

**SOCIAL INVESTMENT AND LOCAL DEVELOPMENT  
SDC PROJECT**

**SDC Grant TF0A3230**

**IMPLEMENTED BY  
ARMENIAN TERRITORIAL DEVELOPMENT FUND**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**For the period from 2 February 2017 to 30 April 2019**

**YEREVAN  
June 2019**

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## INDEPENDENT AUDITOR'S REPORT

### **Opinion**

We have audited the special purpose financial statements of "Social Investment and Local Development SDC Project" ("Project") financed by Letter Agreement SDC Number TFOA3230 dated 23 September 2016 ("Letter Agreement"), and implemented by Armenian Territorial Development Fund ("ATDF"), which comprise of the statement of cash receipts and payments and the statement of expenditures per components for the period from 2 February 2017 to 30 April 2019, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash flows for the period from 2 February 2017 to 30 April 2019 in accordance with International Public Sector Accounting Standards: *Financial Reporting Under the Cash Basis of Accounting, (IPSAS-Cash Basis)*.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Project and of the ATDF in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical requirements in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter- Cash Basis of Accounting**

We draw attention to Note 2 to the financial statements, which describes that financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for another purposes. Our opinion is not modified in respect of this matter.

### **Emphasis of Matter-Completion of the Project**

We draw your attention to Note 9 of these special purpose financial statements which disclose that the Project was completed as at the reporting date. Our opinion is not modified in this respect.

### **Responsibilities of the Management for the Financial Statements**

Management of the ATDF is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) of the IFAC and Financial Management Manual for World Bank Financed Investment Operations ("WB Guidelines"), and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility for the Audit of the Special Purpose Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


#### **Report on Other Legal Requirements**


To comply with the terms of the Letter Agreement, the ATDF management shall insure that:

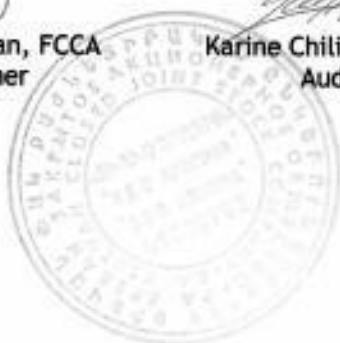
1. funds have been used in accordance with the conditions of the Letter Agreement concluded between the International Bank for Reconstruction and Development (IBRD) and the Republic of Armenia, and WB Guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
2. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Reimbursed expenditures included in the withdrawal applications are eligible for financing under the Letter Agreement; Interim Unaudited Financial Reports (IFRs) issued by ATDF during the Reporting year are in agreement with the underlying books of accounts;
3. the Designated Accounts have been maintained in accordance with the provisions of the Letter Agreement, and World Bank related guidelines;
4. Financed Works, Goods and Services have been procured in accordance with the Letter Agreement and World Bank related guidelines.

In our opinion, the Project management has complied with the above requirements for the period from 2 February 2017 to 30 April 2019.

"BDO Armenia" CJSC  
20 June 2019

  
Vahagn Sahakyan, FCCA  
Managing Partner

  
Karine Chilingaryan  
Auditor



# STATEMENT OF CASH RECEIPTS AND PAYMENTS

Social Investment and Local Development SDC Project

SDC Grant TFOA3230

For the period from 2 February 2017 to 30 April 2019

In USD

Description	Note	Actual		Planned		Variance	
		02.02.2017 - 30.04.2019	Cumulative 30.04.2019	02.02.2017 - 30.04.2019	Cumulative 30.04.2019	As at 30.04.2019	Cumulative 30.04.2019
Opening Cash Balance		-	-				
Sources of Funds	7						
SDC Grant Number TFOA3230		2,428,300	2,428,300				
Community contribution		79,518	79,518				
Total		2,507,818	2,507,818				
Uses of Funds	8						
(1) Goods, Works, non-consulting services, consultants' services and Training		2,369,739	2,369,739	2,330,989	2,330,989	(38,750)	(38,750)
(2) Operating cost		110,377	110,377	105,308	105,308	(5,069)	(5,069)
Total		2,480,116	2,480,116	2,436,297	2,436,297	(43,819)	(43,819)
Foreign currency loss		521	521				
Closing Cash Balance	6	27,181	27,181				

The project special purpose financial statements were approved by the management of the Armenian Territorial Development Fund on 20 June 2019 and signed on its behalf. The accompanying notes form an integral part of these project special purpose financial statements.

