running KNC		4,867	3,177	-	-	-	-	-	8,044	4,555
National knowledge management		40,028	46,553	-	-	-	-	-	86,581	104,109
<b>Total knowledge Center</b>		<b>47,790</b>	<b>50,798</b>	-	-	-	-	<b>154</b>	<b>98,742</b>	<b>110,669</b>
<b>Total task forces and knowledge Center</b>		<b>85,088</b>	<b>107,655</b>					<b>154</b>	<b>192,897</b>	<b>177,327</b>
ORF (Local Leaders)		-	-	188,839	-	-	-	-	188,839	21,645
ORF (Asset Management)		-	-	131,604	-	-	-	-	131,604	56,331
ORF (Solid Waste Data Collection)		-	-	31,447	-	-	-	-	31,447	5,279
ORF (Solid Waste Management in cross-border rural and coastal areas of SEE)		-	-	35,284	-	-	-	-	35,284	-
Attract SEE		-	-	-	-	-	-	-	-	60,977
UN Women		-	-	-	-	-	9,571	-	9,571	3,833
RCC		-	-	-	-	-	-	-	-	2,673
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	7,839	-	-	-	7,839	-
WBI (Urban Partnership Program)		-	-	-	-	-	-	-	-	60,107
WBI (service contract "Energy Guidelines")		-	-	-	-	-	-	-	-	16,927
Audit fees		5,997	-	-	-	-	-	-	5,997	6,005
<b>TOTAL EXPENDITURES</b>		<b>230,803</b>	<b>222,681</b>	<b>387,174</b>	<b>7,839</b>	<b>-</b>	<b>9,571</b>	<b>840</b>	<b>858,908</b>	<b>633,696</b>

# Network of Associations of Local Authorities of South East Europe (NALAS)

## SUMMARY OF FUNDS AND EXPENDITURES, 31 December 2015 (Expressed in EUR)

	note	31 December 2015	31 December 2014
<b>ASSETS</b>			
<b>1. Expenditures</b>			
SDC grant		230,803	230,423
GIZ grant		222,681	174,281
Membership fee and other own sources		840	1,220
Other projects		9,571	6,506
ATTRACT SEE		-	60,977
LL SEE (ORF)		188,839	21,645
Asset management (ORF)		131,604	56,331
Solid Waste Data Collection (ORF)		31,447	5,279
Solid Waste Management in cross-border rural and coastal areas of SEE (ORF)		35,284	-
WB		7,839	77,034
<b>Total expenditures</b>		<b>858,908</b>	<b>633,696</b>
<b>2. Advances</b>			
Advances	6	51,525	60,766
<b>Total Advances</b>		<b>51,525</b>	<b>60,766</b>
<b>3. Cash and bank balances</b>			
Cash and bank balances		341,138	450,556
<b>Total cash and bank balances</b>		<b>341,138</b>	<b>450,556</b>
<b>TOTAL ASSETS</b>		<b>1,251,571</b>	<b>1,145,018</b>
<b>LIABILITIES</b>			
<b>1. Funds</b>			
SDC grant	4	224,074 <sup>1</sup>	209,140
GIZ grant	5	235,063	271,394
Membership fee and other own sources		170,142 <sup>2</sup>	118,894
Other projects		9,798	12,441
ATTRACT SEE		(8,773)	21,355
LL SEE (ORF)		267,777	200,822
Asset Management (ORF)		231,965	177,284
Solid Waste Data Collection (ORF)		44,221	49,500
Solid Waste Management in cross-border rural and coastal areas of SEE (ORF)		58,519	-
WB		18,785	84,188
<b>Total funds</b>		<b>1,251,571</b>	<b>1,145,018</b>
<b>TOTAL LIABILITIES</b>		<b>1,251,571</b>	<b>1,145,018</b>

<sup>1</sup> The amount of EUR 224,074 includes SDC sources of funds of EUR 223,399, increased by positive bank interest of EUR 675

<sup>2</sup> The amount of EUR 170,142 includes EUR 162,862 increased by positive foreign exchange rate of EUR 96, bank interest of EUR 30 and transfers for reserve fund of EUR 7,154.

