

(Мрежа на националните асоцијации на локалните
власти во Југоисточна Европа)
Подружница-непрофитна странска организација

НАЛАС
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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

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
SOURCES OF FUNDS						
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
TOTAL SOURCES OF FUNDS		246.106	249.960	12.973	23.877	532.916
STRUCTURAL EXPENSES						
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
Total structural expenses		106.706	140.001	127	709	247.543
TASK FORCES AND KNOWLEDGE CENTER						
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
Total task forces and knowledge center		115.855	106.764	8.653	10.232	241.504
Audit fees for 2008		4.744	-	-	-	4.744
TOTAL EXPENDITURES		227.305	246.765	8.780	10.941	493.791

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
Surplus of funds over expenditures						39.125
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
Cash available from the surplus of funds over expenditures						24.973
Cash available from the surplus of funds over expenditures is represented by:						
Bank account	5					17.334
Petty cash account	5					7.639
Total cash available						24.973

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
STRUCTURALE EXPENSES					
1. Personnel					
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
Total personnel expenses	62.342	49.622	-	-	111.964
2. Office expenditures					
Operational expenses	12.595	26.439	127	136	39.297
Total office expenditures	12.595	26.439	127	136	39.297
3. Statutory meetings					
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
Total expenses for statutory meetings	23.592	58.966	-	573	83.131
4. External relations					
External relations	8.177	4.974	-	-	13.151
Total external relations	8.177	4.974	-	-	13.151
Total Structural expenses	106.706	140.001	127	709	247.543

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
TASK FORCES AND KNOWLEDGE CENTER						
Task force on fiscal decentralization						
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	-	-	-	-	-	
Total task force on fiscal decentralization	9.731	15.218	8.653	-	33.602	
Task force on urban planning						
2. Task force on urban planning						
Ordinary meetings	12.560	12.704	-	-	25.264	
Final Conference	-	-	-	-	-	
Experts and consultants	-	-	-	-	-	
Outputs	-	-	-	10.232	10.232	
Total task fore on urban planning	12.560	12.704	-	10.232	35.496	
Task force on association development						
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	
Total force on association development	60.222	35.433	-	-	95.655	
Task force Solid Waste Management						
4. Management						
Ordinary meetings	13.414	16.253	-	-	29.667	
Final Conference	-	-	-	-	-	
Experts and consultants	-	-	-	-	-	
Outputs	-	-	-	-	-	
Total force Solid Waste Management	13.414	16.253	-	-	29.667	
Task force on Energy Efficiency						
5. Efficiency						
Ordinary meetings	5.676	12.366	-	-	18.042	
Final Conference	-	-	-	-	-	
Experts and consultants	-	-	-	-	-	
Outputs	-	-	-	-	-	
Total force on Energy Efficiency	5.676	12.366	-	-	18.042	

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
6. Knowledge center					
KNC Establishment	-	2.643	-	-	2.643
Expert and content resource	7.606	8.809	-	-	16.415
Running KNC	6.646	3.338	-	-	9.984
Total knowledge center	14.252	14.790	-	-	29.042
Total Task Force and Knowledge center	115.855	106.764	8.653	10.232	241.504
Audit fees for 2008	4.744	-	-	-	4.744
TOTAL EXPENDITURES	227.305	246.765	8.780	10.941	493.791

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:

