

Special purpose financial statements and Independent  
Auditor's Report

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

31 December 2017

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## **GENERAL INFORMATION**

### **Management**

Kelmend Zajazi  
Executive Director

### **Registered office**

Varshavska 36A,  
1000 Skopje  
Macedonia

### **Bankers**

Prokredit Bank AD Skopje,  
Manapo no.7  
1000 Skopje  
Macedonia

Societe Generale  
Strasbourg  
France

### **Auditors**

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

## Independent Auditor's Report

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

T +389 2 3214 700  
F +389 2 3214 710  
[www.grant-thornton.com.mk](http://www.grant-thornton.com.mk)

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 2017 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.

### *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, 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 Auditing Standards accepted in Republic of Macedonia<sup>1</sup>. 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.

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<sup>1</sup>International Standards on Auditing (“ISA”) issued by the International Auditing and Assurance Standards Board (“IAASB”), effective from 15 December 2009, translated and published in the “Official Gazette” of the Republic of Macedonia no. 79 from 2010.

In making those risk assessments, the auditor considers internal control relevant to the Association'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 Association'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 statements presents fairly in all material respects the financial position of NALAS as of 31 December 2017 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.

*Basis of accounting*

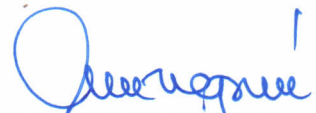
Without modifying our opinion, we draw attention to Note 3 to the special purpose financial statements, which describe the basis of accounting. The special purpose financial statements are prepared to state the financial position and results of NALAS as per NALAS's requirements. As a result, the financial statements may not be suitable for another purpose.

Grant Thornton DOO, Skopje

Skopje,  
13 March 2018



Suzana Stavrik  
Director



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 2017

(Expressed in EUR)

	Note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
<b>SOURCES OF FUNDS</b>											
Balance at beginning of year as stated		102,002	(20,250)	(22,720)	(4,086)	(8,773)	48,103	-	209,242	303,518	392,663
Currency exchange gains from translating the beginning balance using average exchange rate		33	-	-	-	-	-	-	(33)	-	-
Balance at beginning of year corrected		102,035	(20,250)	(22,720)	(4,086)	(8,773)	48,103	-	209,209	303,518	392,663
Membership fee		-	-	-	-	-	-	-	35,500	35,500	42,500
Other own revenues/contributions		-	-	-	-	-	-	-	1,080	1,080	1,235
Grants from SDC	4	162,417	-	-	-	-	-	-	-	162,417	243,546
Grants form SDC-Revolving Fund	5	-	-	-	-	-	-	450,450	-	450,450	-
Grants from GIZ	6	-	49,639	-	-	-	-	-	-	49,639	98,638
ORF (Local Leaders)		-	-	49,206	-	-	-	-	-	49,206	158,644
ORF (Asset Management)		-	-	-	-	-	-	-	-	-	112,970
ORF (Solid Waste Data Collection)		-	-	-	-	-	-	-	-	-	50,035
ORF (Solid Waste Management in cross-border rural and coastal areas of SEE)		-	-	-	-	-	-	-	-	-	75,802
ORF (Market Study and Business Plan of AMIP)		-	-	28,442	-	-	-	-	-	28,442	-
ORF (RCDN)		-	-	26,702	-	-	-	-	-	26,702	-
ORF (SoRi)		-	-	34,351	-	-	-	-	-	34,351	-
Attract SEE		-	-	-	-	11,561	-	-	-	11,561	-
UN Women		-	-	-	-	-	15,845	-	-	15,845	11,028
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	56,355	-	-	-	-	56,355	112,710

The accompanying notes from 1 to 10 form an integral part of the NALAS special purpose financial statements

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

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

For the year 31 December 2017

(Expressed in EUR)

