

(Мрежа на националните асоцијации на локалните  
власти во Југоисточна Европа)

Подружница-непрофитна странска организација

НАЛАС  
Бр. 14-26  
23.04 2010 год.  
СКОПЈЕ

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

Financial Statements for the year ended  
31 December 2009

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## **GENERAL INFORMATION**

### **Management**

Kelmend Zajazi  
Executive Director

### **Registered office**

Zenevska bb,  
1000 Skopje

### **Bankers**

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

### **Auditors**

Ernst & Young Certified Auditors Ltd.  
Marshall Tito 19  
1000 Skopje

## INDEPENDENT AUDITORS' REPORT

### To the Management of the Network of Associations of Local Authorities of South East Europe

We have audited the accompanying Statement of Sources and Uses of Funds and Statement of Expenditure Details (hereinafter: "the Statement") for the year ended 31 December 2009 of the Network of Associations of Local Authorities of South East Europe Projects: Local Democracy and Regional Integration in South East Europe & Open Regional Fund "Municipal Services" ("NALAS").

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the Statements of Sources and Uses of Funds and the Statement of Expenditure Details in accordance with cash receipts and disbursements basis. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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*

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the 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 entities 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 Statements.

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

#### *Opinion*

In our opinion, the Statement of Sources and Uses of Funds and the Statement of Expenditure Detail, present fairly the cash receipts and payments of NALAS for the year ended 31 December 2009 in accordance with the cash receipts and disbursements basis.

  
Ernst & Young Certified Auditors Ltd  
19 April 2010, Skopje



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

## STATEMENT OF SOURCES AND USES OF FUNDS

For the year 31 December 2009

(Expressed in EUR)

	Note	SDC project	GTZ project	OSI/LGI	Membership fees and other funding	Total
<b>SOURCES OF FUNDS</b>						
Balance on beginning of year		6.088	3.238	-	6.428	15.754
Currency exchange losses from prior year		(666)	-	-	-	(666)
Balance on beginning of year, net		5.422	3.238	-	6.428	15.088
Membership fee		-	-	-	6.449	6.449
Grants from SDC		240.684	-	-	-	240.684
Grants from GTZ		-	246.722	-	-	246.722
Grant from OSI/LGI		-	-	12.973	-	12.973
Grant from SOS	10	-	-	-	11.000	11.000
<b>TOTAL SOURCES OF FUNDS</b>		<b>246.106</b>	<b>249.960</b>	<b>12.973</b>	<b>23.877</b>	<b>532.916</b>
<b>STRUCTURAL EXPENSES</b>						
Salaries		62.342	49.622	-	-	111.964
Office expenditures		12.595	26.439	127	136	39.297
Statutory meetings		23.592	58.966	-	573	83.131
External relations		8.177	4.974	-	-	13.151
<b>Total structural expenses</b>		<b>106.706</b>	<b>140.001</b>	<b>127</b>	<b>709</b>	<b>247.543</b>
<b>TASK FORCES AND KNOWLEDGE CENTER</b>						
Task Force on fiscal decentralization		9.731	15.218	8.653	-	33.602
Task Force on urban planning	10	12.560	12.704	-	10.232	35.496
Task Force on association development		60.222	35.433	-	-	95.655
Task Force on Solid Waste Management		13.414	16.253	-	-	29.667
Task Force on Energy Efficiency		5.676	12.366	-	-	18.042
Knowledge Center		14.252	14.790	-	-	29.042
<b>Total task forces and knowledge center</b>		<b>115.855</b>	<b>106.764</b>	<b>8.653</b>	<b>10.232</b>	<b>241.504</b>
Audit fees for 2008		4.744	-	-	-	4.744
<b>TOTAL EXPENDITURES</b>		<b>227.305</b>	<b>246.765</b>	<b>8.780</b>	<b>10.941</b>	<b>493.791</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 2009 (Expressed in EUR)