*The accompanying notes from 1 to 8 form an integral part of the NALAS special purpose 11 financial statements*

# **Network of Associations of Local Authorities of South East Europe (NALAS)**

For the year ended 31 December 2015

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## **Notes to the special purpose financial statements**

### **1. General information**

NALAS (“the Association”) is a network of associations of local authorities of South East Europe created in the frames of the Stability Pact for South East Europe following the first Forum of Cities and Regions of South East Europe organized by the Congress of Local and Regional Authorities of the Council of Europe. NALAS promotes the process of decentralization in co-operation with central governments and international organizations, considering local self-government as a key issue in the current process of transition affecting the various countries in South East Europe.

NALAS was established in 2001 as an informal network and on 2005 formally registered based on the Alsacian Law in Strasbourg, France. In the period from July 2006 till its registration, NALAS operations have been managed through bank account in Societe General in Strasbourg and with the support by Swiss Embassy under coordination of the President and Executive Director of NALAS.

The NALAS Secretariat, which makes the executive capacity of NALAS, was registered as a branch office of NALAS under the Macedonian Law on 16 October 2007 and operates through a non-resident account.

### **2. Objectives of NALAS**

The overall goal of the association is to advocate for local self-government development and decentralization and support the application of the principles contained in the European Charter of Local Self-Government, the European Urban Charter II - Manifesto for a New Urbanity and the UN guidelines on decentralization at the Local Level. NALAS represents and protects its members’ interests and provides services to them.

NALAS operates as the Knowledge Centre and coordination platform on local government issues in South East Europe. NALAS strengthens the capacity of its members, local government associations, for the sake of better governance through the exchange of knowledge and experience and through local and regional activities such as pilot projects. NALAS also supports its members in their efforts to become viable representatives of local authorities who are up to negotiate with their national government and international organizations for the benefit of the citizens of the region.

NALAS support its members in building cross-border partnerships between local governments in South East Europe in order to contribute to a modern and efficient local self-government, increased democracy and stability in the region. Thereby, it also contributes to the process of EU integration.

NALAS activities are guided by the NALAS Strategic Plan for the period 2013 - 2017. The overall objective is to stimulate the exchange of information and experiences among NALAS members, and to disseminate and promote the results of the NALAS activities.

NALAS is a first rate Knowledge Center representing one of the most reliable sources of information and expertise on local self-government issues in South-East Europe.

# **Network of Associations of Local Authorities of South East Europe (NALAS)**

**For the year ended 31 December 2015**

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## **Notes to the special purpose financial statements (continued) Objectives of NALAS (continued)**

NALAS has a set of strategic objectives related to the following mid-term objectives:

- NALAS Knowledge Center is the main knowledge platform for and actively used by local governments (LGs) in South-East Europe (SEE)
- Improved and expanded NALAS services strengthen LGAs and their member LGs in the decentralization process.
- Interests of SEE Local Governments visible and taken into account by European institutions
- Financial and institutional consolidation of NALAS.

### **3. Basis for preparation**

#### **3.1. General**

The accompanying Statement of Sources and Uses of Funds has been prepared for the purposes of reporting to NALAS General Assembly and the Swiss Agency for Development and Cooperation as well as GIZ (“the Donors”) on the activities of the Association, related to funding received for the completion of the objectives as established with the Agreement on support of the Local Democracy and Regional Integration in South East Europe and the Agreement on support of the Institutional Strengthening “Network of Associations of Local Authorities of South-East Europe”.

This Statement includes all operational and task-related expenditures incurred for the period from 1 January 2015 to 31 December 2015.

#### **3.2. Accounting Convention**

The policy of the Association is to prepare the special purpose financial statements on a cash receipts and disbursements basis. On this basis revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. The accounting policies have been applied consistently throughout the reporting periods. The accounting policy is in accordance with the requirements of the main financiers - Swiss Agency for Development and Cooperation (SDC) and GIZ.