	Note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
<b>SOURCES OF FUNDS</b>											
EmBuild		-	-	-	-	-	-	-	-	-	40,462
RCC		-	-	-	-	-	-	-	-	-	35,340
USAID		-	-	-	-	-	-	-	-	-	11,920
CEI-MIGRALONA		-	-	-	-	-	26,910	-	-	26,910	-
<b>TOTAL SOURCES OF FUNDS</b>		<b>264,452</b>	<b>29,389</b>	<b>115,981</b>	<b>52,269</b>	<b>2,788</b>	<b>90,858</b>	<b>450,450</b>	<b>245,789</b>	<b>1,251,976</b>	<b>1,387,493</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 2017

(Expressed in EUR)

STRUCTURAL EXPENSES	Note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
Personnel		114,157	18,350	-	-	-	-	-	-	132,507	106,323
Office expenditures		29,393	2,822	-	-	-	-	6	298	32,519	28,867
Statutory meetings		20,469	-	-	-	-	-	-	462	20,931	8,694
External relations		6,520	-	-	-	-	-	-	-	6,520	8,082
<b>Total structural expenses</b>		<b>170,539</b>	<b>21,172</b>	-	-	-	-	<b>6</b>	<b>760</b>	<b>192,477</b>	<b>151,966</b>
<b>TASK FORCES AND KNOWLEDGE CENTER</b>											
Task Force on Fiscal Decentralisation		4,342	-	-	-	-	-	-	-	4,342	7,317
Task Force on Urban Planning		2,467	-	-	-	-	-	-	-	2,467	9,503
Task Force on Association Development		20,683	3,290	-	-	-	-	-	32	24,005	12,226
Task Force on Solid Waste Management		5,337	-	-	-	-	-	-	530	5,867	6,264
Task Force on Energy Efficiency		1,249	-	-	-	-	-	-	-	1,249	5,221
Task Force on Sustainable Tourism		3,862	-	-	-	-	-	-	-	3,862	2,967
Knowledge Center		105,030	4,927	-	-	-	-	-	-	109,957	70,132
<b>Total task forces and knowledge center</b>		<b>142,970</b>	<b>8,217</b>	-	-	-	-	-	<b>562</b>	<b>151,749</b>	<b>113,630</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 2017

(Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
ORF (Local Leaders)		-	-	26,486	-	-	-	-	-	26,486	260,302
ORF (Asset Management)		-	-	-	-	-	-	-	-	-	213,331
ORF (Solid Waste Data Collection)		-	-	-	-	-	-	-	-	-	62,809
ORF (Solid Waste Management in cross-border rural and coastal areas of SEE)		-	-	-	-	-	-	-	-	-	99,037
ORF (Market Study and Business Plan of AMIP)		-	-	28,442	-	-	-	-	31	28,473	-
ORF (RCDN)		-	-	26,702	-	-	-	-	-	26,702	-
ORF (SoRi)		-	-	-	-	-	-	-	-	-	-
Attract SEE		-	-	-	-	-	-	-	-	-	-
UN Women		-	-	-	-	-	12,712	-	-	12,712	12,083
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	26,013	-	-	-	-	26,013	127,742
EmBuild		-	-	-	-	-	26,322	-	-	26,322	1,630
RCC		-	-	-	-	-	4,446	-	491	4,937	28,046
USAID		-	-	-	-	-	-	-	-	-	12,465
CEI-MIGRALONA		-	-	-	-	-	10,493	-	-	10,493	-
Audit fees		6,081	-	-	-	-	-	-	-	6,081	3,783
<b>TOTAL EXPENDITURES</b>		<b>319,590</b>	<b>29,389</b>	<b>81,630</b>	<b>26,013</b>	<b>-</b>	<b>53,973</b>	<b>6</b>	<b>1,844</b>	<b>512,445</b>	<b>1,086,824</b>

