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Republic of Kenya

Kenya National Audit Office

REPORT

OF

THE

AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS
OF THE
MUNICIPAL COUNCIL OF BOMET
FOR THE YEAR
ENDED
30 JUNE 2012**

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON THE MUNICIPAL COUNCIL OF BOMET FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Municipal Council of Bomet, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, the statement of cash flows and the statement of changes in net assets/capital and reserves for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 23 of the Public Audit Act, 2003.

1.0 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Local Government Act, Cap 265; the Local Authorities Transfer Fund (LATF) Act, 1998; the International Public Sector Accounting Standards (IPSASs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 22 of the Public Act, 2003.

2.0 Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 24 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 Council's 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

3.0 Basis for Disclaimer of Opinion

3.1 Accuracy of the Financial Statements

(i) As previously reported, the Council has not submitted auditable financial statements for five (5) years from 1992 to 30 June, 1997 and therefore, the opening balances as at 01 July, 1997 and for the subsequent years, including for 2011/2012 could not be confirmed.

The process of division of assets and liabilities between the Council and the parent County Council of Kipsigis had not been completed as at 30 June, 2012.

ii) The financial statements balances are indicated as expressed in Kshs. "000" which is misleading.

In the circumstances, the accuracy of the Council's financial statements for the year ended 30 June 2012 could not be confirmed.

3.2 Non-Current Assets

The Non-Current Assets balance increased from Kshs.46,613,340.00 as at 30 June 2011 to Kshs.49,723,951.00 as at 30 June, 2012. However, the Fixed Assets Register maintained by the Council was not as per the recommended format and was also not updated. Further, the Council's assets had not been valued and no title deeds or letters of reservations for all the Council's land were made available for audit verification. In addition, the Council did not separate the value of land and buildings for the purpose of charging depreciation for the year. Furthermore, the Council did not provide for audit verification, the detailed composition of the balance of Kshs.41,720,117.00 as at 30 June, 2012 reflected against infrastructure. In the circumstances, the accuracy and ownership of the Non-Current Assets balance of Kshs.49,723,951.00 as at 30 June 2012 could not be confirmed.

3.3 Renewals Funds

Section 219 of the Local Government Act, Cap 265 requires the Council to create and set aside adequate renewals funds to provide for the entire or partial replacement of some or all of its assets, which, owing to depreciation or other cause will require at some future date, to be replaced. However, although the financial statements reflected a renewals funds balance of Kshs. 1,000,000.00 as at 30 June 2012, the balance was not represented by any tangible substantial investments or Cash Equivalents, since only Kshs.267,580.00 was at the bank as at that date. Further, a renewals funds balance of Kshs.1,000,000.00 is considered inadequate to finance replacement of depreciable assets worth Kshs.49,723,951.00 as at 30 June, 2012.

In the circumstances, it remains unclear how the Council intends to finance the replacement of its depreciable assets in future.

3.4 Receivables/Debtors

The Receivables/Debtors balance increased from Kshs.49,982,996.00 as at 30 June 2011 to Kshs.60,913,123.00 as at 30 June 2012. However, the debtor's ledger maintained by the Council was not as per the recommended format. Further, debtor's gross balance of Kshs.64,119,077.00 before a provision for bad debts of Kshs.3,205,954.00 differs with a balance of Kshs.65,953,414.00 reflected in the underlying records, by Kshs.1,844,337.00. The difference has not been explained or reconciled. In addition, a balance of Kshs.7,606,636.00 due in respect of property rates was omitted in the debtors balance as at 30 June 2012. In the circumstances, the accuracy and recoverability of the Receivables/Debtors balance of Kshs.60,913,123.00 as at 30 June 2012 could not be confirmed.

3.5 Payables/Creditors, Accruals and Provisions

The Payables/Creditors, Accruals and Provisions balance increased from Kshs.4,852,936.00 as at 30 June 2011 to Kshs.9,764,911.00 as at 30 June 2012. However, the balance of Kshs. 9,764,911.00 as at 30 June, 2012 differed with the figure of Kshs.7,516,081.00 computed from payable's records. The resultant difference of Kshs.2,248,830.00 was not reconciled or explained. In the circumstances, the accuracy of Payables/Creditors balance of Kshs.9,764,911.00 as at 30 June 2012 could not be confirmed.

3.6 Net Assets/Capital and Reserves

The Net Assets/Capital and Reserves balance increased from Kshs.100,077,774.00 as at 30 June 2011 to Kshs.101,572,686.00 as at 30 June 2012. However, the Council did not include Contribution to Capital arising from LATF Projects during the year. Further, the Council did not provide details of 'Other Reserves' balance of Kshs.9,670,215.00 as at 30 June 2012. In the circumstances, the correctness of Net Assets/Capital and Reserves balance of Kshs.101,572,686.00 as at 30 June 2012 could not be confirmed.

3.7 Operating Income and Expenditure

The total operating revenue and total operating expenses during the year amounted to Kshs.77,703,735.00 and Kshs.73,155,874.00 respectively, resulting in net surplus of Kshs.4,547,861.00. However, the operating revenue was overstated by Kshs.3,378,492.00, while operating expenses were overstated by Kshs.126,917.00 during the year. Further, the Council made payments amounting to Kshs.4,790,590.00 which were not supported with relevant and valid supporting documents, while payments amounting to Kshs. 5,085,041.00 were not authorized. In addition, the Council paid Kshs.202,441.00 in respect of casual employees without authority from the Minister.

Under the circumstances, the accuracy of the statement of financial performance for the year ended 30 June 2012 could not be confirmed.

3.8 Local Authorities Transfer Funds (LATF)

The Council received LATF grants amounting to Kshs.22,441,175.00 from the Central Government during the year. However, the Council made payments amounting to Kshs.1,663,633.00 from LATF account without relevant and valid supporting documents.

In the circumstances, it could not be confirmed that the Local Authority Transfer Fund was properly utilized and accounted for.

3.9 Non Response to Audit Queries

The Council's financial statements and related records for the year ended 30 June 2012 were audited and two management letters both dated 28 February, 2013 issued for comments. However, no responses had been received on both letters as at the date of this report. It has therefore not been possible to determine the actions which may, have been taken, if any, to redress the issues raised.

4.0 Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Section 24 (2) of the Public Audit Act, 2003, I report based on the audit that:-

(i) not all information and explanations required for the purpose of the audit were received;

(ii) the books of account were not properly maintained; and

(iii) the financial statements do not fully comply with the Local Government Act, Cap 265.

Edward R. O. Ouko, CBS
Auditor-General

Nairobi

07 August 2013

MUNICIPAL COUNCIL OF BOMET

KENYA NATIONAL AUDIT OFFICE
SOUTH RIFT REGION
P. O. BOX 1050 - 20100
NAKURU

28/9/2012

THE FINAL ACCOUNTS ENDING 30TH JUNE 2012

JOHN MOSONGO
TOWN CLERK

RICHARD TOO
MUNICIPAL TREASURER

MUNICIPAL COUNCIL OF BOMET
P.O. BOX 382 • BOMET • Email: tcbcnkmcbomet@gmail.com

In replying please quote Ref No. and Date

~~BMC 1/29/2010VOL.4~~
September 27th ,2012

Deputy Director of Audit (LG III)
P.O. Box 30084-00100
NAIROBI

Dear Sir,

RE: THE FINANCIAL STATEMENT FOR THE F/Y 2011/2012

Please find copies of accounts for the above underlined for your perusal and necessary action.

Thank you in advance

Yours faithfully,

R.K.A.Too
For: Town Clerk

GOVERNMENT OF KENYA

MINISTRY OF LOCAL GOVERNMENT

KENYA LOCAL GOVERNMENT REFORM PROGRAMME

STATUTORY FINANCIAL REPORTING TEMPLATE FOR LOCAL AUTHORITIES

KENYA GAZETTE VOLUME
CX-NO.55 OF 11TH JULY 2008
GAZETTE NOTICE NO. 6218

STATUTORY FINANCIAL REPORTING TEMPLATE

Introduction

Every Local Authority (City, Municipal, Town and County Council) should prepare and issue an annual financial report that can easily be read and understood. The basic sources of guidance on the requirements of the issuance of this annual financial report are the International Public Sector Accounting Standards (IPSAS) and the provisions of the Local Government Act Cap 265.

