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REPORT

OF

THE AUDITOR-GENERAL

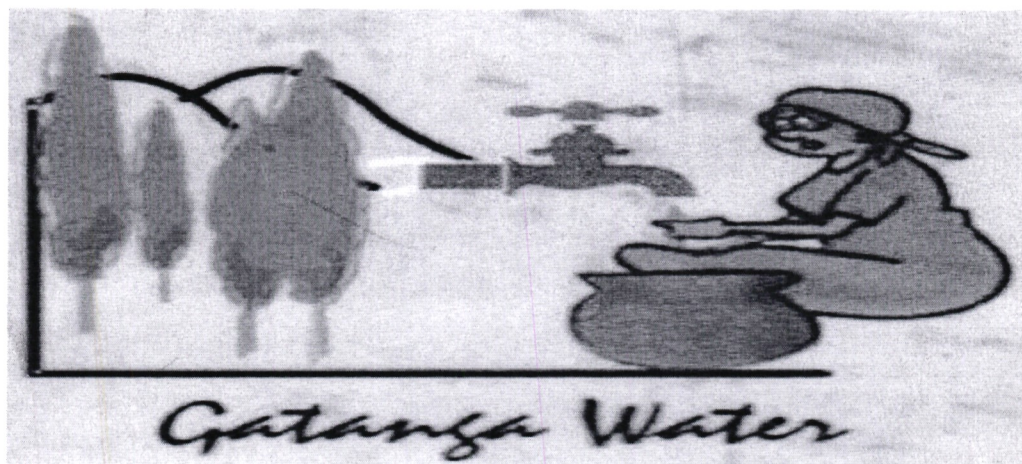
ON

**THE FINANCIAL STATEMENTS OF
GATANGA COMMUNITY
WATER SCHEME**

**FOR THE YEAR ENDED
30 JUNE 2014**

GATANGA COMMUNITY WATER SCHEME

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2014**

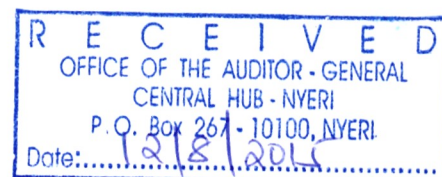


GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2014



GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

TABLE OF CONTENTS:

	PAGE
KEY ENTITY INFORMATION	2-3
BOARD OF TRUSTEE	4
SENIOR MANAGEMENT	5
CHAIRMAN REPORT	6
MANAGING DIRECTOR REPORT	7
REPORT OF THE TRUSTEES	8
STATEMENT OF TRUSTEES RESPONSIBILITY	9
REPORT OF THE AUDITOR GENERAL	10
STATEMENT OF COMPREHENSIVE INCOME	11
STATEMENT OF FINANCIAL POSITION	12
STATEMENT OF CHANGES IN EQUITY	13
STATEMENT OF CASH FLOWS	14
NOTES TO THE ACCOUNTS	15-20

GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

KEY ENTITY INFORMATION

The company was established by the Trustees Act Cap 164 (Perpetual Succession Act). At county level, the company is represented by the Sub-County administrator. The trustees are responsible for the general policy and strategic direction of the company.

Principal Activities

The principal activity of the trust is to ensure efficient and effective provision of water Services in its area of jurisdiction. The mandate and objectives of Gatanga Community Water Scheme are enshrined in the Memorandum and articles of association. The principal object of the Trust is to carry out the business of water provision within the area under its jurisdiction as provided for in the SPA

VISION

To be the leading Water service provider that meets customer expectations now and in future.

MISSION STATEMENT.

To effectively provide quality, affordable and sustainable water in Gatanga through the development and management of appropriate water supply infrastructure.

GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

STRATEGIC OBJECTIVES.

The following are the strategic objective that the Trust will aim at achieving during the period of this contract;

1. Supply reliable, sustainable, quality and affordable water.
2. To enhance revenue collection
3. To enhance customer satisfaction.
4. To attract, develop, and retain highly skilled and motivated staff.
5. To undertake organizational structure and cultural change.
6. To carry out system change.

GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

SCHEME CORPORATE INFORMATION

REGISTERED OFFICE

GATANGA COMMUNITY WATER SCHEME
P.O BOX 6133-01000, THIKA
MABANDA DO'S OFFICE COMPOUND
THIKA-GATANGA ROAD
TEL 020-2014149
gatawa@yahoo.com

BANKERS

BARCLAYS BANK OF KENYA-THIKA
P.O BOX 219-01000,
THIKA.

DONORS

CDF-GATANGA CONSTITUENCY
GOVERNMENT OF KENYA (D.W.O)
ATHI WATERSERVICES BOARD.

AUDITORS

AUDITOR GENERAL
P.O.BOX 30084-00100
NAIROBI

GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

BOARD OF TRUSTEES

Name	Designation	Qualifications	Interest group represented (if any)	Expiry of Tenure
Joseph Kibe	Chairman	Degree		Trust
J.B Karanja	Vice chair	O level	Kariara location	Trust
John N.Kangethe	member	O level	Kihumbuini location	Trust
Mary Nyambura	member	Degree	Kigoro location	Trust
S.K Kibe	member	O level	Kigoro location	Trust
B.N Kamanja	member	O level	Mugumoini location	Trust
Carol Mwaura	Member	Degree	Mukurwe location	Trust
Edward Njoroge	Member	Degree	Kariara location	Trust
Jane Chege	Member	Degree	Kigio location	Trust
Gilbert Chege	Member	O level	Gatanga location	Trust
Mwangi Gathee	Member	O level	Kiriaini location	Trust

GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

SENIOR MANAGEMENT

Name	Designation	Qualifications	Year employed at Gatanga community water scheme	Nature of service (if contract, expiry of current contracts)
G.Njoroge	Managing Director	Higher Diploma Water Engineering	2006	September 2015
Margret Kamau	Commercial Manager	Diploma in water supply	2006	June 2015
Isaac Ndirangu	Technical Manager	Diploma in surface technology	2006	Employed by GOK

GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

CHAIRMAN STATEMENT

The financial year 2013/2014 have come to close and on behalf of the board of Trustees all the staff of Gatanga Community Water Scheme. It's my pleasure to present the same.

During the period under review my board guided the Trust in accordance to our mandate and as guided by the regulator.

Provision of water during the year through challenging was a success and we managed to increase revenue collection by 16 percent.

It is our hope that the investment proposal that the Trust sent to Athi Water Service Board will be funded in the coming financial year.

The proposal if funded will go a long way in improving the quality and quantity of the water consequently increases the revenue base.

I would like to thank all the board members and the staff for the year gone and hope that they will continue putting more effort to improve on service delivery in the coming year.

GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

MANAGING DIRECTOR STATEMENT

The financial year 2013/2014, been one where the Trust recorded growth in several areas. The revenue for the year grew from Kshs.28, 460,318 in 2012/2013 to 34,052,130 in 2013/2014. Though on the other hand, the expenditure increased mainly due to increase in overall operational cost.

During the year the number of connections increased from 6515 to 7380 while production was boosted by the closure of a line which was supplying water to our neighboring water service provider in October 2013.

The coverage of our scheme is approximately 65% but it is our hope the proposal that has been forwarded to Athi Water Service Board will be funded so as to increase in coverage to about 80% of the population.

Main challenges remain as non- revenue water, old infrastructure which result in high operational costs, transport and cultural change on part of our customers.

It is our wish to continually endeavor to improve on service provision as we target to have 100% coverage.

As a devolved function guidance from the county government is required so as to have a good transmission

GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

REPORT OF THE TRUSTEES

The Board of Trustees submits their annual report together with the audited financial statements for the year ended 30th June 2014 which discloses the state of affairs of the company.

INCORPORATION

The Trust (water scheme) is registered in Kenya under the Trustees (perpetual succession) Act chapter 164 and is domicile in Kenya. The address of the registered office is set out in page 3

RESULTS

Surplus For the year ended 30 June 2013 was Kshs. 217,473 and a deficit of Kshs. 1,214,015 for the year ended 30th June 2014.

PRINCIPAL ACTIVITIES

The principle activities is to ensure availability of sustainable, affordable and quality water services to the residents living within the scheme area (Gatanga District) of operation or jurisdiction by sourcing, treating, distributing and water conservation while billing and collecting revenue from the water consumers who are the residents of the area

TRUSTEES.

