

1.1. Project name

1.2. Project code

1.3. Project start date

1.4. Project end date

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

1.5. Project description

PROJECT ACCOUNTS FOR THE PERIOD

1 July 2006 – 31 December 2007

1.6. Project objectives

1.7. Project results

1.8. Project impact

1.9. Project budget

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## GENERAL INFORMATION

### Management

Kelmend Zajazi  
Executive Director

### Registered office

Maksim Gorki 14-1/7,  
1000 Skopje

### Bankers

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

### Auditors

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

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# Contents



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## INDEPENDENT AUDITORS' REPORT

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### Independent Auditors' Report

We have audited the accompanying Statement of Sources and Uses of Funds and Statement of Expenditures Details of the Network of Associations of Local Authorities of South East Slovenia for the period from July 1, 2004 to June 30, 2005, and the related Notes to the Project accounts, which together with the Statement of Sources and Uses of Funds and Statement of Expenditures Details, constitute the Project accounts.

In our opinion, the Project accounts are presented fairly in all material aspects, in accordance with the accounting principles and practices generally accepted in Slovenia, and the related Notes to the Project accounts provide the necessary information for an understanding of the Project accounts. We also note that the Project accounts are prepared in accordance with the accounting principles and practices generally accepted in Slovenia, and the related Notes to the Project accounts provide the necessary information for an understanding of the Project accounts.

We have also audited the accompanying Statement of Sources and Uses of Funds and Statement of Expenditures Details of the Network of Associations of Local Authorities of South East Slovenia for the period from July 1, 2004 to June 30, 2005, and the related Notes to the Project accounts, which together with the Statement of Sources and Uses of Funds and Statement of Expenditures Details, constitute the Project accounts.

### Signatures

We, the undersigned, Ernst & Young Certified Public Accountants, have audited the Project accounts of the Network of Associations of Local Authorities of South East Slovenia for the period from July 1, 2004 to June 30, 2005, and the related Notes to the Project accounts, which together with the Statement of Sources and Uses of Funds and Statement of Expenditures Details, constitute the Project accounts.

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## 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 period 1 July 2006 to 31 December 2007 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" (hereinafter: "the Project").

#### 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 the Project for the period from 1 July 2006 to 31 December 2007 in accordance with the cash receipts and disbursements basis.

*Ernst & Young*  
Ernst & Young Certified Auditors Ltd  
31 March 2008

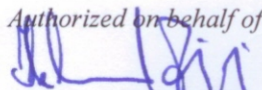


## STATEMENT OF SOURCES AND USES OF FUNDS

For the period from 1 July 2006 to 31 December 2007

(Expressed in EUR)

	Note	SDC project	GTZ project	Total
<b>SOURCES OF FUNDS</b>				
Money transferred to Beneficiary from Swiss Agency for Development and Cooperation (SDC/OSI)		174.000	-	174.000
Money transferred to Beneficiary from Open Society Institute ZUG Foundation		4.578	-	4.578
Money transferred to Beneficiary from GTZ		-	55.500	55.500
<b>TOTAL SOURCES OF FUNDS</b>		<b>178.578</b>	<b>55.500</b>	<b>234.078</b>
<b>STRUCTURAL EXPENSES</b>				
Salaries		41.400	3.543	44.943
Office expenditures		26.000	2.096	28.096
Organization of meeting		48.596	40.479	89.075
External relations		7.689	1.566	9.255
<b>Total structural expenses</b>		<b>123.685</b>	<b>47.684</b>	<b>171.369</b>
<b>TASK FORCES AND KNOWLEDGE CENTER</b>				
Task force on local finance		17.590	-	17.590
Task force on urban planning		3.028	-	3.028
Task force on association development		8.895	-	8.895
Knowledge center		149	-	149
<b>Total task forces and knowledge center</b>		<b>29.662</b>	<b>-</b>	<b>29.662</b>
<b>TOTAL EXPENSES</b>	<b>4</b>	<b>153.347</b>	<b>47.684</b>	<b>201.031</b>
Cash available from the surplus of funds over expenditures				<b>33.047</b>
Cash at the beginning				-
Cash at the end (bank account and cash in hand)				<b>33.047</b>

Authorized on behalf of  
  
 Executive Director



Date: 31 March 2008

**STATEMENT OF EXPENDITURE DETAILS (Continued)**

For the period from 1 July 2006 to 31 December 2007

(Expressed in EUR)

PROJECT EXPENDITURES	SDC project	GTZ project	Total
<b>STRUCTURALE EXPENSES</b>			
<b>1. Salaries</b>			
Executive Director	20.000	-	20.000
Assistant	-	3.543	3.543
Accountant	8.700	-	8.700
IT Specialist	12.700	-	12.700
<b>Total salaries</b>	<b>41.400</b>	<b>3.543</b>	<b>44.943</b>
<b>2. Office expenditures</b>			
Start up expenses	10.498	1.044	11.542
Operational expenses	15.502	1.052	16.554
<b>Total office expenditures</b>	<b>26.000</b>	<b>2.096</b>	<b>28.096</b>
<b>3. Organization of meetings</b>			
General Assembly	31.367	40.479	71.846
CLO Meetings	16.150	-	16.150
Executive Bureau meetings	1.079	-	1.079
<b>Total expenses for organization of meetings</b>	<b>48.596</b>	<b>40.479</b>	<b>89.075</b>
<b>4. External relations</b>			
External relations	7.689	1.566	9.255
<b>Total external relations</b>	<b>7.689</b>	<b>1.566</b>	<b>9.255</b>
<b>Total Structural expenses</b>	<b>123.685</b>	<b>47.684</b>	<b>171.369</b>

# STATEMENT OF EXPENDITURE DETAILS (Continued)

For the period from 1 July 2006 to 31 December 2007

(Expressed in EUR)

PROJECT EXPENDITURES	SDC project	GTZ project	Total
<b>TASK FORCES AND KNOWLEDGE CENTER</b>			
<b>1. Task force on local finance</b>			
Ordinary meetings	13.995	-	13.995
Final Conference	-	-	-
Experts and consultants	3.595	-	3.595
Outputs	-	-	-
<b>Total task force on local finance</b>	<b>17.590</b>	<b>-</b>	<b>17.590</b>
<b>2. Task force on urban planning</b>			
Ordinary meetings	3.028	-	3.028
Final Conference	-	-	-
Experts and consultants	-	-	-
Outputs	-	-	-
<b>Total task fore on urban planning</b>	<b>3.028</b>	<b>-</b>	<b>3.028</b>
<b>3. Task force on association development</b>			
Ordinary meetings	8.895	-	8.895
Final Conference	-	-	-
Experts and consultants	-	-	-
Outputs	-	-	-
<b>Total force on association development</b>	<b>8.895</b>	<b>-</b>	<b>8.895</b>
<b>4. Knowledge center</b>			
Association correspondents	-	-	-
Translation budget	-	-	-
Creation of the web site	149	-	149
Dissemination	-	-	-
Annual CD	-	-	-
<b>Total knowledge center</b>	<b>149</b>	<b>-</b>	<b>149</b>
<b>Total Task Force and Knowledge center</b>	<b>29.662</b>	<b>-</b>	<b>29.662</b>
<b>TOTAL EXPENDITURES</b>	<b>153.347</b>	<b>47.684</b>	<b>201.031</b>

**NOTES TO THE PROJECT ACCOUNTS**

**For the period from 1 July 2006 to 31 December 2007**

**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 has been established on 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 Strazburg and with the support by Swiss Embassy under coordination of the President and Executive Director of NALAS.

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

**2. Objectives and nature of the Project**

**2.1. Project Objectives**

The overall goal of the Project 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 shall further the process of democratisation and decentralisation in South-East Europe and will 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 will develop initiatives on behalf of its members with a view to strengthening associations of local authorities in South-East Europe, becoming a representative of local authority needs that has the ear of central governments and being able to supply effective services to local authorities in South-East Europe.

NALAS activities are guided by the NALAS Strategic Plan for the period 2006 -2008. 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.

The Project has a set of specific objectives related to the following two mid term objectives:

- To Become a first rate Knowledge Center / one of the most reliable sources of information and expertise on local self-government issues in South-East Europe, and
- To build advocacy groups, or Task Forces.

**NOTES TO THE PROJECT ACCOUNTS**

For the period from 1 July 2006 to 31 December 2007

**2. Objectives and nature of the Project (continued)**

**2.1. Project Objectives (continued)**

The main indicators for success of the Knowledge Center:

- Increase in number and diversity of the "regional focal points";
- Increase in hits on NALAS Web Site;
- Increase in the dissemination of "packages for new Councilors";
- Development of concrete collaboration between the Associations;
- Linkages established with different partners, evidence of how many times NALAS is contacted and/or consulted by various international and regional stakeholders.

The main indicators for success of the NALAS Task Forces include:

- A change in Associations' and local authorities' policies in the fields covered by the task forces;
- These task forces are increasingly being consulted, or referred to, by the main donors (incl. EU);
- Changing in some elements of donors' policy clearly related to the work of the task forces;
- The number of quotations of their work in all publications specialized on governance in SEE;
- The number of references to their work by the relevant NGOs in the field;
- The number of project proposals developed by task forces.

**3. Basis for preparation of the Project accounts**

**3.1. General**

The accompanying Project Statement has been prepared for the purposes of reporting to the Swiss Agency for Development and Cooperation ("the Donor") on the activities of the Project related to funding received for the completion of the Project's objectives in accordance 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 duration of the Project in the period from 1 July 2006 to 31 December 2007.

**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.

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**NOTES TO THE PROJECT ACCOUNTS**

For the period from 1 July 2006 to 31 December 2007

**3. Basis for preparation of the Project accounts (continued)**

**3.3. Reporting Currency**

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

All inflows and outflows for the period from July 2006 till 16 October 2007 have been performed in EUR.

In the period from 16 October 2007 till 31 December 2007 money transfer for the GTZ project has been transferred in MKD at the rate of 61,3 per 1 EUR (exchange rate of transfer) and for the disbursements in the same period the exchange rate at the date of the payment had been used.

The cash at the end of the period is translated at the official period end exchange rate published by the National Bank of the Republic of Macedonia, which at 31 December 2007 was 1 EUR = MKD 61, 2.

**4. Project bank account (including cash in hand)**

<b>Project Bank Account (including cash in hand)</b>	<b>In EUR</b>
Inflow from Donors to Project bank account	234.078
<b>Less:</b>	
Project Expenditure Payments from the funds received from the Donors	201.031
<b>Balance on Project Bank Account (including cash in hand)</b>	
<b>As of 31 December 2007</b>	<b>33.047</b>