#### **3.3. Reporting Currency**

The special purpose financial statements are prepared in EUR as this is the reporting currency of the Association.

Cash transactions executed during the year denominated in Macedonian Denars are translated into Euros using the average exchange rate for the year 2015, published by the National Bank of the Republic of Macedonia. The year-end cash balance is translated at the official year end exchange rate, published by the National bank of Republic of Macedonia.

The cash transactions executed during the year denominated in American Dollars are translated into Euros using the average exchange rate for the dates when payments occurred, published by the National bank of Republic of Macedonia. The year-end cash balance is translated at the official year end exchange rate, published by the National bank of Republic of Macedonia.



# Network of Associations of Local Authorities of South East Europe (NALAS)

For the year ended 31 December 2015

## Notes to the special purpose financial statements (continued) Reporting Currency (continued)

The exchange rates used are as follows:

	31 December 2015	31 December 2014
1 EUR	61.59 Denars	61.48 Denars
1 USD	56.37 Denars	50.56 Denars
Average EUR	61.61 Denars	61.63 Denars
Average USD	55.50 Denars	46.85 Denars

## 4. Swiss Agency for Development and Cooperation (SDC) Contribution

The Swiss Agency for Development and Cooperation (SDC) supported NALAS from its establishment to present. At the beginning, the contributions were intended mainly for speeding up the decentralization reforms and providing policy advice and legislative expertise. Subsequently, with the registration of the Secretariat office in Skopje, SDC decided to provide long-term funding to NALAS and due to the good experience to further continue the support.

During 2014 and 2015, NALAS received contributions from SDC in accordance with the Agreement No. 81018281 (Project No 7F-01122.07.01), for granting of contribution to the Project Local Democracy and Regional Integration in South – Eastern Europe – Support to NALAS for the period from 1 July 2013 to 31 December 2017 in total of MKD 68,542,500. The contribution received for this Agreement for the period 1 January 2015 to 31 December 2015 amounted to MKD 15,000,000 i.e. EUR 243,467.

Following is the detailed breakdown of funds and uses of funds contributed by SDC for the periods as defined by the Grant Agreements:

(all amounts in EUR)	1 January – 31 December 2015	1 January- 31 December 2014
<b>PROJECT FUNDS</b>	<b>243,467</b>	<b>208,370</b>
<b>PROJECT EXPENDITURES</b>		
<b>STRUCTURAL EXPENSES</b>		
<b>1. Personnel</b>		
Personnel expenses	92,367	67,629
<b>Total personnel expenses</b>	<b>92,367</b>	<b>67,629</b>
<b>2. Office expenditures</b>		
Operational expenses	18,689	15,280
<b>Total office expenditures</b>	<b>18,689</b>	<b>15,280</b>

# Network of Associations of Local Authorities of South East Europe (NALAS)

For the year ended 31 December 2015

Notes to the special purpose financial statements (continued)  
Swiss Agency for Development and Cooperation (SDC) Contribution (continued)

(all amounts in EUR)	1 January – 31 December 2015	1 January – 31 December 2014
<b>3. Statutory meetings</b>		
General assembly	12,481	29,839
CLO meetings	8,184	23,818
Executive bureau meetings	-	-
<b>Total expenses for statutory meetings</b>	<b>20,665</b>	<b>53,657</b>
<b>4. External relations</b>		
External relations	7,997	6,105
<b>Total external relations</b>	<b>7,997</b>	<b>6,105</b>
<b>Total structural expenses</b>	<b>139,718</b>	<b>142,671</b>
<b>1. Task Force on Fiscal Decentralisation</b>		
Ordinary meetings	-	3,672
Summer School/Final conference	1,023	790
Experts and consultants	1,337	921
Outputs	-	-
<b>Total task force on fiscal decentralisation</b>	<b>2,360</b>	<b>5,383</b>
<b>2. Task Force on Urban Planning</b>		
Ordinary meetings	1,643	1,036
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on urban planning</b>	<b>1,643</b>	<b>1,036</b>
<b>3. Task Force on Association Development</b>		
Ordinary meetings	4,066	540
Quick response	1,981	-
Shadowing/Intership	4,589	641
Meetings of MA's staff	-	-
Meetings of presidents of LGAs	6,480	-
Other initiatives	-	-
NEXPO	-	939
SEE 2020	730	937
Strategic planning	-	-
<b>Total task force on association development</b>	<b>17,846</b>	<b>3,057</b>