The Trustees who held office during the year are listed on page 4

BY ORDER OF THE BOARD.


GIKERI NJOROGE.

DATE 12/8/15

MANAGING DIRECTOR

GATANGA COMMUNITY WATER SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

STATEMENT OF TRUSTEES RESPONSIBILITIES

The board of Trustees is required to prepare financial statements for each year. The financial statements are expected to give a true and a fair view of the state of affairs of the trust at the end of the financial year, and its income and expenditure for the year.

It also requires the Trustees to ensure that the water scheme keep proper accounting records which discloses with reasonable accuracy at any time, the financial position of the scheme. They are also responsible for safeguarding the assets of the scheme

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by responsible and prudent judgments and estimates, in conformity with international Financial Reporting Standards.

The Trustees further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statement as well as adequate internal control systems.

Nothing has come to the attention of the Trustees to indicate that the Trust (Water Scheme) will not be a going concern for at least twelve months from the date of this statement.

NAME.....*L. N. JOJORE*.....Sign.....*[Signature]*.....DATE *12/8/15*-----

NAME.....*B. N. KAMANJA*.....Sign.....*[Signature]*.....DATE *12/8/15*-----

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GATANGA COMMUNITY WATER SCHEME FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Gatanga Community Water Scheme set out on pages 11 to 20, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with the 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 entity'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 Company'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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Accounts Receivables

Note 10 of the financial statements reflected a balance of Kshs.39,526,305 as at 30 June 2014. However, records maintained by the Company showed a debtors balance of Ksh.39,904,976, resulting to a variance of Kshs.378,671, which has not been explained or reconciled. In addition, the receivables balance of Kshs.39,997,023 includes trade receivables of Kshs.39,526,305 which have been outstanding for a considerable long period. Further, although, the Scheme has made a general provision for doubtful debts of Kshs.4,391,812, no specific provision for bad and doubtful debts has been made during the year. The Scheme has no debt management policy nor did not prepare age analysis to guide it on bad debts provision. In addition, no efforts appear to have been put in place to recover the outstanding trade receivables.

In the circumstances, the accuracy and recoverability of trade receivables balance of Kshs.39,526,305 as at 30 June 2014 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Scheme as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financing Reporting Standards and comply with the Water Act 2002, and the Companies Act, Cap 486 of the Laws of Kenya.

Other Matters

1. Non-Compliance with Water Services Regulatory Board (WASREB) regulations on Trustees' Expenses

Note 5 to the financial statements indicate that during the year, the Board of Trustees incurred sitting allowance amounting to Kshs.1,030,000. According to the Water Services Regulatory Board (WASREB) guidelines, the trustees' expenses should not exceed 2% of the total recurrent expenditure or Kshs.754,341 for the year under review. The expenditure of Kshs.1,030,000 exceeded the set limit by Kshs.275,653.00. However, no evidence was made available for audit review indicating that the management obtained approval from WASREB before incurring the over expenditure.

2. Unaccounted for Water

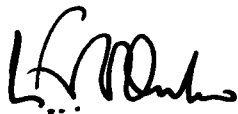
During the year under review, the Scheme produced 2,360,472 cubic meters (m³) of water. However, out of this water volume, only 1,298,242m³ was billed to customers. The balance of 1,062,198m³ or approximately 45% of the total volume produced represented unaccounted for water (UFW) which is 20% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The UFW of 20% may have resulted in loss of water sales estimated at Kshs.12,382,593. The significant level of UFW may negatively impact on the water scheme's profitability and long term sustainability.

My opinion is not qualified respect of these matters

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, I report based on my audit, that

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and,
- (ii) In my opinion, proper books of account have been kept by the Scheme, so far as appears from my examination of those books, and;
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account.



Edward R. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 September 2015

GATANGA COMMUNITY WATER SCHEME
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014
STATEMENT OF COMPREHENSIVE INCOME

INCOME		<u>2013/14</u>	<u>2012/2013</u>
	NOTE	<u>KSHS</u>	KSHS
Water sales	11 (a)	34,052,130	28,460,318
connection & reconnection fees	11 (b)	1,030,275	1,046,600
Other income	11 (c)	1,934,932	3,450,100
TOTAL INCOME		<u>37,017,337</u>	<u>32,957,018</u>
EXPENSES			
Personnel cost	4	19,448,970	17,068,620
Trustee expenses	5	1,030,000	706,416
Administration Expenses	6	7,147,303	6,639,690
Operational cost	7	10,004,952	8,211,038
Financial expenses	8	86,128	81,860
TOTAL EXPENSES		<u>37,717,353</u>	<u>32,707,624</u>
Surplus/Deficit for the year before tax		<u>(700,016)</u>	<u>249,394</u>
Income tax		<u>(514,000.00)</u>	
income after tax		<u>(1,214,015.50)</u>	

GATANGA COMMUNITY WATER SCHEME
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDEND 30TH JUNE 2014

Statement of Changes in Equity.

	Capital Reserves	General reserves
year ended 30th June 2013		
Opening Balance as at July 2012	16,443,575	44,009,525
Prior year adjustment		184,826
Surplus for the year	-	249,394
closing balance as at 30th June 2013	<u>16,443,575</u>	<u>44,443,745</u>
year ended 30th June 2014		
Opening Balance as at July 2013	16,443,575	44,443,745
Prior year adjustment		-
Surplus for the year	-	(1,214,016)
closing balance as at 30th June 2014	<u>16,443,575</u>	<u>43,229,730</u>

**GATANGA COMMUNITY WATER SCHEME
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014**

STATEMENT OF CASHFLOWS

INCOME	<u>2013/14</u>	2012/2013
	<u>KSHS</u>	KSHS
cash flow from operating activities		
profit before income taxes	(700,016)	249,394
<u>adjust for:</u>		
Prior Year Adjustments	-	184,826
Increase/ (Decrease) provision account	2,455,816	1,135,963
Depreciation	<u>2,732,681</u>	<u>2,581,144</u>
Operating profit before working capital changes	<u>4,488,481</u>	<u>4,151,327</u>
working capital changes		
Increase /(Decrease) Payables	3,073,458	(803,481)
Increase Accounts receivables	<u>(6,064,280)</u>	<u>(3,155,039)</u>
Cash generated from operating activities	<u>1,497,659</u>	<u>192,807</u>
Tax paid	<u>(363,000)</u>	-
Net cash generated from operating activities	<u>1,134,659</u>	<u>192,807</u>
cash flow from investing activities		
Acquisition of assets	(1,416,289)	(3,113,131)
Net cash flow after investing activities	<u>(1,416,289)</u>	<u>(3,113,131)</u>
cash flow financing activities:		
Increase in Members deposits	506,500	474,650
Net cash generated from financing activities	<u>506,500</u>	<u>474,650</u>
net increase in cash & cash equivalent	224,871	(2,445,673)
cash and cash equivalent as at 1st July 2013	<u>1,752,255</u>	<u>4,197,928</u>
cash and cash equivalent as at 30th June 2014	<u>1,977,125</u>	<u>1,752,255</u>

GATANGA COMMUNITY WATER SCHEME
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014

3. Currency

These financial statements are prepared in Kenya Shillings (Kshs) rounded to the nearest shilling

	<u>2013/2014</u>	<u>2012/2013</u>
	KSHS	KSHS
4. PERSONNEL COST		
Staff Salaries	14,418,196.00	11,145,360
staff Salaries paid by MOWI (operational Grant)	1,643,730.00	2,978,100
casual wages	2,017,292.00	1,445,360
Staff Training and Seminars	82,600.00	216,000
Other staff costs	1,287,152.00	1,283,800
Total Personnel cost	<u>19,448,970.00</u>	<u>17,068,620</u>
5. TRUSTEE EXPENSES		
Board sitting allowances	<u>1,030,000.00</u>	706,416
6 Administration Expenses		
Telephone and postage	151,000.00	151,000
Insurance	146,342.00	116,375
Printing and Stationery	387,311.00	378,870
Bulk sms services	41,312.00	
Travel & accomodation	760,500.00	691,175
Training and workshops	330,288.00	105,000
Electricity	78,078.00	55,569
Depreciation	2,732,681.00	2,581,144
Office Expenses	309,107.00	483,167
Provision for bad & Doubtful debts	669,611.50	344,705
Bad debts written off	-	-
Computer repair	174,123.00	86,115
Office equipment repair	-	-
A.G.m Expenses	220,000.00	421,940
Christmas party and gift	175,000.00	-
Current:Audit provision	290,000.00	290,000
Previous:Audit underprovision	-	48,000
Licence and permits	56,519.00	3,800
Newspaper & periodicals	41,320.00	36,750
Advertisement	24,130.00	26,580
consultancy	536,200.00	778,600
Sports and Equipments	23,780.00	40,900
Total Administration Costs	<u>7,147,303</u>	<u>6,639,690</u>
7 OPERATION COST		
water fittings and pipes	1,479,265.00	1,851,048
Repair and maintenance of water systems	891,708.00	494,035
Transport and fuel	1,722,719.00	1,745,130
Conference & workshop	-	-
Repair and maintenance of motor vehicles	399,435.00	474,811
Repair and maintenance of motor cycles	200,590.00	237,673
General office repair & maintenance	-	75,600
Warma subscription	-	50,000
water user charge	-	-
Athi Water Service Board- Lease fees	2,515,639.00	2,349,915
Water Abstraction Fees - WARMA Charges	452,250.00	150,000
Water Abstraction Fees - previous year charges	1,769,000.00	-
Regulatory Levy - Water Service Regulatory Board.	279,515.00	261,100
Water service Providers - (WASPA- Subscriptions)	50,000.00	96,000
Coporate social responsibility	29,400.00	61,100
kfs Annual permit	70,000.00	60,000
Repair and maintenance of billing system	50,000.00	25,000
Bore hole electricity	95,431.00	279,626
TOTAL OPERATION COST	<u>10,004,952.00</u>	<u>8,211,038</u>
8 .Financial expenses		
Bank charges	69,462.00	72,470
M-pesa charges	16,666.00	9,390
	<u>86,128.00</u>	<u>81,860</u>

**GATANGA COMMUNITY WATER SCHEME
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014**

		<u>2013/14</u>	<u>2012/2013</u>
<u>9 CASH & CASH EQUIVALENTS</u>		Kshs	Kshs
Water sale	A/C -1226975	142,799.20	73,283
customers deposit a/c	A/C- 1226967	2,134,251.00	1,446,608
Expenditure a/c	A/C- 1226983	(341,397.05)	223,830
Grant	A/C -1224875	-	(292)
Total Bank Balance		<u>1,935,653.15</u>	<u>1,743,429</u>
Cash Balance at hand on 30th June 2013			
Office cash	A/C-1226983	41,472.00	8,826
Building cash	A/C-1224875	-	-
		<u>41,472</u>	<u>8,826</u>
Total Cash Equivalnets		<u>1,977,125.15</u>	<u>1,752,255</u>
 <u>10. ACCOUNTS RECEIVABLES</u>			
Book debtors-water		43,918,117	37,222,002
Bad debts w/o		-	-
Debtors balance (water)		<u>43,918,117</u>	<u>37,222,002</u>
Provision for Bad & Doubtful debts @ 10%		4,391,812	3,722,200
Net (water) debtors		<u>39,526,305.30</u>	<u>33,499,802</u>
Insurance		58,174	30,557
Staff loan		75,660	57,500
Pension (National water)		78,159	78,159
Total kenya		12,000	50,000
Muranga south water & sewerage co.ltd		186,617	186,617
Staff pension paid by Company		30,108	30,108
tusquee		30,000	
Total Accounts Receivable		<u>39,997,023.30</u>	<u>33,932,743</u>
 <u>11. Income</u>			
a)Water billing		34,052,130	28,460,318
b)Conection & reconection		1,030,275	1,046,600
		<u>35,082,405</u>	<u>29,506,918</u>
c)Other income			
Salary grant-GOK		1,643,730	2,978,100
Grant-AWSB		-	472,000
DEcrease in prov.electricity		141,202	
Decrease in prov for WARMA		150,000	-
		<u>1,934,932</u>	<u>3,450,100</u>