This template sets out the minimum disclosures that the financial statements of Local Authorities, irrespective of the nature and size, need to comply with.

In addition to the template, there are several other documents that the Chief Officers, Treasurers and other staff in the Local Authorities are expected to be familiar with to adequately prepare annual financial reports. These include:

- Financial Management Regulations, 2007
- Kenya National Audit Act, 2003
- Treasurers Manual, 2006
- Budget Guidelines and Procedures

In complying with the provisions of this template, Treasurers will be required to rely on the accounting codes as provided for in the chart of accounts. The accounting codes are standardised in line with the provisions of the Local Government budgeting system. The codes as provided in the budget with cost centres/departments form the basis under which payments incurred are debited against in the financial statements. Therefore, the use of codified accounting systems is to enable Local Authorities to have reliable comparison for performance between actual and budgeted provision by appropriating expenses against the right codes. In this process the Treasurer is to ensure that any major deviation from the budgeted provisions are disclosed in the accounts and included in the Treasurer's report with explanations.

The Templates as set out in the following pages provides the framework for financial reporting and should be used by all councils and they are designed to cater for all foreseeable eventualities. Under these circumstances it is unlikely that any LA will need to use all the items shown in the templates, and will need to replace some of the examples given to fit their particular circumstances.

Where in doubt about the interpretation of a template or how particular circumstances fit with the guidance given then the Treasurer should consult initially with the RLGO or the Director of Local Authority Inspectorate in the Ministry of Local Government, or with KENAO.

Authority

This template has been issued under the authority of Section 229 (2) of the Local Government Act, Cap 265 which stipulates that the "annual statement of account shall be prepared in such form and shall contain such particulars as the Minister may by rule prescribe."

MUNICIPAL COUNCIL OF BOMET

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012

We are responsible for the preparation of these annual financial statements, which are set out on pages 5 to 39 in accordance with the Local Government Act Cap. 265, the Local Authority Financial Management Regulations 2007 section C3, and the Public Audit Act 2003 sections 21 and 22 which we have signed on behalf of the Municipal Council of Bomet.

Name: Richard K A Too

SIGN Treasurer
TOWN TREASURER.
BOMET MUNICIPAL COUNCIL

Date: 27TH SEPT. 2012

Name: John K. Mosongo

Clerk

TOWN CLERK
BOMET MUNICIPAL COUNCIL

Date: 27.09.2012

MUNICIPAL COUNCIL OF BOMET
P.O BOX 382 BOMET

MINUTES OF THE FINANCE, STAFF AND GENERAL PURPOSE COMMITTEE MEETING HELD ON 25TH SEPTEMBER 2012 IN THE COUNCIL CHAMBER.

PRESENT

1. Cllr. William Langat –Chairman.
2. Cllr. Joyce Korir –Member.
3. Cllr. Joyce Korir –Member.
4. Cllr. Stanley Koskei –D/Mayor.
5. Cllr. Emmanuel Ronoh –Member

APPOLOGY

1. Cllr. Joyce Chepkoech Korir -H.W The Mayor

INVITED

Cllr. Leonard Barsumei

IN- ATTENDANCE

1. Mr. John Mosongo –Town Clerk.
2. Mr. Richard Too –Town Treasurer.
3. Mr.Chiris Magerer -Revenue Officer
4. Mr. Wilson Mutai –Internal auditor.
5. Mr.David Kerich -Accoundant
6. Mr.Philiph Sitonik -Works Officer
7. Mrs.Beatrice Laboso –Procurement Officer
8. Mr. John Rono -SRN. CDA
9. Ms.Eddah Laboso -Taking minutes.

Preliminaries

The meeting started at 11.20 a.m. with a word of prayer led by Cllr. Stanley Kosgei.

INTRODUCTION

The chairman introduced the agenda of the day and was approved.

MIN/106/ FSGPC /2012RECRUTMENT /SECONDMENT OF A PHYSICAL PLANNER

The Town Clerk informed the members that, there is a need to employ a physical planner to oversee the implementation of the Integrated Urban Plan currently being prepared by the MOLG. After deliberation on the same it was resolved that:

RESOLUTION

The members was agreed upon a proposal by Cllr. Joyce Korir seconded by Cllr. Stanley Kosgei that the Council to request the Ministry to post one.

MIN/107/ FSGPC /2012 RECRUITMENT OF ICT OFFICER Ss 10

The Town Clerk tabled a request to recruit an ICT officer since the Officer who was working with the Council is currently on his further studies to China and unlikely to be back in the next two(2)years.

RESOLUTION

The Town Clerk was mandated to seek authority from the Ministry to employ an ICT Officer.

MIN/108/ FSGPC /2012 RECRUITMENT TO APPROVED VACANCIES

The shortlisting committee tabled shortlisted candidates before the Finance committee for perusal and adoption. After a lengthy deliberation it was resolved that;

RESOLUTION

1. The shortlisted candidate's list was adopted upon a proposal by Cllr. Emmanuel Rono and seconded by Cllr. Joyce Chelangat Korir.
2. Panel comprising finance committee members and some appointed officers to sit and interview the shortlisted candidates.

MIN/109/ FSGPC /2012 PRESENTATION OF FINAL ACCOUNTS AND QUARTERLY BUDGET MONITORING REPORT FOR FY 2011/2012

FINAL ACCOUNT 2011/2012

The Municipal Treasurer tabled statement of Accounts for year ended 30th June for deliberation highlighting the following areas among others;

1. Income by source
2. Expenditure
3. Balance sheet items

RESOLUTION

The statement of Accounts was unanimously adopted and recommended for submission to the Ministry of Local Government and Kenya National Audit Office.

QUARTERLY BUDGET MONITORING REPORT

The quarterly monitoring report was subsequently tabled. It was noted that, the operation on the side of civic was notably up against the expected provisions. The Treasure explained that, the recent seminar attended by members have seen the expenditure of the rise. It was further noted that some of the Council's Bank Accounts have been dormant for a long time.

RESOLUTION

1. The report was adopted and recommended for submission relevant authorities.
2. The following Bank Accounts were recommended for closure:
   A. KAZI KWA VIJANA C-operative Account No. 01136355088000
   B. EUROPEAN UNION Kenya Commercial Bank –Bomet Account No.239 971 108

HONORARIUM

The Treasurer informed members that the submission date for final Accounts was re-schedule to 30th September 2012 from 31st December. The members discussed at length and upon a proposal by Cllr. Stanley Koskei and seconded by Cllr. Joyce Korir it was resolved that honorarium amounting to Ksh. Two hundred and sixty thousand (260) be paid out of budgeted Ksh. (300 000) three hundred thousand to the Council staffs who prepared the document.

ADJOURNMENT

There being no other business meeting was adjourned at1 2.10pm.

Confirmed..Date.....26.9.2012.....................
Chairman

Certified..Date.....27.09.2012.....................
Town Clerk

MUNICIPAL COUNCIL BOMET

P.O BOX 382 BOMET

MINUTES OF FULL COUNCIL HELD ON 25TH SEPTEMBER2012 IN THE COUNCIL CHAMBER.

PRESENT

1. Cllr.Stanley Koskei -D/Mayor –Chairing the meeting
2. Cllr.William Langat - Member
3. Cllr.Emmanuel Rono - Member
4. Cllr.Leonard Barsumei - Member
5. Cllr. Joyce Chelangat - Member
6. Cllr. Daniel Korir - Member
7. Mr. Peter Langat - Public Officer

ABSENT WITH APOLOGY

1. Cllr. Joyce Korir - H.W The Mayor
2. David Sang - Member

IN-ATTENDANCE

1. Mr. John Mosongo -Town Clerk.
2. Mr. Richard Too -Town - Treasurer.
3. Mr. Chris Magere -Revenue Officer
4. Mrs. Beatrice Laboso -Procurement
5. Mr. Wilson Mutai - Internal Auditor
6. Mr. David Kerich -Accountant
7. Mr. Philiph Sitonik -Works Officer
8. Mr. John Rono -SRN. CDA
9. Mrs. Eddah Laboso - Minute Clerk

PRELIMINARIES

The meeting started at 2:00 pm and the chairman welcomed members.