	Note	SDC project	GTZ project	OSI/LGI	Membership fees and other funding	Total
<b>Surplus of funds over expenditures</b>						<b>39.125</b>
VAT Tax return	8					1.265
Advances given	6					(5.413)
Savings returned grant funds to SDC	9					(678)
Savings returned grant funds to GTZ	9					(8.468)
Savings returned grant funds to SOS	10					(768)
Bank charges for bank account in Strasbourg						(93)
Currency exchange gain	7					3
<b>Cash available from the surplus of funds over expenditures</b>						<b>24.973</b>
<b>Cash available from the surplus of funds over expenditures is represented by:</b>						
Bank account	5					17.334
Petty cash account	5					7.639
<b>Total cash available</b>						<b>24.973</b>

Authorized on behalf of  
  
Executive Director



Date: 19. APRIL 2010

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

STATEMENT OF EXPENDITURE DETAILS  
For the year ended 31 December 2009  
(Expressed in EUR)

PROJECT EXPENDITURES	SDC project	GTZ project	OSI/LGI	Membership fees and other funding	Total
<b>STRUCTURALE EXPENSES</b>					
<b>1. Personnel</b>					
Executive Director	28.589	-	-	-	28.589
IT/knowledge center manager	22.466	-	-	-	22.466
Program officer 1	738	23.730	-	-	24.468
Program officer 2	343	15.784	-	-	16.127
Administration officer	9.498	-	-	-	9.498
Financial officer	708	10.108	-	-	10.816
<b>Total personnel expenses</b>	<b>62.342</b>	<b>49.622</b>	<b>-</b>	<b>-</b>	<b>111.964</b>
<b>2. Office expenditures</b>					
Operational expenses	12.595	26.439	127	136	39.297
<b>Total office expenditures</b>	<b>12.595</b>	<b>26.439</b>	<b>127</b>	<b>136</b>	<b>39.297</b>
<b>3. Statutory meetings</b>					
General Assembly	19.766	36.279	-	573	56.618
CLO Meetings	1.889	16.803	-	-	18.692
Executive Bureau meetings	1.937	5.884	-	-	7.821
<b>Total expenses for statutory meetings</b>	<b>23.592</b>	<b>58.966</b>	<b>-</b>	<b>573</b>	<b>83.131</b>
<b>4. External relations</b>					
External relations	8.177	4.974	-	-	13.151
<b>Total external relations</b>	<b>8.177</b>	<b>4.974</b>	<b>-</b>	<b>-</b>	<b>13.151</b>
<b>Total Structural expenses</b>	<b>106.706</b>	<b>140.001</b>	<b>127</b>	<b>709</b>	<b>247.543</b>

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

## STATEMENT OF EXPENDITURE DETAILS (Continued) For the period from 1 January 2009 to 31 December 2009 (Expressed in EUR)

PROJECT EXPENDITURES		SDC project	GTZ project	OSI/LGI	Membership fees and other funding	Total
<b>TASK FORCES AND KNOWLEDGE CENTER</b>						
<b>Task force on fiscal decentralization</b>						
1. decentralization						
Ordinary meetings	86	14.828	8.653	-	-	23.567
Final Conference	8.076	-	-	-	-	8.076
Experts and consultants	1.569	390	-	-	-	1.959
Outputs	-	-	-	-	-	-
<b>Total task force on fiscal decentralization</b>	<b>9.731</b>	<b>15.218</b>	<b>8.653</b>	-	-	<b>33.602</b>
<b>Task force on urban planning</b>						
2. Task force on urban planning						
Ordinary meetings	12.560	12.704	-	-	-	25.264
Final Conference	-	-	-	-	-	-
Experts and consultants	-	-	-	-	-	-
Outputs	-	-	-	10.232	-	10.232
<b>Total task fore on urban planning</b>	<b>12.560</b>	<b>12.704</b>	-	<b>10.232</b>	-	<b>35.496</b>
<b>Task force on association development</b>						
3. development						
Ordinary meetings	9.331	12.040	-	-	-	21.371
Quick response	31.933	1.663	-	-	-	33.596
Shadowing/internship	4.751	3.036	-	-	-	7.787
Meetings of MA's staff	8.893	14.156	-	-	-	23.049
Other initiatives	5.314	4.538	-	-	-	9.852
<b>Total force on association development</b>	<b>60.222</b>	<b>35.433</b>	-	-	-	<b>95.655</b>
<b>Task force Solid Waste Management</b>						
4. Management						
Ordinary meetings	13.414	16.253	-	-	-	29.667
Final Conference	-	-	-	-	-	-
Experts and consultants	-	-	-	-	-	-
Outputs	-	-	-	-	-	-
<b>Total force Solid Waste Management</b>	<b>13.414</b>	<b>16.253</b>	-	-	-	<b>29.667</b>
<b>Task force on Energy Efficiency</b>						
5. Efficiency						
Ordinary meetings	5.676	12.366	-	-	-	18.042
Final Conference	-	-	-	-	-	-
Experts and consultants	-	-	-	-	-	-
Outputs	-	-	-	-	-	-
<b>Total force on Energy Efficiency</b>	<b>5.676</b>	<b>12.366</b>	-	-	-	<b>18.042</b>