# Network of Associations of Local Authorities of South East Europe (NALAS)

For the year ended 31 December 2015

Notes to the special purpose financial statements (continued)  
Swiss Agency for Development and Cooperation (SDC) Contribution (continued)

(all amounts in EUR)	1 January – 31 December 2015	1 January – 31 December 2014
<b>4. Task Force on Solid Waste Management</b>		
Ordinary meetings	10,746	3,598
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on solid waste management</b>	<b>10,746</b>	<b>3,598</b>
<b>5. Task Force on Energy Efficiency</b>		
Ordinary meetings	1,724	1,297
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on energy efficiency</b>	<b>1,724</b>	<b>1,297</b>
<b>6. Task Force on Sustainable Tourism</b>		
Ordinary meetings	2,979	944
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on sustainable tourism</b>	<b>2,979</b>	<b>944</b>
<b>7. Knowledge Center</b>		
Establish NALAS e-Academy	2,895	2005
Expert and content resource	-	-
Running KNC	4,867	4,078
National knowledge management	40,028	60,349
<b>Total knowledge center</b>	<b>47,790</b>	<b>66,432</b>
<b>Total task forces and knowledge center</b>	<b>85,088</b>	<b>81,747</b>
Audit fees	5,997	6,005
<b>TOTAL EXPENDITURES</b>	<b>230,803</b>	<b>230,423</b>
Bank interest	675	770

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2015**

Notes to the special purpose financial statements (continued)

**5. GIZ Contribution**

During 2014 and 2015, NALAS received contributions from GIZ in accordance with the Agreement No: 81173999, for granting of contribution to the Project Institutional strengthening of NALAS, for the period from 15 April 2014 to 31 December 2015, in total of EUR 350,000. The contribution received for the period 1 January 2015 to 31 December 2015 amounted to EUR 137,950.

(all amounts in EUR)	1 January – 31 December 2015	GIZ Project No. 81124225	1 January – 31 March 2014	15 April – 31 December 2014
<b>PROJECT FUNDS</b>	<b>137,950</b>	<b>414</b>	<b>59,513</b>	<b>212,050</b>
<b>PROJECT EXPENDITURES</b>				
<b>STRUCTURAL EXPENSES</b>				
<b>1. Personnel</b>				
Personnel expenses	61,396	-	12,066	40,307
<b>Total personnel expenses</b>	<b>61,396</b>	<b>-</b>	<b>12,066</b>	<b>40,307</b>
<b>2. Office expenditures</b>				
Operational expenses	21,183	-	11,992	8,114
<b>Total office expenditures</b>	<b>21,183</b>	<b>-</b>	<b>11,992</b>	<b>8,114</b>
<b>3. Statutory meetings</b>				
General assembly	21,615	-	2,487	74
CLO meetings	9,640	-	1,304	-
Executive bureau meetings	-	-	-	-
<b>Total expenses for statutory meetings</b>	<b>31,255</b>	<b>-</b>	<b>3,791</b>	<b>74</b>
<b>4. External relations</b>				
External relations	1,192	-	2,357	-
<b>Total external relations</b>	<b>1,192</b>	<b>-</b>	<b>2,357</b>	<b>-</b>
<b>Total structural expenses</b>	<b>115,026</b>	<b>-</b>	<b>30,206</b>	<b>48,495</b>