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

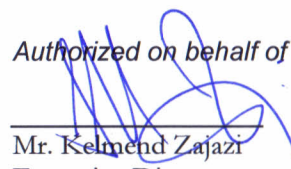
## STATEMENT OF SOURCES AND USES OF FUNDS (continued) For the year 31 December 2017 (Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
Bank interest	9	1,306	-	-	-	-	-	-	1,144	2,450	2,312
Currency exchange gains/loss	8	-	-	-	-	-	-	(23,099)	(172)	(23,271)	537
Transfer for reserve funds and others		-	-	-	-	(2,788)	-	-	2,788	-	-
Savings returned grant funds to RCC		-	-	-	-	-	(5,653)	-	-	(5,653)	-
<b>Surplus / (deficit) of funds over expenditures</b>		<b>(53,832)</b>	<b>0</b>	<b>34,351</b>	<b>26,256</b>	<b>-</b>	<b>31,232</b>	<b>427,345</b>	<b>247,705</b>	<b>713,057</b>	<b>303,518</b>
Advances (given) / received	7	-	-	-	(4,195)	-	-	-	2,139	(2,056)	3,979
<b>Cash available / (deficit) at end of year</b>		<b>(53,832)</b>	<b>0</b>	<b>34,351</b>	<b>30,451</b>	<b>-</b>	<b>31,232</b>	<b>427,345</b>	<b>245,566</b>	<b>715,113</b>	<b>307,497</b>

### Cash available at end of year consist of:

Bank accounts	285,261	306,212
Bank account Revolving Fund	427,345	-
Petty cash	2,507	1,285
<b>Total cash available at end of year</b>	<b>715,113</b>	<b>307,497</b>

Authorized on behalf of

  
Mr. Kelmend Zajazi  
Executive Director

Date: 09.03.2018



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

### STATEMENT OF EXPENDITURE DETAILS

For the year ended 31 December 2017

(Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
<b>STRUCTURAL EXPENSES</b>											
<b>1. Personnel</b>											
Personnel expenses		114,157	18,350	-	-	-	-	-	-	132,507	106,323
<b>Total personnel expenses</b>		<b>114,157</b>	<b>18,350</b>	-	-	-	-	-	-	<b>132,507</b>	<b>106,323</b>
<b>2. Office expenditures</b>											
Operational expenses		29,393	2,822	-	-	-	-	6	298	32,519	28,867
<b>Total office expenditures</b>		<b>29,393</b>	<b>2,822</b>	-	-	-	-	<b>6</b>	<b>298</b>	<b>32,519</b>	<b>28,867</b>
<b>3. Statutory meetings</b>											
General assembly		8,154	-	-	-	-	-	-	462	8,616	894
CLO meetings		12,315	-	-	-	-	-	-	-	12,315	7,800
Executive Bureau Meeting		-	-	-	-	-	-	-	-	-	-
<b>Total expenses for statutory meetings</b>		<b>20,469</b>	-	-	-	-	-	-	<b>462</b>	<b>20,931</b>	<b>8,694</b>
<b>4. External relations</b>											
External relations		6,520	-	-	-	-	-	-	-	6,520	8,082
<b>Total external relations</b>		<b>6,520</b>	-	-	-	-	-	-	-	<b>6,520</b>	<b>8,082</b>
<b>Total structural expenses</b>		<b>170,539</b>	<b>21,172</b>	-	-	-	-	<b>6</b>	<b>760</b>	<b>192,477</b>	<b>151,966</b>