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

STATEMENT OF EXPENDITURE DETAILS (Continued)  
For the period from 1 January 2009 to 31 December 2009  
(Expressed in EUR)

PROJECT EXPENDITURES	SDC project	GTZ project	OSI/LGI	Membership fees and other funding	Total
<b>6. Knowledge center</b>					
KNC Establishment	-	2.643	-	-	2.643
Expert and content resource	7.606	8.809	-	-	16.415
Running KNC	6.646	3.338	-	-	9.984
<b>Total knowledge center</b>	<b>14.252</b>	<b>14.790</b>	<b>-</b>	<b>-</b>	<b>29.042</b>
<b>Total Task Force and Knowledge center</b>	<b>115.855</b>	<b>106.764</b>	<b>8.653</b>	<b>10.232</b>	<b>241.504</b>
Audit fees for 2008	4.744	-	-	-	4.744
<b>TOTAL EXPENDITURES</b>	<b>227.305</b>	<b>246.765</b>	<b>8.780</b>	<b>10.941</b>	<b>493.791</b>

### 1. General information

NALAS is a network of associations of local authorities of South East Europe created 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. 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.

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.

As of 10 October 2007, NALAS was officially registered as branch office of foreign NGO and operate only through a non-resident account.

### 2. Objectives of NALAS

The overall goal of the association is to support the democratization and decentralization process in South East Europe in accordance with the principles of the European Charter of Local Self-Government.

NALAS should further the process of democratization and decentralization in South-East Europe and should develop partnerships between associations of local authorities in South-East Europe in order to promote stability and security, thereby assisting the process of European integration and European Union enlargement for the benefit of the countries in the region.

NALAS activities are guided by the NALAS Strategic Plan for the period 2009 - 2012. 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.

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

- Strengthening of local governments to provide better services for citizens primarily in the areas of: fiscal autonomy / decentralization, urban development capacity, water and waste management, energy efficiency, EU legislation;
- Strengthening of role of member Local Government Associations (LGAs) in the decentralization process;
- Positioning of NALAS as a viable representative of SEE LGAs and Local Governments (LGs) within the European and broader international scene;
- Institutional and financial consolidation of NALAS in the areas of: networking and knowledge generation, functioning of the NALAS Secretariat, intercommunication between NALAS Secretariat and each LGA, financial sustainability of the NALAS network.

### **3. Basis for preparation of NALAS accounts**

#### **3.1. General**

The accompanying Statement of Sources and Uses of Funds has been prepared for the purposes of reporting to the Swiss Agency for Development and Cooperation ("the Donor") 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.

This Statement includes all project-related expenditures incurred for the period from 1 January 2009 to 31 December 2009.

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

The policy of the Association is to prepare the statement 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 period.

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

The Project statement is prepared in EUR as this is the reporting currency of the Association.

The cash transactions executed during the year denominated in Macedonian Denars are translated into Euros using the average exchange rate for the year 2009 published by the National Bank of the Republic of Macedonia which was 1 EUR = MKD 61,288. The year end cash balance is translated at the official period end exchange rate published by the National Bank of the Republic of Macedonia, which at 31 December 2009 was 1 EUR = MKD 61,1732.

### **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 continue the support beyond. During 2009, SDC concluded two Agreements for granting of contribution as follows:

- Agreement for granting of contribution to the Project Local Democracy and Regional Integration in South – Eastern Europe – Support to NALAS for the period from 1 January 2009 to 30 June 2009 (as extended for the period from 1 July 2009 to 31 July 2009) in total of CHF 184.000;
- Agreement for granting of contribution to the Project Local Democracy and Regional Integration in South – Eastern Europe – Support to NALAS for the period from 1 August 2009 to 31 December 2012 in total of CHF 1.088.500. The first installment of the contribution for the period 1 August 2009 to 31 December 2009 amounted to CHF 188.500.

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

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

	1 January – 31 July 2009	1 August – 31 December 2009	Total
<b>PROJECT FUNDS</b>	116.391	124.293	240.684
<b>PROJECT EXPENDITURES</b>			
<b>STRUCTURALE EXPENSES</b>			
<b>1. Personnel</b>			
Executive Director	14.547	14.042	28.589
IT/knowledge center manager	11.939	10.527	22.466
Program officer	738	-	738
Program officer	-	343	343
Administration officer	4.958	4.540	9.498
Financial officer	708	-	708
<b>Total personnel expenses</b>	<u>32.890</u>	<u>29.452</u>	<u>62.342</u>
<b>2. Office expenditures</b>			
Operational expenses	8.146	4.449	12.595
<b>Total office expenditures</b>	<u>8.146</u>	<u>4.449</u>	<u>12.595</u>
<b>3. Statutory meetings</b>			
General Assembly	4.537	15.229	19.766
CLO Meetings	766	1.123	1.889
Executive Bureau meetings	-	1.937	1.937
<b>Total expenses for statutory meetings</b>	<u>5.303</u>	<u>18.289</u>	<u>23.592</u>
<b>4. External relations</b>			
External relations	5.157	3.020	8.177
<b>Total external relations</b>	<u>5.157</u>	<u>3.020</u>	<u>8.177</u>
<b>Total Structural expenses</b>	<u>51.496</u>	<u>55.210</u>	<u>106.706</u>

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

PROJECT EXPENDITURES TASK FORCES AND KNOWLEDGE CENTER	1 January – 31 July 2009	1 August – 31 December 2009	Total
<b>Task force on fiscal</b>			
<b>1. decentralization</b>			
Ordinary meetings	86	-	86
Final Conference	8.076	-	8.076
Experts and consultants	1.569	-	1.569
Outputs	-	-	-
<b>Total task force on fiscal decentralization</b>	<b>9.731</b>	<b>-</b>	<b>9.731</b>
<b>2. Task force on urban planning</b>			
Ordinary meetings	3.085	9.475	12.560
Final Conference	-	-	-
Experts and consultants	-	-	-
Outputs	-	-	-
<b>Total task fore on urban planning</b>	<b>3.085</b>	<b>9.475</b>	<b>12.560</b>
<b>Task force on association</b>			
<b>3. development</b>			
Ordinary meetings	8.485	846	9.331
Quick response	30.441	1.492	31.933
Shadowing/internship	2.285	2.466	4.751
Meetings of MA's staff	-	8.893	8.893
Other initiatives	1.006	4.308	5.314
<b>Total force on association development</b>	<b>42.217</b>	<b>18.005</b>	<b>60.222</b>
<b>Task force Solid Waste</b>			
<b>4. Management</b>			
Ordinary meetings	5.690	7.724	13.414
Final Conference	-	-	-
Experts and consultants	-	-	-
Outputs	-	-	-
<b>Total force Solid Waste Management</b>	<b>5.690</b>	<b>7.724</b>	<b>13.414</b>
<b>Task force on Energy</b>			
<b>5. Efficiency</b>			
Ordinary meetings	3.711	1.965	5.676
Final Conference	-	-	-
Experts and consultants	-	-	-
Outputs	-	-	-
<b>Total force on Energy Efficiency</b>	<b>3.711</b>	<b>1.965</b>	<b>5.676</b>