Ashot Kirakosyan  
Executive Director

Levon Dulyan  
Financial and Administrative Director



# STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

Social Investment and Local Development SDC Project  
SDC Grant TF043230  
For the period from 2 February 2017 to 30 April 2019  
In USD

Project Activities	Actual		Planned		Variance	
	02.02.2017 - 30.04.2019	Cumulative as at 30.04.2019	02.02.2017 - 30.04.2019	Cumulative as at 30.04.2019	02.02.2017 - 30.04.2019	Cumulative as at 30.04.2019
Capital Investments for Local Development and Public Service Provision and Capacity Building	2,480,116	2,480,116	2,436,297	2,436,297	(43,819)	(43,819)
a) Works	417,008	417,008	430,629	430,629	13,621	13,621
b) Provision of goods for micro-projects	1,941,531	1,941,531	1,889,150	1,889,150	(52,381)	(52,381)
c) Consultant services and trainings for micro-projects	11,200	11,200	11,200	11,200	-	-
d) Operating costs	110,377	110,377	105,318	105,318	(5,059)	(5,059)
<b>Total</b>	<b>2,480,116</b>	<b>2,480,116</b>	<b>2,436,297</b>	<b>2,436,297</b>	<b>(43,819)</b>	<b>(43,819)</b>

The project special purpose financial statements were approved by the management of the Armenian Territorial Development Fund on 20 June 2019 and signed on its behalf. The accompanying notes form an integral part of these project special purpose financial statements.

Ashot Kirakosyan  
Executive Director



Levon Dulyan  
Financial and Administrative Director




## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

*Social Investment and Local Development SDC Project  
SDC Grant TF0A3230  
For the period from 2 February 2017 to 30 April 2019*

### 1. General information

#### 1.1. The Project financing

According to the Letter Agreement SDC Grant TF0A3230 dated 23 September 2016 between the Republic of Armenia and the International Bank for Reconstruction and Development ("IBRD", "WB"), IBRD acting as an administrator of TF072562 Fund financed by the Swiss Agency for Development and Cooperation ("SDC"), provided grant in the amount of 2,428,300 United States dollars (USD) to the Republic of Armenia.

The Grant is provided in addition to the "Social Investment and Local Development Project" ("SILD Project") funded by the Loan Agreement IBRD 8483-AM to improve quality and use of, and access to, community and inter-community infrastructure.

The Loan Agreement became effective on 2 February 2017.

The Closing date for the Grant TF0A3230 financing is set on 1 April 2019.

The Grace period for submitting the expenditures incurred before the Closing date is set one month after the Closing date: 30 April 2019.

#### 1.2. The Project's objective

The objective of the Project is to improve capacities of municipalities in Southern Armenia to provide public infrastructure and services to their citizens.

The Project consists of the following component: Capital Investments for Local Development and Public Service Provision and Capacity Building.

#### 1.3. Budget

The Project is financed by SDC Grant TF0A3230, excluding the expenditures financed under the same category of the SILD Project.

Though the Grant terms do not require cofinancing, however the works under the Project have also been cofinanced by Community contributions of 79,518 USD, to make it in line with SILD Project.

Expenditure category	SDC Grant TF0A3230	Total	Percentage Expenditure to be financed by the Grant (Inclusive of Taxes)
	USD	USD	
(1) ) Goods, Works, non-consulting services, consultants' services and Training	2,300,300	2,300,300	100%
(2) Operating cost	128,000	128,000	100%
<b>Total</b>	<b>2,428,300</b>	<b>2,428,300</b>	

#### **1.4. Project Implementation**

The Project is implemented by the Armenian Territorial Development Fund (ATDF) - formerly: Armenian Social Investment Fund (the ASIF), in accordance with the SDC Grant TF0A3230 Letter Agreement dated 23 September 2016 signed between IBRD and ASIF.

The ASIF has been established by a Decree N 162 dated 11.04.2000 of the Government of the Republic of Armenia, the sole founder, as an autonomous non-profit agency to assist in the rehabilitation of small-scale infrastructure through community initiated and demand-based activities.

The ATDF implements projects financed by the WB and other donors including contribution to:

- welfare development of population through improving quality and accessibility of social and economic infrastructure and public services, employment, investment activity,
- Institutional and financial strengthening of regions of the Republic of Armenia.