MIN/123 /FC/2012 ADOPTION OF THE FINANCE, STAFF AND GENERAL PURPOSE COMMITTEE MEETING HELD ON 25TH SEPTEMBER 2012

The Chairman Finance Staff and General Purpose Committee took the members through the Committee minutes held on 25th September for adoption and upon proposal by Councilor Emmanuel Rono and seconded by Councilor Joyce Chelangat Korir the minutes was adopted.

ADJOURNMENT

There being no other business the meeting ended at2:45pm.

Confirmed .... Date 27/09/2012

H. W. The Mayor

Certified .... Date 27.09.2012

Town Clerk

1 TREASURER'S REPORT

The Treasurer's Report contains:

- An overview of general financial performance for the year compared to the previous year and the budget, as well as general factors affecting the financial performance.
- Summary of operating results at corporate and service levels.
- A summary of implementation of capital projects budgeted for the year

Corporate Results

	Actual 2010/2011 KSh.	Actual 2011/2012 KSh.	Variance 2011/2012 KSh.	Budget 2011/2012 KSh.	Variance 2011/2012 KSh.
Operating Revenue for the year	65,487,952	77,703,753	12,215,801	59,319,647	(18,384,106)
Operating Expenses for the year	62,757,062	77,208,841	14,451,779	60,740,202	(16,468,639)
Operating Surplus/(Deficit) for the year	2,730,890	494,912	-2,235,978	(1,420,555)	(1,915,467)

Explanatory comments on:

- These was an increase in operating expenses of 2011/12 amounting Kshs. 14,421,779 (Fourteen million four hundred twenty one thousand seven hundred seventy nine only)
- This arose mainly out of increase in operating costs funds, travelling enforcement costs etc which were necessary to ensure increase revenue.
- The operating revenue also increased by 12,215,801(Twelve million two hundred fifteen thousand eight hundred one only)
- The Council has opened an account for renewals fund.
- Future plans to improve revenue collection

Fund or Service operating results summary 2011/12

Department	Revenue	Expenditure	Surplus/Deficit
Clerks	3,041,025	13,580,864	(10,539,839)
Treasurers	24,888,672	12,137,439	12,751,233

Civic	0	8,250,172	(8,250,172)
Works	510,730	11,876,124	(11,365,394)
Market	3,889,570	2,499,937	1,389,633
Buspark	9,121,310	4,973,655	4,147,655
Social Services	215,200	6,429,208	(6,214,008)
Other Payments and Deposits	11,041,621	14,626,222	3,584,601
Central Gov't Income (LATF & RMFL)	25,993,007	0	22,702,997
Surplus)	0	0	9,131,323
Other Provisions (Net)	0	2,630,684	(2,630,684)
Net surplus C/f	77,703,753	77,208,841	494,912

LASDAP Capital Expenditure For FY 2011/12

Capital expenditure on fixed assets during the year should be disclosed showing:

Projects	Budgeted Kshs A	Actuals Kshs B	Variance Kshs A-B	Status Kshs.
Bomet Market	1,000,000	-	1,000,000	
Moburo Pry School	450,000	291,150	158,850	
Tendonok Pry School	450,000	-	450,000	
Nokirwet Nursery	450,000	-	450,000	
Roret Nursery	450,000	336,500	113,500	
Kaptombuliet pry sch.	450,000	32,000	418,000	
Sugutanda water project	450,000	423,594	26,406	
Kipsimbol centre pry school	450,000	-	450,000	
Chebungungon water project	528,000	117,350	410,650	
Tirgaga Dispensary	528,000	462,870	65,130	
Itembe Cooling plant	528,000	357,390	170,610	
Chingondi Pry Sch.	528,000	526,990	1,010	
Kapsoiyo – cheswerta water tank	528,000	443,108	84,892	
Tuluap Mosonik	528,000	518,240	9,760	
Kecheiyat pry school	528,000	365,896	162,104	

Expression of appreciation

"I am grateful to Her Worship The Mayor, H. W. The Deputy Mayor, Chairman and members of the Finance Staff and General Purposes Committee, Councillors, the Town Clerk, and Departmental Heads for the support they have given to me and to the staff of my department during the year. I would also pay a glowing tribute to the officers from the Ministry of Local Government and the Kenya National Audit Office for their advice and guidance".

Signed: ....

SIGN

TREASURER

TREASURER. BOMET MUNICIPAL COUNCIL

Date: 27TH Sept 2012..........

2 THE PURPOSE OF THE ANNUAL FINANCIAL STATEMENTS

Purpose of the Annual Financial Statements:

- To inform stakeholders on the financial performance of their Local Authority.
- To ensure consistency amongst all Local Authorities in the presentation of annual financial statements.
- To ensure compliance with the law, Government regulations and other conditionalities set out by other organisations and institutions.
- To provide guidance on the application of Standards of Generally Accepted Accounting Principals (GAAP), International Accounting Standards (IAS) and the International Public Sector Accounting Standards (IPSAS).

Objective of the Annual Financial Statements:

- To demonstrate their accountability in the use of resources by issuing financial statements. As elected representatives of the public and through powers provided by the Local Government Act Cap.265, Councils have the authority and responsibility for public financial affairs and resources management. Therefore Local Authorities are authorised to levy rates, taxes and other incomes sufficient to finance the services required by the community. .
- To assist users in assessing the level of services that can be provided by the Local Authority and its ability to meet its obligations.
- To assist users in evaluating the operating results of the Local Authority for the year.
- To show how cash and other liquid resources were obtained and spent.
- To provide information useful in assessing whether financial resources were administered in accordance with the limits of budget allocation.

3 COUNCIL STATEMENT OF FINANCIAL PERFORMANCE

NAME OF THE COUNCIL: MUNICIPAL COUNCIL OF BOMET

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE, 2012

	NOTE	2012 KSh.000	2011 KSh.000
OPERATING REVENUE			
Own Source Revenues			
Property Rates		15,309,226	12,938,197
Contribution in Lieu of Rates		2,904,423	3,439,920
Cess and other levies		5,663,634	5,576,315
Single Business Permit		8,550,090	6,766,880
Licences		0	0
Market Fees		3,970,257	2,889,570
House Rent		1,029,239	1,428,000
Other Fees and Charges(parking fees)		11,906,872	8,105,440
Lease Income		0	0
Miscellaneous Revenue		2,376,988	1,297,896
Total Own Source Revenues		51,710,729	42,442,218
Central Government and Other Transfers			
LATF		22,442,075	19,154,665
Road Maintenance Levy Fund		3,550,932	3,548,332
Other Government Recurrent Grants-KKV		0	0
Total Central Government and Other Revenues		25,993,007	22,702,997
Total Operating Revenue		77,703,735	65,145,215
OPERATING EXPENSES			0
Employee costs	17	26,989,566	25,354,878
Operating costs		39,289,508	23,130,443
Repairs & Maintenance costs		4,674421	8,315,832
Depreciation & Amortization	14	2,202,379	2,282,365
Total Operating Expenses		73,155874	59,083,518
Net Surplus/(Deficit) from Operating Activities		4,547861	6,061,697
Bad Debts Provision	21	(3,215,954)	(2,630,684)
Interest earned		[illegible]18	306
Interest paid and bank charges		(347,013)	(542,860)
(Gain)/Loss on Disposal of Fixed Assets			342,431
Total Non-Operating Revenue(Expenses)		994,912	(2,830,807)
Net Surplus/(Deficit) before Extraordinary Items		0	3,230,890
Extraordinary Items	22	0	0
Net Surplus/(Deficit) for the Year		994,912	3,230,890
Provision for Renewals Fund	19	500,000	500,000
Net Surplus/(Deficit) Carried to General Rate Reserve Fund		494,912	2,730,890

General Rate Reserve Fund

	NOTE	2012 Kshs	2011 Kshs
Net Surplus (Deficit) for the year		494,912	2,730,890
Balance brought forward		46,907,559	44,176,669
Prior year and other adjustment	18	0	0
Surplus/Deficit carried forward		47,902,471	46,907,559

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NAME OF COUNCIL	MUNICIPAL COUNCIL OF BOMET				
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2012					
		COUNCIL	ABC.CO	TOTAL	TOTAL
		2012	2012	2012	2011
ASSETS	NOTE	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000
Current Assets					
Cash & Cash Equivalents	4	X	X	X	X
Debtors/Receivables	5	X	X	X	X
Deposits	6	X	X	X	X
Prepayments	7	X	X	X	X
Inventory	8	X	X	X	X
Total Current Assets		X	X	X	X
Non-Current Assets					
Investments	9	X	X	X	X
Land & Buildings	14	X	X	X	X
Capital Work in progress	14	X	X	X	X
Plant & Equipment	14	X	X	X	X
Infrastructure	14	X	O	X	X
Water works	14	O	X	X	X
Motor Vehicles	14	X	X	X	X
Furniture, Fittings & Equipment	14	X	X	X	X
Housing Schemes	14	X	O	X	X
Community Assets	14	X	O	X	X
Heritage Assets	14	X	O	X	X
Total Non Current Assets		X	X	X	X
TOTAL ASSETS		X	X	X	X
LIABILITIES					
Current Liabilities					
Payables/Creditors, Accruals & Provisions	11	X	X	X	X
Consumer deposits	12	X	X	X	X
Current Portion of Long Loans	15	X	X	X	X
Bank Overdraft	4	X	X	X	X
Total Current Liabilities		X	X	X	X
Non-Current Liabilities					
Long-Term Borrowing	15	X	X	X	X
Total Non-Current Liabilities		X	X	X	X
TOTAL LIABILITIES		X	X	X	X
NET ASSETS		X	X	X	X
NET ASSETS/CAPITAL & RESERVES					
Capital contributed by Govt Entities	16	X	O	X	X
Renewals Fund	19	X	O	X	X
Housing Fund	10	O	X	X	X
Other Fund Reserves	13	X	X	X	X
General Rate Reserve Fund		X	O	X	X
Minority Interest	3	X		X	X
NET ASSETS/CAPITAL & RESERVES		X	X	X	X

Signed: .... Date ....
TREASURER

.... Date 27.09.2012
CLERK

SIGN________
TOWN TREASURER
BOMET MUNICIPAL COUNCIL

5. Council Statement of Financial Performance

NAME OF THE COUNCIL: MUNICIPAL COUNCIL OF BOMET				
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE, 2012				
	NOTE	Approved Budget 2011/2012	Actual 2011/2012	Actual 2010/11
OPERATING REVENUE				
Own Source Revenues				
Property Rates		6,000,000	15,309,226	12,938,197
Contribution in Lieu of Rates		1,500,000	2,904,423	3,439,920
Cess and other levies		4,297,250	5,863,634	5,576,315
Single Business Permit		5,000,000	5,560,090	6,766,880
Licences		0	0	0
Market Fees		2,885,000	3,970,257	2,889,570
House Rent		1,380,000	1,029,239	1,428,000
Other Fees and Charges-Buspark		8,948,390	11,906,872	8,105,440
Lease Income		0	0	0
Miscellaneous Revenue		3,316,000	2,376,988	1,297,896
Total Own Source Revenues		33,326,640	[illegible]	42,442,218
Central Government and Other Transfers				
LATF		22,442,075	22,442,075	19,154,665
Road Maintenance Levy Fund	24	3,550,932	3,550,932	3,548,332
Other Government Recurrent Grants-KKV			0	0
Total Central Government and Other Revenues				22,702,997
Total Operating Revenue		59,319,647	77,103,735	65,145,215
OPERATING EXPENSES				0
Employee costs	17	28,432,104	26,989,566	25,354,878
Operating costs		23,876,500	39,289,508	23,130,443
Repairs & Maintenance costs		7,811,598	4,674,421	8,315,832
Depreciation & Amortization	14	0	2,202,379	2,282,365
Total Operating Expenses		60,120,202	73,155,874	59,083,518
Net Surplus/(Deficit) from Operating Activities		(800,555)	4,547,861	6,061,697
Bad Debts Provision	21	0	(3205954)	(2,630,684)
Interest earned		0	18	306
Interest paid and bank charges		120,000	(347013)	(542,860)
(Gain)/Loss on Disposal of Fixed Assets				342,431
Total Non-Operating Revenue(Expenses)		(680,555)	394,012	(2,830,807)
Net Surplus/(Deficit) before Extraordinary Items		(680,555)	0	3,230,890
Extraordinary Items			0	0
Net Surplus/(Deficit) for the Year	22		[illegible]	3,230,890
Provision for Renewals Fund	19	500,000	500,000	500,000
Net Surplus/(Deficit) Carried to General Rate Reserve Fund		180,555	494,912	2,730,890

5 COUNCIL STATEMENT OF FINANCIAL POSITION

NAME OF COUNCIL	MUNICIPAL COUNCIL OF BOMET		
STATEMENT OF FINANCIAL POSITION			
AS AT 30TH JUNE 2012			
		2012	2011
ASSETS	NOTE	KSh.000	KSh.000
Current Assets			
Cash and Cash equivalent			
Receivables/Debtors	4	874,563	8,752,606
Deposits	5	60,913,123	49,982,996
Prepayments	6	0	0
Inventory	7	184,722	2,500
Total Current Assets	8	0	0
Non-Current Assets		61,972,408	58,738,102
Investments			
Buildings	9	0	0
Capital Work in Progress	14	6,166,011	5,321,860
Plant & Equipment	14	0	0
Infrastructure	14	0	0
Motor Vehicles	14	41,720,117	39,775,000
Furniture, Fittings & Equipment	14	2,172,500	672,321
Community Assets	14	665,323	844,159
Housing Schemes	14	0	0
Heritage Assets	14	0	0
Total Non-Current Assets	14	0	0
TOTAL ASSETS		49,723,951	46,613,340
		111,196,359	105,351,442
LIABILITIES			
Current Liabilities			
Payables/Creditors, Accruals & Provisions	11	9,764,911	4,852,936
Consumer Deposits	12	358,762	418,762
Current Portion of Long Term Loans	15	0	0
Bank Overdraft	4	0	1,970
Total Current Liabilities		10,123,673	5,273,668
Non-Current Liabilities			
Long-Term Borrowings	15	0	0
Total Non-Current Liabilities		0	0
TOTAL LIABILITIES		10,123,673	5,273,668
NET ASSETS		101,572,686	100,077,774
NET ASSETS/ CAPITAL AND RESERVES			
Capital Contributed by Government Entities	16	43,000,000	43,000,000
Renewals Fund	19	1,000,000	500,000
Other Reserves	13	9,670,215	9,670,215
General Rate Reserve Fund		47,902,471	46,907,559
Housing Fund	10	0	0
TOTAL NET ASSETS/ CAPITAL AND RESERVES		101,572,686	100,077,774

Name: R. K. A. Too
Sign .... TOWN TREASURER. BOMET MUNICIPAL COUNCIL
Date 27.9.2012
Title: Municipal Treasurer

Name: J. K. Mosongo
Sign............
Date.........27.09.2012
Title: Town Clerk

TOWN CLERK
BOMET MUNICIPAL COUNCIL

6 CONSOLIDATED CASH FLOW STATEMENT

NAME OF COUNCIL		
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2012		
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	KSh.000	KSh.000
Cash Receipts:		
Property Rates	X	X
Single Business Permit	X	X
Fees and Charges	X	X
Grants	X	X
LATF	X	X
R.M. Levy	X	X
Interest received	X	X
House rents & TPS Schemes	X	X
Dividends	X	X
Water & Others	X	X
Lease Income	X	X
Other Receipts- from other subsidiaries	X	X
	X	X
Cash Payments		
Employee costs	(X)	(X)
Superannuation	(X)	(X)
Supplies	(X)	(X)
Interest paid	(X)	(X)
Other payments	(X)	(X)
	X	X
Net Cash Flows From Operating Activities	X	X
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(X)	(X)
Proceeds from sale of investment	X	X
Purchase of investments	(X)	(X)
Net cash Flows investing activities	X	X
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	X	X
Repayment of borrowing	(X)	X
Net cash flows from financing Activities	X	X
Net increase (decrease) in cash and cash equivalents	X	X
Cash and cash equivalent at Beginning of Period	X	X
Cash and cash equivalents as at 30th June, 2012	X	X

Notes to Consolidated Cash Flow Statement

Cash and cash equivalents consist of cash on hand and balance with banks and short term investments. Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	2012 KSh.000	2011 KSh.000
Cash on hand and banks	X	X
Short term investments	X	X
	X	X

RECONCILIATION OF NET CASH FLOW FROM OPERATING TO NET SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES

	2012 KSh.000	2011 KSh.000
Surplus/(deficit) from ordinary activities	X	X
Non Cash Movements		
Depreciation	X	X
Increase in provision for bad debts	X	X
Increase in payables	X	X
Increase in current borrowings	X	X
Increase in provision relating to employee costs	X	X
Gain from sale of property	(X)	(X)
Increase in other current assets	(X)	(X)
Increase in investments due to revaluation	(X)	(X)
Increase in receivables/Debtors	(X)	(X)
Short term investments withdrawn	(X)	(X)
Extra Ordinary item	(X)	X
Net Cash from operating Activities	X	X

7 COUNCIL CASH FLOW STATEMENT

NAME OF COUNCIL: MUNICIPAL COUNCIL OF BOMET		
COUNCIL CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2012		
	2012	2011
		0
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts:		
Property Rates & CILOR	10,648,215	13,269,274
Single Business Permit	8,550,090	6,766,880
Fees and Charges	11,906,872	10,995,010
Grants-Kazi kwa Vijana funds	0	0
LATF	22,442,075	19,154,665
R.M. Levy	0	2,518,654
Interest received	18	306
House rents & TPS Schemes	1,029,239	1,128,370
Dividends	0	0
Lease Income	0	0
Other Receipts & Mayor's xmass tree fund	12,010,878	7,157,361
TOTAL	66,587,387	**60,990,520**
Cash Payments		
Employee costs	25,554,882	22,083,757
Superannuation	3,375,882	3,271,121
Supplies	43,963,929	30,603,595
Interest paid	347,013	542,860
Other payments	1,222,437	1,440,754
Total payment	74,463,460	**57,942,087**
Net Cash Flows From Operating Activities	(7,876,073)	**3,048,433**
CASH FLOWS FROM INVESTING ACTIVITIES	0	
Purchase of plant and equipment	0	(800,000)
Proceeds from sale of investment/property	0	204,875
Purchase of investments	0	0
Net cash Flows investing activities	0	**(595,125)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings		0
Repayment of borrowing		0
Net cash flows from financing Activities		0
Net increase (decrease) in cash and cash equivalents	(7,876,073)	2,453,308
Cash and cash equivalent at Beginning of Period	8,750,636	6,297,328
Cash and cash equivalents as at 30th June, 2012	874,563	**8,750,636**

Notes to Council Cash Flow Statement

Cash and cash equivalents consist of cash on hand and balances with banks and short term investments. Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	2012 KSh.000	2011 KSh.000
Cash on hand and banks		8,750,636
Short term investments	0	X
		8,750,636

RECONCILIATION OF NET CASH FLOW FROM OPERATING TO NET SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES

	2012 KSh.000	2011 KSh.000
Surplus/(deficit) from ordinary activities		(5,493,070)
Non Cash Movements		
Depreciation		2,030,134
Increase in provision for bad debts		138,678
Increase in payables		0
Increase in current borrowings		0
Increase in provision relating to employee costs		0
Gain from sale of property		0
Proceeds of sale of fixed assets		0
Increase in other current assets		0
Increase in investments due to revaluation		0
Increase in receivables/debtors		(130,099)
Short term investments withdrawn		0
Extra Ordinary item		0
Net Cash from operating Activities		(3,454,357)

SIGN
TOWN TREASURER.
COUNCIL

8 CONSOLIDATED CHANGES IN NET ASSETS/CAPITAL AND RESERVES

NAME OF COUNCIL				
CONSOLIDATED CHANGES IN NET ASSETS/CAPITAL AND RESERVES AS AT 30TH JUNE 2012				
				Kshs.(000's)
	Contributed Capital	Other Reserves	General Rate Reserve Surplus/ (Deficits)	Total
Balance at 31.12..2011	X	X	X	X
Changes in Accounting Policy	(X)		(X)	(X)
Restated balance	X	X	X	X
Surplus on revaluation of property		X		X
Deficit on revaluation of investments		X		X
		(X)		(X)
Net gains and losses not recognised				
in the statement of financial performance				
Net surplus for the period		X		X
Balance at 31.12.2011			X	X
Deficit on revaluation of property	X	X	X	X
Surplus on revaluation of investments		(X)		(X)
Net gains and losses not recognised		X		X
in the statement of financial performance				
Net deficit for the period		(X)		(X)
Balance at 31.12.2011			(X)	(X)
	X	X	X	X

9 COUNCIL CHANGES IN NET ASSETS/CAPITAL AND RESERVES

NAME OF COUNCIL: MUNICIPAL COUNCIL OF BOMET

CHANGES IN NET ASSETS/CAPITAL AND RESERVES AS AT 30TH JUNE 2012

Kshs.(000's)

	Contributed Capital	Other Reserves	General Rate Reserve Surplus/ (Deficits)	Total
Balance at 1-7-2011	43,000,000	9,670,215	46,907,559	99,577,774
Changes in Accounting Policy				
Restated balance				
Surplus on revaluation of property/additions		0		0
Deficit on revaluation of investments				
Renewal fund		1,000,000		1,000,000
Net gains and losses not recognised				
in the statement of financial performance			494,912	494,912
Net surplus for the period				
Balance at 31.12.2011				
Deficit on revaluation of property				
Surplus on revaluation of investments				
Net gains and losses not recognised				
in the statement of financial performance				
Net deficit for the period				
Balance at 31.12.2012	**43,000,000**	10,670,215	47,902,471	**101,572,686**

10 STATEMENT OF FINANCIAL PERFORMANCE SUMMARY BY FUND

NAME OF COUNCIL: MUNICIPAL COUNCIL OF BOMET				
STATEMENT OF FINANCIAL PERFORMANCE SUMMARY BY FUND				
FOR THE YEAR ENDED 30TH JUNE 2012				
	GENERAL RATE FUND	XXX FUND	XXX FUND	TOTAL
	2012	2011	2012	2011
OPERATING REVENUE	KSh.000	KSh.000	KSh.000	KSh.000
Operating Revenue				
Own Source Revenues				
Property Rates				
Contribution in Lieu of Rates	15,309,226	0	0	12,938,197
Cess and other levies	2,904,423	0	0	3,439,920
Single Business Permit	5,663,634	0	0	5,576,315
Licences	8,550,090	0	0	6,766,880
Market Fees	0	0	0	0
House Rent	3,970,257	0	0	2,889,570
Other Fees and Charges	1,029,239	0	0	912,000
Lease Income	11,906,872	0	0	8,105,440
Miscellaneous Revenue	0	0	0	0
Total Own Source Revenues	2,376,988	0	**0**	1,581,045
Central Government and Other Transfers	**51,710,729**	0	**0**	**42,209,367**
LATF				
Road Maintenance Levy Fund	22,442,075	0	0	19,154,665
Other Government Recurrent Grants	3,550,932	0	0	3,550,932
Total Central Government and Other Revenues	0	0	0	4,000,000
Total Income	25,993,007	**0**	**0**	**26,705,597**
Operating Expenses	**77,703,735**	0	0	**68,914,964**
Employee costs		0	0	0
Operating costs	26,989,566	0	0	25,354,878
Repairs & Maintenance costs	39,289,508	0	0	23,130,443
Depreciation & Amortization	4,674,421	0	0	8,315,832
Total Operating Expenses	2,202,379	0	0	2,282,365
Net Surplus/(Deficit) from Operating Activities	**73,155,874**	0	**0**	**59,083,518**
Bad Debts Provision	4,547,861	0	0	6,061,697
Interest earned	(3,205,954)	0	0	(2,630,684)
Interest paid	18	0	0	306
Gain/(Loss) on disposal of Fixed Assets	(347,013)	0	0	(542,860)
Total Non-Operating Revenue(Expenses)	0	0	0	342,431
Net Surplus/(Deficit) From Ordinary Activities	**994,912**	**0**	**0**	**(2,830,807)**
Share of Surplus/(Deficit) of Associate	0	0	0	3,230,890
Net Surplus/(Deficit) before Extraordinary Items	0	0	0	0
Extraordinary Items	994,912	0	0	3,230,890
Net Surplus/(Deficit) for the Year	0	0	0	0
Provision for Renewals Fund	994,912	0	0	3,230,890
Net Surplus / (Deficit) for the year	500,000	0	0	1,014,272
	494,912	0	0	2,730,890

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11 STATEMENT OF FINANCIAL POSITION SUMMARY BY FUND

NAME OF COUNCIL: MUNICIPAL COUNCIL OF BOMET						
STATEMENT OF FINANCIAL POSITION SUMMARY BY FUND AS AT 30TH JUNE 2012						
	GENERAL RATE FUND	X FUND	X FUND	x FUND	x FUND	TOTAL
	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000
ASSETS						
Current Assets						
Cash & Cash Equivalents	874,563	0	0	0	0	8,752,606
Debtors	60,913,123	0	0	0	0	49,982,996
Deposits	0	0	0	0	0	0
Inventory	0	0	0	0	0	0
Prepayments	184,722	0	0	0	0	2,500
Short-Term Deposits	0	0	0	0	0	0
Total Current Assets	**61,972,409**	**0**	**0**	**0**	**0**	**58,738,102**
Non-Current Assets	0					
Long-Term Receivables		0	0	0	0	0
Investments		0	0	0	0	0
Land & Buildings	5,166,011	0	0	0	0	5,321,860
Work in progress	0	0	0	0	0	0
Plant & Equipment	0	0	0	0	0	0
Infrastructure	41,720,117	0	0	0	0	39,775,000
Motor Vehicles	2,172,500	0	0	0	0	672,321
Furniture, Fittings & Equipment	665,323	0	0	0	0	844,159
Housing Schemes	0	0	0	0	0	0
Community Assets	0	0	0	0	0	0
Heritage Assets	0	0	0	0	0	0
Total Non Current Assets	**49,723,951**	**0**	**0**	**0**	**0**	**46,613,340**
TOTAL ASSETS	**111,196,359**	**0**	**0**	**0**	**0**	**105,351,442**
LIABILITIES						
Current Liabilities						
Creditors. Accruals & Provisions	9,764,911	0	0	0	0	4,852,936
Consumer deposits	358,762	0	0	0	0	418,762
Short-Term Borrowings	0	0	0	0	0	0
VAT	0	0	0	0	0	0
Current Portion of Long Loans	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0
Bank Overdraft	0	0	0	0	0	1,970
Total Current Liabilities	**10,123,673**	**0**	**0**	**0**	**0**	**4,971,882**
Non-Current Liabilities						**5,273,668**
Long-Term Borrowing	0	0	0	0	0	0
Total Non-Current Liabilities	**10,123,673**	**0**	**0**	**0**	**0**	**5,273,668**
NET ASSETS	**101,572,686**	**0**	**0**	**0**	**0**	**100,077,774**
Inter Funds Balances		0	0	0	0	0
CAPITAL AND RESERVES						
Capital contributed by Govt Entities	43,000,000	0	0	0	0	43,000,000
Renewals Fund	1,000,000	0	0	0	0	500,000
Other Fund Reserves	9,670,215	0	0	0	0	9,670,215
Housing Fund	47,902,471	0	0	0	0	46,907,559
General Rate Reserve Fund	0	0	0	0	0	0
TOTAL NET ASSETS/CAPITAL AND RESERVES	**101,572,686**	**0**	**0**	**0**	**0**	**100,077,774**

12 ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

MUNICIPAL COUNCIL OF BOMET

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012

NOTES TO THE FINANCIAL STATEMENTS

(A) Accounting Policies and Guidelines

The financial statements have been prepared using the following accounting policies.

14.1 Corporate receipts, customer and client receipts

Cash receipts are recorded in the service or departmental recurrent accounts and the summary recurrent account. An assessment of material debtors is carried out to determine the percentage of the amount realisable within the next twelve months. The amount of any debt not due for more than twelve months after the date of the financial statements will be considered in the Statement of Financial Position as Non-current Debtors.

Revenue is recognised as follows:

(a) Rates/plot rent and Housing rental revenue are recognised when due.

(b) Licensing income fees as charges and grants is recognised when received.

14.2 Unpaid employee costs

The full cost of employees, including un-remitted statutory and other payroll deductions, is charged to the accounts of the period within which the employees worked. If there are unpaid salaries relating to the year of account, accruals are made and identified as a separate item in the Statement of Financial Position under Current Creditors. Where retrospective adjustments or special payments are required, for example through pay awards, the accounts are charged with the additional amount as soon as the amount becomes measurable to the accounts of the year. Exceptionally, paid leave that is not taken by the end of the year is not accrued, as changes from year to year are not normally material.

14.3 Un-remitted Statutory and other deductions

Statutory and other deductions not remitted at the end of the year are identified as Current Creditors.

14.4 Supplies and Services

All supplies and services are accrued and accounted for in the period during which they were incurred. Accruals are made for all unpaid invoices at the year-end and identified as current creditors.

14.5 Interest, Payable and Receivables

Interest payable is charged on accrual basis when due and credited to current creditors. Any outstanding interest not honoured for a period of twelve months is transferred to loan balances as part of non-current creditors. Interest receivable from short term and long term investments is recognised on a time basis and if not received is considered as part of current assets.

14.6 Loans and Contractual Obligations

The movement on long term loans and short terms loans is disclosed with details on payments made during the year, interest accrued and the outstanding balance. This balance is considered under both current and non current liabilities, with the amount payable within twelve months shown under current liabilities, and remaining amount as non current liabilities.

14.7 Contingencies

Contingent liabilities are liabilities that will arise in the event of the occurrence of a particular foreseeable event. These may include guarantees given by the local authority, court cases outstanding, or uninsured assets. In these cases the likely cost to the council in the event of the contingency occurring is recognised in the accounts by way of note. Where it is deemed that the contingency has occurred, or is likely to do so then provision is made in the accounts for the full amount of the liability.

14.8 Exceptional Items, Extraordinary Items and Prior Year Adjustments

Exceptional items are material expenditures which are not expected to occur frequently or regularly. They may include uninsured damage caused by the weather effect, uninsured structure failure, deficits arising from insurance settlements and costs of labour unrest. Exceptional items are included in the responsibility centre or service to which they relate and, where material, explained within the notes to the accounts.

Extraordinary items are rare but can arise where material losses/surpluses have been incurred because of unlawful transactions, or where losses have been incurred through natural disasters. Extraordinary items are disclosed and described in the summary Statement of Financial Performance after dealing with all items within the ordinary activities of the Council and are fully explained in a note to the financial statements.

Prior year adjustments arise in the financial statements due to a change in accounting policies, a material error detected or a change in accounting estimates. Changes arising as a result of the above, where possible, require the restatement of the previous balances. However, where it is impracticable to determine the cumulative effect, at the beginning of the current period, the comparative information is restated to correct the error prospectively from the earliest date practicable.

14.9 Reserves

Renewals Fund

Under section 219 of the Local Governments Act, a local authority is expected to appropriate an amount from council's revenue to the Renewals Fund. This is supported by creating a separate bank account / investment for future replacement of fixed assets as per LAs replacement policy. However during the financial year the Council has created renewals fund.

Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a revaluation reserve. The revaluation surplus is realised, as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus / (Deficit). On disposal, the net revaluation on surplus is transferred to the accumulated surplus/ (Deficit) while gains or losses on disposal, based on revalued amounts are credited or charged to the Statement of Financial Performance. No revaluation of assets was done during the year.

14.10 Property Plant and Equipment

Cost

Property Plant and Equipment, is stated at cost, less accumulated depreciation and amortisation costs, except land, which is revalued as indicated below. Heritage assets, which are culturally significant resources and which are also shown at cost.

Depreciation policy

Depreciation is calculated on cost or valuation, using the Straight Line Method over the estimated useful lives of the assets .The annual depreciation rates are based along the following estimated lives:

Asset	Life of Asset Years	Depreciation Rate%
Infrastructure Public Works	30	2.5
Electrical	20-30	2.5
Water works	15-20	10
Housing	30	2.5
Buildings	40	2.5
Specialized Vehicles	10	20
Other Vehicles	5	20
Office Equipment	8	12.5
Furniture & Fittings	8	12.5
Bins and Containers	5	20
Specialized plant and equipment	8	12.5
Other items of plant and equipment	5	25
Landfill sites	15	7.5
Heritage Assets	0	0

14.15 Capital Funds and Reserves

The Council's financial statement present fund balances not available for appropriation or which are legally restricted by outside parties for use for specific purposes.

14.5 Interest, Payable and Receivables

Interest payable is charged on accrual basis when due and credited to current creditors. Any outstanding interest not honoured for a period of twelve months is transferred to loan balances as part of non-current creditors. Interest receivable from short term and long term investments is recognised on a time basis and if not received is considered as part of current assets.

14.6 Loans and Contractual Obligations

The movement on long term loans and short terms loans is disclosed with details on payments made during the year, interest accrued and the outstanding balance. This balance is considered under both current and non current liabilities, with the amount payable within twelve months shown under current liabilities, and remaining amount as non current liabilities.

14.7 Contingencies

Contingent liabilities are liabilities that will arise in the event of the occurrence of a particular foreseeable event. These may include guarantees given by the local authority, court cases outstanding, or uninsured assets. In these cases the likely cost to the council in the event of the contingency occurring is recognised in the accounts by way of note.

Where it is deemed that the contingency has occurred, or is likely to do so then provision is made in the accounts for the full amount of the liability.

14.8 Exceptional Items, Extraordinary Items and Prior Year Adjustments

Exceptional items are material expenditures which are not expected to occur frequently or regularly. They may include uninsured damage caused by the weather effect, uninsured structure failure, deficits arising from insurance settlements and costs of labour unrest. Exceptional items are included in the responsibility centre or service to which they relate and, where material, explained within the notes to the accounts.

Extraordinary items are rare but can arise where material losses/surpluses have been incurred because of unlawful transactions, or where losses have been incurred through natural disasters. Extraordinary items are disclosed and described in the summary Statement of Financial Performance after dealing with all items within the ordinary activities of the Council and are fully explained in a note to the financial statements.

Prior year adjustments arise in the financial statements due to a change in accounting policies, a material error detected or a change in accounting estimates. Changes arising as a result of the above, where possible, require the restatement of the previous balances. However, where it is impracticable to determine the cumulative effect, at the beginning of the current period, the comparative information is restated to correct the error prospectively from the earliest date practicable.

14.9 Reserves

Renewals Fund

Under section 219 of the Local Governments Act, a local authority is expected to appropriate an amount from council's revenue to the Renewals Fund. This is supported by creating a separate bank account / investment for future replacement of fixed assets as per LAs replacement policy. However during the financial year the Council has created renewals fund.

Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a revaluation reserve. The revaluation surplus is realised, as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus / (Deficit). On disposal, the net revaluation on surplus is transferred to the accumulated surplus/ (Deficit) while gains or losses on disposal, based on revalued amounts are credited or charged to the Statement of Financial Performance. No revaluation of assets was done during the year.

14.10 Property Plant and Equipment

Cost

Property Plant and Equipment, is stated at cost, less accumulated depreciation and amortisation costs, except land, which is revalued as indicated below. Heritage assets, which are culturally significant resources and which are also shown at cost.

Depreciation policy

Depreciation is calculated on cost or valuation, using the Straight Line Method over the estimated useful lives of the assets .The annual depreciation rates are based along the following estimated lives:

Asset	Life of Asset Years	Depreciation Rate%
Infrastructure Public Works	30	2.5
Electrical	20-30	2.5
Water works	15-20	10
Housing	30	2.5
Buildings	40	2.5
Specialized Vehicles	10	20
Other Vehicles	5	20
Office Equipment	8	12.5
Furniture & Fittings	8	12.5
Bins and Containers	5	20
Specialized plant and equipment	8	12.5
Other items of plant and equipment	5	25
Landfill sites	15	7.5
Heritage Assets	0	0

14.15 Capital Funds and Reserves

The Council's financial statement present fund balances not available for appropriation or which are legally restricted by outside parties for use for specific purposes.

14.17 Interfund Receivables, Payables, and Transfers

The composition of inter-fund transfers is worked out by the Council at the end of the year, to ensure that any movements between GRF, Housing, RMLF, and any other transfers are captured at the end of the year, and the effect of the balances is nil on preparation of the Council Statement of Financial Position.

14.18 Restricted Funding

Where Local Authorities receive funds from bilateral or multilateral donors, such disbursements based on the conditions set out are treated under restricted funding. Under such conditions, any balance of funds un-spent is left in the statement of financial position as amount owed to the donor.

14.19 Related Party Transactions

Related party transactions and the amount incurred on such transactions are disclosed, where they exist, in the Notes to the Accounts.

14.20 Changes in Net Assets/Capital and Reserves

A statement showing the movement in reserves and capital is included in the Financial Statements. The statement includes the following details:

- The net surplus or deficit for the period
- Each item of revenue and expense, which, as required by other standards, is recognised directly in Net Assets/Capital and Reserves, and the total of these items; and
- The cumulative effect of changes in accounting policy and the correction of fundamental errors that are dealt with under the benchmark treatment in IPSAS 3.
- The benchmark treatment requires that fundamental errors that relate to prior periods be reported by adjusting the opening balance of accumulated surpluses/ (deficits). Comparative information should be restated, unless it is impracticable to do so.
- The statement also discloses the following:
  - The nature of the fundamental errors
  - The amount of the correction for the current period and for each prior period presented
  - The amount of the correction relating to periods prior to those included in the comparative information
  - The fact that comparative information has been restated or that it is impracticable to do so.

14.21 Consolidation

Where there is a controlling interest in other entities annual consolidated statements of financial position and performance are prepared on a line by line basis, adding together like items of asset and liabilities, net assets equity, revenue and expenses. In order for the consolidated financial statements to present financial information about the economic entity as that of a single entity, the following principles are followed, in line with IPSAS 6. The Council has no subdivision.

14.22 Bad Debts

Specific provision is made for doubtful and bad debts based on an ageing record of debtors/receivables. The debts considered by management to be bad or doubtful are presented to the Council for approval and thereafter written off to the Council's revenue, when deemed unrecoverable.

14.23 Currency

The accounts are stated in Kenya shillings and rounded off to the nearest Kenya shilling.

(B) Notes to Financial Statements

1 Basis of Preparation

The financial statements have been prepared in line with International Public Sector Accounting Standards under accrual accounting on a historical cost basis as modified by the revaluation of fixed assets and the accounting policies set out above have been applied consistently throughout the period.

2 Reporting Entity

Legal Notice Number 6218 dated 11th July 1995 created the Municipal Council of Bomet, as a Municipality is covered by section 12 of the Local Government Act Cap. 265 of the Laws of Kenya.

3 Consolidation – The Council has no subsidiary

(a) The Local Authority holds ownership interests and/or voting rights in the following entities:-

4 Cash and Cash Equivalents and Overdrafts

		Council	
		2012 KSh.000	**2011 KSh.000**
4 (a)	*Cash and Cash Equivalents*		
(i)	**Cash on Hand**	85,752	88,881
(ii)	**Cash at Bank**	0	0
	Poverty reduction account	0	4565.50
	LATF account	10,604.46	3,144,403
	General Rate Fund account	6,407.95	10,572.95
	Salaries Personnel Emolument	448,299.90	1,366,525
	Kenya Roads Board	54,553.81	3,996,420
	Renewal fund	267,580	138,080
	x-mas tree fund	1366.45	3,159
	Total Cash at Bank	**874,564.57**	**8,752,556**
(iii)	**Short Term Deposits**	**0**	**0**
	Total Cash and Cash Equivalents	**874,564.57**	**8,752,556**

4 (b) Bank Overdrafts

LATF account	0	0
Xmass Tree Fund account	0	1,970
………… account	0	0
Total Bank Overdrafts	**0**	**1,970**

5. Debtors/Receivables

	Council	
	2012 KSh.000	2011 KSh.000
Gross debtors/receivables	64,119,077	52,613,680
Less: Provision for bad debts	3,205,954	2,630,684
Net Debtors	**60,913,123**	**49,982,996**

Age Analysis

Current (0-30 days)		
31-60 days		
61-90 days		
Over 90 days	60,913,123	49,982,996
Total	**60,913,123**	**49,982,996**

Debtors/Receivables by Type

Residential - House Rent	1,401,821	1,111,060
Commercial debtors- Property Rates	47,209,930	38,644,503
Parastatals – CILOR	15,066,035	12,416,826
Sundry Debtors – Imprest	215,402	215,402
Advances to Councillors	139,457	139,457
Staff Advances	86,432	86,432
Total	**64,119,077**	**52,613,680**

The Council has a policy of charging provision for doubtful debt of 5% of the total outstanding debtors during the year.

6. Deposits

	Council	
	2012 KSh.000	**2011 KSh.000**
Water deposits	0	0
Electricity deposits	0	0
Total	**0**	**0**

7. Prepayments

Seasonal (advance) parking charges	0	0
Hire of halls	0	0
Overpayment to Bomsot	184,722	2500
Total	**184,722**	**2500**

8. Inventories

Consumable stores at cost	0	0
Maintenance materials at cost	0	0
Total	**0**	**0**

9. *Investments*

Particulars	Council	
	Percentage of Ownership	2012 Cost Kshs
Investment in Associates	0	0
Company XXX	0	0
Company XXB	0	0
Total (A)	0	0
Other Investments	**0**	**0**
Listed Government Bonds	0	0
Fixed Deposits	0	0
Renewal Funds –Investment	0	0
Total (B)	0	0
Total Investments	**0**	**0**

10. *Housing Development Fund*

	Council	
	2012 KSh.000	2011 KSh.000
TPS/S&S Schemes	0	0
Rental Schemes	0	0
USAID Schemes	0	0
Total	**0**	**0**

11. *Creditors & Accruals*

Suppliers for Goods & Services	2,194,609	2,358,818
Salary Arrears	830,869	2,389,157
Unpaid Statutory deductions	6,739,433	104,961
V.A.T	0	0
Total	**9,764,911**	**4,852,936**

Age Analysis

Current (0-30 days)		
31-60 days		
61-90 days		
Over 90 days	9,764,911	4,852,936
Total	**9,764,911**	**4,852,936**

12. *Consumer deposits*

Buspark Kiosk deposits	358,762	418,762
Total	**358,762**	**418,762**

13. Other Reserves

Capital outlay	9,670,215	8,870,215
LATF	0	800,000
Total	**9,670,215**	**9,670,215**

14.2 Fixed Assets Schedule as at 30th June 2012 - Council

COST/ REVALUATION	BUILDINGS	INFRASTR- STRUCTURE Buspark	PLANT & EQUIP	MOTOR VEHICLES	FURNITURE, FITTINGS & EQUIPMENT	COMMUNITY ASSETS	HERITAGE ASSETS	HOUSING SCHEMES	W.I.P	TOTAL
	KSH.000	KSH.000	KSH.000	KSH.000	KSH.000	KSH.000	KSH.000	KSH.000	KSH.000	KSH.000
Cost or Revaluation	6,233,964	43,000,000	0	3,588,054	653,392	0	0	0	0	53,475,410
Bal. brought forward at 1.7.2011	6,233,964	43,000,000	0	3,588,054	653,392	0	0	0	0	53,475,410
Additions										
Transfer from W.I.P	0	0	0	0	0	0	0	0	0	0
Capital under construction	0	0	0	0	0	0	0	0	0	0
Purchases/Invented	0	0	0	0	677,300	0	0	0	0	3,415,146
Revaluation Surplus/Deficit for the Year	0	0	0	0	0	0	0	0	0	0
Disposal of Assets	0	0	0	(472,499)	[illegible]	0	0	0		(472,499)
Bal. carried forward at 30.6.2011	6,233,964	43,000,000	0	3,115,555	1,330,692	**0**	**0**	**0**	**0**	**53,780,211**
Depreciation	0	0	0	0	0	0	0	0	0	0
Bal. brought forward at 1.7.2011	756,255	2,150,000	0	2,583,399	320,197	0	0	0	0	**5,809,851**
Depreciation on Disposals	0	0	0	(411,073)	0	0	0	0	0	(411,073)
Depreciation Charge for the year	155,849	1,075,000	0	805794	166,336	0	0	0	0	2202379
Bal. carried forward at 30.6.2012	912,104	3,225,000	0	2,795,437	499,033	0	0	0	0	7,431,574
Net Book Value at 30.6.2012	**5,321,860**	**39,775,000**	**0**	**320,118**	**931,659**	**0**	**0**	**0**	**0**	**46,613,340**
Analysis of NBV as at 30.06.2011	**5,321,860**	**39,775,000**	0	**320,118**	**931,659**	**0**	**0**	**0**	**0**	**46,613,340**
Cost	6,233,964	43,000,000	0	3,115,555	1,330,692	0	0	0	0	53,680,211
Revaluation	6,233,964	43,000,000	0	3,115,555	1,330,692	0	0	0	0	53,680,211

Notes to the Fixed Assets

(i) **Valuation of Fixed Assets**

1. Balance brought forward at 1st July 2011 is made up of:
   (a) Cost of assets which have not been revalued
2. Accumulated Depreciation brought forward at 1.7.2011 is based on:
   (a) Cost of assets which have not been revalued
3. Disposals of assets were done during the year.

(ii) **Revaluation Reserve**

No revaluation of land and buildings

15. Long Term Loans

15.1 CONSOLIDATED SCHEDULE OF LONG TERM LOANS

Source	Loan No.	Interest Rate	Date of Redemption	Purpose	Principal Balance as At 1.7.2011 Ksh.000'	Additions during the Year Ksh.000'	Redeemed during the year Ksh.000'	Bal. as at 30.6.2012 Ksh.000'
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
				Totals	X	X	X	X

15.2 COUNCIL SCHEDULE OF LONG TERM LOANS

Source	Loan No.	Interest Rate	Date of Redemption	Purpose	Principal Balance as at 1.7.2011 Ksh.000'	Additions during the year Ksh.000'	Redeemed during the year Ksh.000'	Bal. as at 30.6.2012 Ksh.000'
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
X	X	X	X	X	X	X	X	X
				Totals	X	X	X	X

Notes
The note numbers entered here by the Local Authority should be those used in their Abstracts of Accounts for the year and the information exactly the same as that in the manual abstracts.

LOCAL AUTHORITIES MONITORING SYSTEM

Performance Indicators- Budget Submissions FY Ended 30th June 2012

MUNICIPAL COUNCIL OF BOMET

026	MUNICIPAL COUNCIL OF BOMET
LA Code	Local Authority Name

No.	Description	Purpose of the Indicator	Indicators
2	Current Ratio; this is the ratio of Current Assets to Current Liabilities	It indicates the ability of the council to pay its short term liabilities with its short term assets	612%
3	Quick Ratio; the ratio of current assets less inventory to current liabilities	Measures ability to meet short term obligations with most liquid assets	612%
4	Operation Cash Flow Ratio: This the ratio of Cash flow from Operations to Current Liabilities	It indicates how well current liabilities are covered by cash flow from operations	0%
5	Debt Service Ratio: This is the ratio of Debt Service Cost (principal + interest) to gross Operating Revenues	This is a measure of the LA is able to service its debt out of available operating revenues. The lower the ratio, the greater the ability of local government to service debts	0%
6	Debt Ratio; this is the ratio of Total Liabilities to Total Assets	The ratio indicates how total assets cover total liabilities. The lower the ratio of liabilities to total assets, the stronger is the financial position of LA.	9%