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

PROJECT EXPENDITURES	1 January – 31 July 2009	1 August – 31 December 2009	Total
<b>6. Knowledge center</b>			
KNC Establishment	-	-	-
Expert and content resource	-	7.606	7.606
Running KNC	126	6.520	6.646
<b>Total knowledge center</b>	<b>126</b>	<b>14.126</b>	<b>14.252</b>
<b>Total Task Force and Knowledge center</b>	<b>64.559</b>	<b>51.296</b>	<b>115.855</b>
<b>TOTAL EXPENDITURES</b>	<b>116.055</b>	<b>106.506</b>	<b>222.561</b>

## 5. NALAS cash account (including cash in hand and cash in bank)

	<u>In EUR</u>
Opening balance as at 1 January 2009	2.105
<b>Plus:</b>	
Inflow from Donors and membership fees	517.828
<b>Less:</b>	
Expenditure payments from the funds received from the Donors	(493.791)
Advances given	(5.413)
Advances returned	12.983
VAT Tax return from Tax Authorities to NALAS	4.279
VAT Tax returned funds from NALAS to donors	(3.014)
Savings returned grant funds	(9.914)
Bank charges	(93)
Currency exchange loss	3
<b>Balance as at 31 December 2009</b>	<u><u>24.973</u></u>

## 6. Advances given

As of 31 December 2009, NALAS has disbursed funds as advances to its members in total amount of EUR 5.413 for realization of their projects. During 2010, the advances were subsequently reimbursed.

## 7. Currency exchange loss

The amount of EUR 3 represents foreign exchange losses resulting from the use of the average exchange rate for the year 2009 published by the National Bank of the Republic of Macedonia (the reporting rate) and the actual exchange rates at the transaction date used at the date of the bank transfers.

## 8. VAT Recoverable

Included in the expenditures for 2009 is the total amount of EUR 5.924 (EUR 3.337 paid from GTZ funds and EUR 2.587 paid from SDC funds) related to value added tax paid which can be reclaimed from local tax authorities. NALAS will initiate a procedure of reclaiming such VAT paid in subsequent periods.

In addition, during 2009, the amount of EUR 4.279 was refunded from the Tax Authorities based on the procedure for reclaiming of the VAT paid during 2008. The amount of EUR 3.014 (funds returned to SDC: EUR 1.851 and to GTZ: EUR 1.163) was returned from NALAS to Donors and the remaining of EUR 1.265 is to be returned to GTZ during 2010.

## 9. Savings returned grant funds

The balance of the Project financed by GTZ (contract NALAS-1/07-11-07) in total of EUR 8.468 was transferred to GTZ in October 2009 since the project was finished by the end of January 2009.

In addition, the opening balance of the Project financed by SDC (Project no 7F-01122.04) of EUR 678 was transferred to SDC by the end of August 2009.

## **10. Grant from SOS**

During 2009, NALAS received funding in amount of EUR 11.000 that as grant from the Association of Municipalities and Towns of Slovenia (SOS). According to the Grant Agreement, the funds were intended for payment of costs for translation of the comparative analysis in the six member countries of NALAS from English into nine languages that are spoken in the NALAS member countries. Total expenditures disbursed for this purpose amount to EUR 10.232 and were presented under the "Task Force on urban planning" heading. The undisbursed funds of EUR 768 were reimbursed to SOS on 29 December 2009.

## **11. Funds received on behalf of members**

NALAS received the amount of EUR 1.900 from the Standing Conference of Towns and Municipalities (SCTM) from Serbia and distributed the same amount to the Association of Kosovo Municipalities (AKM). Such cash receipts and transfers are not reflected in the Statement of sources and uses of funds since the cash is received with the purpose to be distributed to other NALAS member countries and these funds are not available for NALAS use.