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

### STATEMENT OF EXPENDITURE DETAILS (continued)

For the year ended 31 December 2017

(Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
<b>TASK FORCES AND KNOWLEDGE CENTER</b>											
<b>1.Task Force on Fiscal Decentralisation</b>											
Ordinary meetings		4,342	-	-	-	-	-	-	-	4,342	5,576
Summer School/Final conference		-	-	-	-	-	-	-	-	-	-
Experts and consultants		-	-	-	-	-	-	-	-	-	-
Outputs		-	-	-	-	-	-	-	-	-	1,741
<b>Total task force on fiscal decentralisation</b>		<b>4,342</b>	-	-	-	-	-	-	-	<b>4,342</b>	<b>7,317</b>
<b>2.Task Force on Urban Planning</b>											
Ordinary meetings		2,467	-	-	-	-	-	-	-	2,467	9,503
Final conference		-	-	-	-	-	-	-	-	-	-
Experts and consultants		-	-	-	-	-	-	-	-	-	-
Outputs		-	-	-	-	-	-	-	-	-	-
<b>Total task force on urban planning</b>		<b>2,467</b>	-	-	-	-	-	-	-	<b>2,467</b>	<b>9,503</b>
<b>3. Task Force on Association Development</b>											
Ordinary meetings		6,047	3,290	-	-	-	-	-	32	9,369	4,655
Quick response		1,384	-	-	-	-	-	-	-	1,384	1,178
Shadowing/Internship		682	-	-	-	-	-	-	-	682	907
Meetings of MA's staff		-	-	-	-	-	-	-	-	-	-
Meetings of presidents of LGAs		-	-	-	-	-	-	-	-	-	-
Other initiatives		-	-	-	-	-	-	-	-	-	-
SEE 2020		720	-	-	-	-	-	-	-	720	686
EU		3,630	-	-	-	-	-	-	-	3,630	4,800
Preparatory Activities for Strategic Plan 2018-2022		8,220	-	-	-	-	-	-	-	8,220	-
<b>Total task force on association development</b>		<b>20,683</b>	<b>3,290</b>	-	-	-	-	-	<b>32</b>	<b>24,005</b>	<b>12,226</b>

The accompanying notes from 1 to 10 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 2017

(Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
<b>4. Task Force on Solid Waste Management</b>											
Ordinary meetings		5,337	-	-	-	-	-	-	530	5,867	5,280
Final conference		-	-	-	-	-	-	-	-	-	-
Experts and consultants		-	-	-	-	-	-	-	-	-	984
Outputs		-	-	-	-	-	-	-	-	-	-
<b>Total task force on solid waste management</b>		<b>5,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>530</b>	<b>5,867</b>	<b>6,264</b>
<b>5. Task Force on Energy Efficiency</b>											
Ordinary meetings		1,249	-	-	-	-	-	-	-	1,249	5,221
Final conference		-	-	-	-	-	-	-	-	-	-
Experts and consultants		-	-	-	-	-	-	-	-	-	-
Outputs		-	-	-	-	-	-	-	-	-	-
<b>Total task force on energy efficiency</b>		<b>1,249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,249</b>	<b>5,221</b>
<b>6. Task Force on Sustainable Tourism</b>											
Ordinary meetings		3,862	-	-	-	-	-	-	-	3,862	2,967
Final conference		-	-	-	-	-	-	-	-	-	-
Experts and consultants		-	-	-	-	-	-	-	-	-	-
Outputs		-	-	-	-	-	-	-	-	-	-
<b>Total task force on sustainable tourism</b>		<b>3,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,862</b>	<b>2,967</b>

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

### STATEMENT OF EXPENDITURE DETAILS (continued) For the year ended 31 December 2017 (Expressed in EUR)

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
<b>7. Knowledge Center</b>											
Establish NALAS e-Academy		4,223	-	-	-	-	-	-	-	4,223	832
Expert and content resource		-	-	-	-	-	-	-	-	-	-
Running KNC		6,106	352	-	-	-	-	-	-	6,458	4,825
National knowledge management		94,701	4,575	-	-	-	-	-	-	99,276	64,475
<b>Total knowledge Center</b>		<b>105,030</b>	<b>4,927</b>	-	-	-	-	-	-	<b>109,957</b>	<b>70,132</b>
<b>Total task forces and knowledge Center</b>		<b>142,970</b>	<b>8,217</b>	-	-	-	-	-	<b>562</b>	<b>151,749</b>	<b>113,630</b>
ORF (Local Leaders)		-	-	26,486	-	-	-	-	-	26,486	260,302
ORF (Asset Management)		-	-	-	-	-	-	-	-	-	213,331
ORF (Solid Waste Data Collection)		-	-	-	-	-	-	-	-	-	62,809
ORF (Solid Waste Management in cross-border rural and coastal areas of SEE)		-	-	-	-	-	-	-	-	-	99,037
ORF (Market Study and Business Plan of AMIP)		-	-	28,442	-	-	-	-	31	28,473	-
ORF (RCDN)		-	-	26,702	-	-	-	-	-	26,702	-
ORF (SoRi)		-	-	-	-	-	-	-	-	-	-
Attract SEE		-	-	-	-	-	-	-	-	-	-
UN Women		-	-	-	-	-	12,712	-	-	12,712	12,083
WBI (WB Austria Urb. Partnership Progr. II)		-	-	-	26,013	-	-	-	-	26,013	127,742
EmBuild		-	-	-	-	-	26,322	-	-	26,322	1,630
RCC		-	-	-	-	-	4,446	-	491	4,937	28,046