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2015**

**Notes to the special purpose financial statements (continued)**  
**GIZ Contribution (continued)**

(all amounts in EUR)	1 January – 31 December 2015	GIZ Project No. 81124225	1 January – 31 March 2014	15 April – 31 December 2014
<b>TASK FORCES AND KNOWLEDGE CENTER</b>				
<b>1. Task Force on Fiscal Decentralisation</b>				
Ordinary meetings	1,179	-	73	1,336
Summer School/Final conference	8,223	-	-	12,396
Experts and consultants	-	-	-	-
Outputs	223	-	-	-
<b>Total task force on fiscal decentralisation</b>	<b>9,625</b>	<b>-</b>	<b>73</b>	<b>13,732</b>
<b>2. Task Force on Urban Planning</b>				
Ordinary meetings	9,389	-	4,710	89
Final conference	-	-	-	-
Experts and consultants	-	-	-	-
Outputs	-	-	-	-
<b>Total task force on urban planning</b>	<b>9,389</b>	<b>-</b>	<b>4,710</b>	<b>89</b>
<b>3. Task Force on Association Development</b>				
Ordinary meetings	12,155	-	2,807	6,974
Quick response	3,845	-	-	-
Shadowing/Internship	-	-	-	-
Meetings of MA's staff	-	-	-	-
Meetings of presidents of LGAs	5,291	-	-	-
Other initiatives	-	-	-	-
NEXPO	-	-	-	1,406
<b>Total task force on association development</b>	<b>21,291</b>	<b>-</b>	<b>2,807</b>	<b>8,380</b>
<b>4. Task Force on Solid Waste Management</b>				
Ordinary meetings	4,840	-	4,727	-
Final conference	-	-	-	-
Experts and consultants	-	-	-	-
Outputs	-	-	-	-
<b>Total task force on solid waste management</b>	<b>4,840</b>	<b>-</b>	<b>4,727</b>	<b>-</b>
<b>5. Task Force on Energy Efficiency</b>				
Ordinary meetings	2,078	-	5,219	4,038
Final conference	-	-	-	-
Experts and consultants	-	-	-	-
Outputs	-	-	-	-
<b>Total task force on energy efficiency</b>	<b>2,078</b>	<b>-</b>	<b>5,219</b>	<b>4,038</b>

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2015**

**Notes to the special purpose financial statements (continued)**  
**GIZ Contribution (continued)**

(all amounts in EUR)	1 January – 31 December 2015	GIZ Project No. 81124225	1 January – 31 March 2014	15 April – 31 Decemb er 2014
<b>6. Task Force on Sustainable Tourism</b>				
Ordinary meetings	7,866	-	378	7,190
Final conference	-	-	-	-
Experts and consultants	1,092	-	-	-
Outputs	676	-	-	-
<b>Total task force on sustainable tourism</b>	<b>9,634</b>	<b>-</b>	<b>378</b>	<b>7,190</b>
<b>7. Knowledge Center</b>				
Establish NALAS e-Academy	-	-	-	-
Expert and content resource	1,068	-	-	-
Running KNC	3,177	-	-	477
National knowledge management	46,553	-	11,224	32,536
<b>Total knowledge center</b>	<b>50,798</b>	<b>-</b>	<b>11,224</b>	<b>33,013</b>
<b>Total task forces and knowledge center</b>	<b>107,655</b>	<b>-</b>	<b>29,138</b>	<b>66,442</b>
<b>TOTAL EXPENDITURES</b>	<b>222,681</b>	<b>-</b>	<b>59,344</b>	<b>114,937</b>
Savings returned grant funds to GIZ	-	414	169	-

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2015**

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**Notes to the special purpose financial statements (continued)**

**6. Advances**

As of 31 December 2015, NALAS has disbursed total funds of EUR 51,974 as advances to members and has received advances in the amount of EUR 449 from third parties.

The advances given to members are disbursed upon Grant Agreements for ORF Projects, signed between NALAS and members.

**7. Currency exchange loss/gain**

The amount of EUR 96 represents foreign exchange gain resulting from the use of the average exchange rate for the year 2015 published by the National Bank of the Republic of Macedonia (the reporting rate) and the actual exchange rates on the date of the bank transfers (transaction date).

**8. VAT Recoverable**

Due to the Government Instruction for Implementation of the Exemption of VAT from 29 December 2009, effective from 1 January 2010, NALAS disburse payments without VAT.



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