The Board is a supreme governing body of the ATDF.

The ATDF registered address is: 31 K. Ulnetsu Street, Yerevan, 0037, Republic of Armenia.

## **2. Summary of significant accounting policies**

### **2.1 Preparation and presentation of financial statements**

The special purpose financial statements are prepared in accordance with the International Public Sector Accounting Standards: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and presented in accordance with Financial Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 - Financial Reporting and Auditing.

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented.

### **2.2 Cash basis of accounting**

This special purpose financial statements have been prepared and presented using cash flow principle.

Cash basis means a basis of accounting under which transactions and other events are recognized only when cash or its equivalent is received or paid.

Financial statements prepared under the cash basis provide information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date.

### **2.3 Reporting currency**

The Project financial statements are presented in United States Dollars (USD).

### **2.4 Foreign currency transactions**

Foreign currency is a currency other than the reporting currency of the Project.

Project accounts are maintained in USD and Armenian Drams (AMD).

Transactions in foreign currencies are translated to presentation currency at exchange rates at the dates of these transactions. Settlement rate of foreign currency over functional currency established by the Central Bank of the Republic of Armenia (the CBA) is taken as the exchange rate.

Contributions of the Government of the Republic of Armenia, communities and other donors, and payments to contractors and suppliers expressed in AMD are presented in USD at the official exchange rate defined by the CBA at the date of transfer.

The exchange rate defined by the CBA as at 30 April 2019 is: USD 1 = 481.26 AMD

### **2.5 Taxes**

All applicable taxes are paid in accordance with tax regulations of the Republic of Armenia.

### 3. Summary Reports and SOEs

Social Investment and Local Development SDC Project

For the period from 2 February 2017 to 30 April 2019

In USD

Application number	Value date	Expenditure category		Total
		(1) Goods, Works, non-consulting services, consultants' services and Training	(2) Operating cost	
2	31/08/2017	-	5,340	5,340
3	19/12/2017	-	9,575	9,575
4	26/01/2018	89,110	3,891	93,001
5	12/02/2018	93,088	4,525	97,613
6	20/02/2018	126,250	442	126,692
7	02/03/2018	160,741	5,375	166,116
8	05/04/2018	187,535	5,160	192,695
9	28/06/2018	214,961	14,130	229,091
10	08/08/2018	268,738	12,539	281,277
11	07/09/2018	189,561	6,331	195,892
12	09/10/2018	87,216	5,333	92,549
13	23/10/2018	244,367	718	245,085
14	13/11/2018	252,165	7,051	259,216
15	07/12/2018	197,922	7,793	205,715
16	15/02/2019	152,472	11,620	164,092
17	19/04/2019	59,266	5,070	64,336
<b>Total</b>		<b>2,323,392</b>	<b>104,893</b>	<b>2,428,285</b>

#### 4. STATEMENT OF DESIGNATED ACCOUNT

Fund	SDC Grant TF0A3230
Bank account number	900000902677
Bank	Central Treasury
Bank location	Meliq Adamyan Street 1, Yerevan, Republic of Armenia, 0010
Account currency	USD

	02.02.2017- 30.04.2019 USD	Cumulative as at 30.04.2019 USD
1. Opening balance	-	-
2. Add: opening discrepancy	-	-
3. WB advance/replenishment	2,428,300	2,428,300
4. Less: Refund to WB from DA	-	-
5. Present outstanding amount advanced to DA	2,428,300	2,428,300
6. DA closing balance	19	19
7. Add: Amount of eligible expenditures paid	2,425,284	2,425,284
8. Less: interest earned (if credited to DA)	-	-
9. Total advance accounted for	2,425,303	2,425,303
10. Closing discrepancy (5)-(9)*	2,997	2,997

(\*) Amount transferred to other account for paying audit service (Note 6).

## 5. STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position discloses assets, liabilities and net assets of the Project as at reporting date. It is prepared in accrual basis that is transactions are recognized when they occur (and not only when cash is received or paid).

	Note	30.04.2019 USD
<b>ASSETS</b>		
Cash		
Cash	6	27,181
<b>Total assets</b>		<b>27,181</b>
<b>NET ASSETS</b>		
<i>Funds</i>	7	
SDC Grant TF0A3230		2,428,300
Community contribution		79,518
		<b>2,507,818</b>
<b>Cumulative expenses</b>		
Project expenses	8	2,480,116
		<b>2,480,116</b>
Foreign currency loss		521
<b>Total net assets</b>		<b>27,181</b>

## 6. CASH

Account	Account held at	Underlying Currency	30.04.2019 USD
Designated account (SDC Grant TF0A3230)	Treasury	USD	19
Community contribution	Ararat bank	AMD	24,164
Amount in other account (Note 9.c)			2,998
			<b>27,181</b>

## 7. SDC Grant TF0A3230 financing

	02.02.2017- 30.04.2019 USD	Cumulative as at 30.04.2019 USD
Advances/ (advance recovery), net	15	15
SOE and Summary Sheets	2,428,285	2,428,285
<b>Total</b>	<b>2,428,300</b>	<b>2,428,300</b>
Total financing budget		<b>2,428,300</b>
Percentage of finance provided as at 30 April 2019		<b>100%</b>

## 8. Project Expenditures

### 8.1. Project expenditures financing per funds

Category	For the period 02.02.2017- 30.04.2019, and cumulative as at 30.04.2019		USD Total
	SDC Grant TF0A3230	Community contribution	
(1) Goods, Works, non-consulting services, consultants' services and Training	2,314,907	54,832	2,369,739
(2) Operating cost	110,377	-	110,377
<b>Total</b>	<b>2,425,284</b>	<b>54,832</b>	<b>2,480,116</b>

### 8.2. Project budget progress

Category	Cumulative as at 30.04.2019	Budget	Implementation
	USD	USD	%
(1) Goods, Works, non-consulting services, consultants' services and Training	2,369,739	2,300,300	103%
(2) Operating cost	110,377	128,000	86%
<b>Total</b>	<b>2,480,116</b>	<b>2,428,300</b>	<b>102%</b>

## 9. Completion of the Project

The SDC TF0A3230 Grant closing date is set at 1 April 2019 ("Closing date"), and the grace period for submitting the expenditures incurred is set at 30 April 2019 ("Grace period", or "Reporting date").

As of the date of signing these financial statements:

- (a) No expenditures related to the Project were incurred after the Closing Date; the payments made during the Grace period related to expenditures incurred before the Closing Date;
- (b) No expenditures related to the Project was submitted to the WB after the Reporting date;
- (c) At the reporting date, there are no outstanding prepayments or payables; except for the audit service in the amount of 2,998 USD equivalent, which will be paid from the allocated amount for this purpose, after the auditor's report is issued.
- (d) The outstanding amount at the Designated account, 19 USD (Note 6), will be used to refund the uncovered advance balance of 15 USD (Note 7.1), and the remaining will be used according to the WB decision.
- (e) The outstanding amount at the Community contribution account, 24,164 USD equivalent (Note 6), is planned to use within the SILD Project.
- (f) We are not aware about any pending or existing litigations against the Project.

# ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE ATDF AND DISBURSED BY THE WORLD BANK

Social Investment and Local Development SDC Project  
SDC Grant TFOA3230  
For the period from 2 February 2017 to 30 April 2019  
In USD

Expenditure Category	Appl.	ATDF	WB	Difference
Advances	1	300,000	300,000	-
	15	(71,557)	(71,557)	-
	16	(164,092)	(164,092)	-
	17	(64,336)	(64,336)	-
	15	15	15	-
(1) Goods, Works, non-consulting services, consultants' services and Training	4	89,110	89,110	-
	5	93,088	93,088	-
	6	126,250	126,250	-
	7	160,741	160,741	-
	8	187,535	187,535	-
	9	214,961	214,961	-
	10	268,738	268,738	-
	11	189,561	189,561	-
	12	87,216	87,216	-
	13	244,367	244,367	-
	14	252,165	252,165	-
	15	197,922	197,922	-
	16	152,472	152,472	-
	17	59,266	59,266	-
		2,323,392	2,323,392	-
(2) Operating cost	2	5,340	5,340	-
	3	9,575	9,575	-
	4	3,891	3,891	-
	5	4,525	4,525	-
	6	442	442	-
	7	5,375	5,375	-
	8	5,160	5,160	-
	9	14,130	14,130	-
	10	12,539	12,539	-
	11	6,331	6,331	-
	12	5,333	5,333	-
	13	718	718	-
	14	7,051	7,051	-
	15	7,793	7,793	-
	16	11,620	11,620	-
	17	5,070	5,070	-
		104,893	104,893	-
Total		2,428,300	2,428,300	-