The accompanying notes from 1 to 10 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 2017**  
**(Expressed in EUR)**

	note	SDC grant	GIZ grant	ORF	WB	Attract SEE	Other projects	Revolving Fund	Membership fees and other own sources	Total 2017	Total 2016
USAID		-	-	-	-	-	-	-	-	-	12,465
CEI-MIGRALONA		-	-	-	-	-	10,493	-	-	10,493	-
Audit fees		6,081	-	-	-	-	-	-	-	6,081	3,783
<b>TOTAL EXPENDITURES</b>		<b>319,590</b>	<b>29,389</b>	<b>81,630</b>	<b>26,013</b>	<b>-</b>	<b>53,973</b>	<b>6</b>	<b>1,844</b>	<b>512,445</b>	<b>1,086,824</b>



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

## SUMMARY OF FUNDS AND EXPENDITURES, 31 December 2017 (Expressed in EUR)

	note	31 December 2017	31 December 2016
<b>ASSETS</b>			
<b>1. Expenditures</b>			
SDC grant		319,590	136,091
Revolving Fund-SDC		23,105 <sup>2</sup>	-
GIZ grant		29,389	131,270
Membership fee and other own sources		2,016 <sup>3</sup>	5,368
Other projects		53,973	50,874
ATTRACT SEE		-	-
LL SEE (ORF)		26,486	260,302
Asset management (ORF)		-	213,331
Solid Waste Data Collection (ORF)		-	62,809
Solid Waste Management in cross-border rural and coastal areas of SEE (ORF)		-	99,037
Market Study and Business Plan of AMIP (ORF)		28,442	-
RCDN (ORF)		26,702	-
WB		26,013	127,742
<b>Total expenditures</b>		<b>535,716</b>	<b>1,086,824</b>
<b>2. Advances</b>			
Advances given	7	2,139	1,532
<b>Total Advances</b>		<b>2,139</b>	<b>1,532</b>
<b>3. Cash and bank balances</b>			
Cash and bank balances		715,113	307,497
<b>Total cash and bank balances</b>		<b>715,113</b>	<b>307,497</b>
<b>TOTAL ASSETS</b>		<b>1,252,968</b>	<b>1,395,853</b>
<b>LIABILITIES</b>			
<b>1. Funds</b>			
SDC grant	4	265,758 <sup>4</sup>	238,093
Revolving Fund-SDC		450,450	-
GIZ grant	6	29,389	111,020
Membership fee and other own sources		249,721 <sup>5</sup>	214,610
Other projects		85,205 <sup>6</sup>	98,977

2 The amount of EUR 23,105 includes the expenditure for bank fee of EUR 6 increased by negative foreign exchange rate of EUR 23,099

3 The amount of EUR 2016 includes the expenditures of EUR 1,844 increased by negative foreign exchange rate of EUR 172

4 The amount of EUR 265,758 includes SDC sources of funds of EUR 264,452, increased by positive bank interest of EUR 1,306

5 The amount of EUR 249,721 includes EUR 245,789 increased by bank interest of EUR 1,144 and transfer of the balance from Attract SEE in amount of EUR 2,788 .

6 The amount of EUR 85,205 includes sources of fund of EUR 90,858 decreased by savings/returned grant funds to RCC in amount of EUR 5,653

*The accompanying notes from 1 to 10 form an integral part of the  
NALAS special purpose financial statements*

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

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### SUMMARY OF FUNDS AND EXPENDITURES, 31 December 2017 (continued) (Expressed in EUR)

	note	31 December 2017	31 December 2016
ATTRACT SEE		-	(8,773)
LL SEE (ORF)		26,486	237,582
Asset Management (ORF)		-	213,331
Solid Waste Data Collection (ORF)		-	62,809
Solid Waste Management in cross-border rural and coastal areas of SEE (ORF)		-	99,037
Market Study and Business Plan of AMIP (ORF)		28,442	-
RCDN (ORF)		26,702	-
SoRi (ORF)		34,351	-
WB		52,269	123,656
<b>Total funds</b>		<b>1,248,773</b>	<b>1,390,342</b>
<b>2. Advances</b>			
Advances received		4,195	5,511
<b>Total Advances</b>		<b>4,195</b>	<b>5,511</b>
<b>TOTAL LIABILITIES</b>		<b>1,252,968</b>	<b>1,395,853</b>

## **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 2017**

#### **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 Special purpose financial statements have 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 2017 to 31 December 2017.

#### **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 i.e. CHF are translated into Euros using the average exchange rate for the year 2017, 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.

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2017**

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

The exchange rates used are as follows:

	31 December 2017	31 December 2016
1 EUR	61.49 Denars	61.48 Denars
1 CHF	52.55 Denars	-
Average EUR	61.57 Denars	61.59 Denars
Average CHF	55.46 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 with the objective to support the decentralization reforms. At the beginning, the contributions were channeled through the Congress of Local and Regional Authorities of the Council of Europe and facilitated the initial networking exchange among Local Government Associations in the post-Yugoslav wars context. 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, 2015, 2016 and 2017, 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 2017 to 31 December 2017 amounted to MKD 10,000,000 i.e. EUR 162,417 (1 January 2016 to 31 December 2016 amounted to MKD 15,000,000 i.e. EUR 243,546).

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)	<b>1 January – 31 December 2017</b>	<b>1 January- 31 December 2016</b>
<b>PROJECT FUNDS</b>	<b>162,417</b>	<b>243,546</b>
<b>PROJECT EXPENDITURES</b>		
<b>STRUCTURAL EXPENSES</b>		
<b>1. Personnel</b>		
Personnel expenses	114,157	55,087
<b>Total personnel expenses</b>	<b>114,157</b>	<b>55,087</b>
<b>2. Office expenditures</b>		
Operational expenses	29,393	12,803
<b>Total office expenditures</b>	<b>29,393</b>	<b>12,803</b>

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2017**

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

(all amounts in EUR)	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
<b>3. Statutory meetings</b>		
General assembly	8,154	894
CLO meetings	12,315	3,055
Executive bureau meetings	-	-
<b>Total expenses for statutory meetings</b>	<b>20,469</b>	<b>3,949</b>
<b>4. External relations</b>		
External relations	6,520	6,894
<b>Total external relations</b>	<b>6,520</b>	<b>6,894</b>
<b>Total structural expenses</b>	<b>170,539</b>	<b>78,733</b>
<b>1. Task Force on Fiscal Decentralisation</b>		
Ordinary meetings	4,342	1,337
Summer School/Final conference	-	-
Experts and consultants	-	-
Outputs	-	1,619
<b>Total task force on fiscal decentralisation</b>	<b>4,342</b>	<b>2,956</b>
<b>2. Task Force on Urban Planning</b>		
Ordinary meetings	2,467	1,361
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on urban planning</b>	<b>2,467</b>	<b>1,361</b>
<b>3. Task Force on Association Development</b>		
Ordinary meetings	6,047	3,999
Quick response	1,384	660
Shadowing/Internship	682	907
Meetings of MA's staff	-	-
Meetings of presidents of LGAs	-	-
Other initiatives	-	-
SEE 2020	720	686
EU	3,630	3,003
Preparatory activities for Strategic Plan 2018-2022	8,220	-
<b>Total task force on association development</b>	<b>20,683</b>	<b>9,255</b>

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2017**

**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 2017	1 January – 31 December 2016
<b>4. Task Force on Solid Waste Management</b>		
Ordinary meetings	5,337	5,280
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on solid waste management</b>	<b>5,337</b>	<b>5,280</b>
<b>5. Task Force on Energy Efficiency</b>		
Ordinary meetings	1,249	5,083
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on energy efficiency</b>	<b>1,249</b>	<b>5,083</b>
<b>6. Task Force on Sustainable Tourism</b>		
Ordinary meetings	3,862	2,773
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on sustainable tourism</b>	<b>3,862</b>	<b>2,773</b>
<b>7. Knowledge Center</b>		
Establish NALAS e-Academy	4,223	832
Expert and content resource	-	-
Running KNC	6,106	2,011
National knowledge management	94,701	24,024
<b>Total knowledge center</b>	<b>105,030</b>	<b>26,867</b>
<b>Total task forces and knowledge center</b>	<b>142,970</b>	<b>53,575</b>
Audit fees	6,081	3,783
<b>TOTAL EXPENDITURES</b>	<b>319,590</b>	<b>136,091</b>
Bank interest	1,306	1,278

Note: According to 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, three invoices related to the office expenditures for December 2017, in total amount of EUR 589 were paid in 2018.

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

**5. Contribution Contract for Revolving Fund**

During 2017, NALAS signed the Contribution Contract for Revolving Fund (Contribution Contract number 81018281) with The Swiss Confederation, represented by Swiss Federal Department of Foreign Affairs acting through the Swiss Agency for Development and Cooperation (SDC), Embassy of Switzerland in Macedonia, for the period from 01 October 2017 to 31 December 2022, in total amount of CHF 1,000,000. According to the Contribution Contract for Revolving Fund, the Revolving Fund has established with the main purpose of ensuring financial sustainability and liquidity when it comes to pre-financing and co-financing of the Projects.

The contribution received for this Contract, for the period 1 October 2017 to 31 December 2017, is amounted to CHF 500,000 i.e. EUR 450,450. Only the expenditure for bank fee for the first transfer in amount of CHF 6.5 i.e. EUR 6, occurred in the year 2017.



**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2017**

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

**6. GIZ Contribution**

During 2015, 2016 and 2017, 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 2017, in total of EUR 498,438.36. The contribution received for the period 1 January 2017 to 31 December 2017 amounted to EUR 49,639 (1 January 2016 to 31 December 2016 amounted to EUR 98,638).

(all amounts in EUR)	<u>1 January – 31 December 2017</u>	<u>1 January – 31 December 2016</u>
<b>PROJECT FUNDS</b>	<b>49,639*</b>	<b>98,638</b>
<b>PROJECT EXPENDITURES</b>		
<b>STRUCTURAL EXPENSES</b>		
<b>1. Personnel</b>		
Personnel expenses	18,350	50,512
<b>Total personnel expenses</b>	<b>18,350</b>	<b>50,512</b>
<b>2. Office expenditures</b>		
Operational expenses	2,822	15,209
<b>Total office expenditures</b>	<b>2,822</b>	<b>15,209</b>
<b>3. Statutory meetings</b>		
General assembly	-	-
CLO meetings	-	4,745
Executive bureau meetings	-	-
<b>Total expenses for statutory meetings</b>	<b>-</b>	<b>4,745</b>
<b>4. External relations</b>		
External relations	-	1,188
<b>Total external relations</b>	<b>-</b>	<b>1,188</b>
<b>Total structural expenses</b>	<b>21,172</b>	<b>71,654</b>

\* The funds of EUR 20,250 are received on 29.05.2017 and the funds of EUR 29,389 are received on 09.11.2017

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2017**

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

**GIZ Contribution (continued)**

(all amounts in EUR)	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
<b>TASK FORCES AND KNOWLEDGE CENTER</b>		
<b>1. Task Force on Fiscal Decentralisation</b>		
Ordinary meetings	-	4,239
Summer School/Final conference	-	-
Experts and consultants	-	-
Outputs	-	122
<b>Total task force on fiscal decentralisation</b>	<b>-</b>	<b>4,361</b>
<b>2. Task Force on Urban Planning</b>		
Ordinary meetings	-	8,142
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on urban planning</b>	<b>-</b>	<b>8,142</b>
<b>3. Task Force on Association Development</b>		
Ordinary meetings	3,290	217
Quick response	-	518
Shadowing/Internship	-	-
Meetings of MA's staff	-	-
Meetings of presidents of LGAs	-	-
Other initiatives	-	-
SEE 2020	-	-
EU	-	1,797
Preparatory activities for Strategic Plan 2018-2022	-	-
<b>Total task force on association development</b>	<b>3,290</b>	<b>2,532</b>
<b>4. Task Force on Solid Waste Management</b>		
Ordinary meetings	-	-
Final conference	-	-
Experts and consultants	-	984
Outputs	-	-
<b>Total task force on solid waste management</b>	<b>-</b>	<b>984</b>
<b>5. Task Force on Energy Efficiency</b>		
Ordinary meetings	-	138
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
<b>Total task force on energy efficiency</b>	<b>-</b>	<b>138</b>

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2017**

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

**GIZ Contribution (continued)**

(all amounts in EUR)	<u>1 January – 31 December 2017</u>	<u>1 January – 31 December 2016</u>
<b>6. Task Force on Sustainable Tourism</b>		
Ordinary meetings	-	194
Final conference	-	-
Experts and consultants	-	-
Outputs	-	-
	<hr/>	<hr/>
<b>Total task force on sustainable tourism</b>	<b>-</b>	<b>194</b>
	<hr/>	<hr/>
<b>7. Knowledge Center</b>		
Establish NALAS e-Academy	-	-
Expert and content resource	-	-
Running KNC	352	2,814
National knowledge management	4,575	40,451
	<hr/>	<hr/>
<b>Total knowledge center</b>	<b>4,927</b>	<b>43,265</b>
	<hr/>	<hr/>
<b>Total task forces and knowledge center</b>	<b>8,217</b>	<b>59,616</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>TOTAL EXPENDITURES</b>	<b>29,389</b>	<b>131,270</b>

**Network of Associations of Local Authorities of South East Europe (NALAS)**  
**For the year ended 31 December 2017**

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

**7. Advances**

As of 31 December 2017, NALAS has disbursed total funds of EUR 2,139 (2016: EUR 1,532) as advances to members and third parties and has received advances in the amount of EUR 4,195 (2016: EUR 5,511) from members and third parties.

The advances given to and received from members are in connection with Grant Agreements signed between NALAS and members.

**8. Currency exchange loss/gain**

The amount of EUR 172 represents foreign exchange losses resulting from the use of the average exchange rate for the year 2017 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). In 2016, the amount of EUR 537 was presented as foreign exchange gain.

The amount of EUR 23,099 represents foreign exchange losses resulting from the use of the average exchange rate for the year 2017 published by the National Bank of the Republic of Macedonia (the reporting rate) for the cash transactions and the actual exchange rate on 31 December 2017 for the year end cash balance.

**9. Bank Interest**

NALAS operates with one bank account in Societe Generale Bank in Strasbourg, and several non-residential bank accounts in Procredit Bank Macedonia. During the year 2017, only two NALAS bank accounts received bank interests: the non-residential bank account in currency MKD, where the contributions from SDC for the Project Local Democracy and Regional Integration in South – Eastern Europe – Support to NALAS were received as well as the NALAS main bank account in currency EUR.

**10. 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. According to the Macedonian legislation, project financed by foreign donators and IPA funds are examined from VAT and have no obligation to calculate and express VAT.



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