**GATANGA COMMUNITY WATER SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014**

	2013/14	2012/2013
12. Accounts Payable	Ksh	ksh
1. Athi water service board	-	88,000
2. WARMA	2,115,125	160,000
3. Wandi general suppliers	713,510	546,039
4. Kenya national audit Office	290,000	290,000
5 Neema Hardware	-	60,640
6. Salary arrears	289,532	-
7. WASREB	174,349	38,250
8. Cyrus structures	-	-
9. Bromak general marchants	203,560	22,000
10. Willy juu printers & printers	140,112	-
11. Wallace price management consulting	139,200	23,200
12. Benvin printers	-	67,200
13. tusquee(bulk sms)	15,212	-
14. Posta kenya	6,000	-
15. KPLC	-	2
16. Accrued wages	70,000	-
17. Accrued consultancy	-	-
18. Silver city	52,000	104,000
19. mikeline enterprises	-	110,000
20 Payee	142,085	21,896
21 Magnetic Technology	-	25,000
23 gatuya hardware	279,000	-
Accounts Payable	<u>4,629,685</u>	<u>1,556,227</u>
22 income tax	151,000	-
Total Accounts Payable	4,780,685	
13. provision account		
1 AWSB-Lease	3,230,402	714,763
2 Current year audit	290,000	290,000.00
3 Bore hole electricity	43,377	150,000.00
4. AGM	220,000	
5. Warma	-	150,000.00
6. Provision for internal Audit Services	-	23,200.00
7. Provision for subscription(WASPA)	50,000	50,000.00
	<u>3,833,779</u>	<u>1,377,963</u>
14. Customer Deposits	<u>6,696,763</u>	<u>6,190,263</u>

**GATANGA COMMUNITY WATER SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014**

2

Fixed Assets Movement Schedule

2013/14

	<u>Furniture & Fittings</u>	<u>Motorcycles</u>	<u>Motorvehicle</u>	<u>Equipments</u>	<u>Computers & Peripherals</u>	<u>water pipelines</u>	<u>water plots</u>	<u>Operational tool</u>	<u>Building (WIP)</u>	<u>Total</u>
Total Costs as at 30.6.2013	427,625	518,000	1,750,000	502,920	1,348,600	33,536,173	780,000	220,000	4,204,831	43,288,149
additions	179,289	-	-	-	-	1,237,000	-	-	-	1,416,289
total cost as at 30.6.14	606,914	518,000	1,750,000	502,920	1,348,600	34,773,173	780,000	220,000	4,204,831	44,704,438
Accumulated depreciation as at 30/06/2013	210,073	392,750	1,750,000	320,507	1,052,095	4,883,064	-	16,500	336,386	8,961,375
charge for the year	75,864	125,250	-	62,865	243,560	1,738,659	-	66,000	420,483	2,732,681
accum dep as at 30.6.14	285,937	518,000	1,750,000	383,372	1,295,655	6,621,723	-	82,500	756,869	11,694,056
closing Net book Value As at 30.06.2014	320,977	-	-	119,548	52,945	28,151,450	780,000	137,500	3,447,962	33,010,384
closing Net book Value As at 30.06.2013	217,552	125,250	-	182,413	296,505	28,653,109	780,000	203,500	3,868,445	34,326,774

**GATANGA COMMUNITY WATER SCHEME
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014**

NOTES TO THE ACCOUNTS

2013/14

1. SIGNIFICANCE OF ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are as set below

(a) Basis of preparation:

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs). The accounts are presented in Functional currency Kenya Shillings (KSH) which is the prevailing currency within the primary economic environment and prepared in accordance with the measurement bases prescribed by IFRS.

The preparation of accounts are in conformity with IFRS which requires the use of estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the estimate and assumptions in the areas involving a higher degree of judgement and complexity, or where assumptions and estimates are significant to the accounts

(B) Accounting for Lease Payments

Lease fee is 9% on the amount of revenue received and 1% paid to regulator (WASREB).

(d) DEPRECIATION.

Depreciation of the company's Fixed Assets is calculated on a straight line basis on prorata basis

Depreciation is charged at the following rates on cost per annum;

1. Furniture & Fittings -	12.5%
2. Office equipments	12.5%
3. Computers, Printers & UPS Machines-	30%
4. Water Tank and plots	0%
5. Motor Vehicle & cycles	25%
6. Buildings	10%
7 Operational tool (pipe detector)	30%
8. PVC pipe lines, Fittings and Water equipment	5%.

(e) Comparatives:

Where available comparative figure have been shown in the financial statements.

(f) Accounting period

The period covered is twelve (12) months

(g). SURPLUS

The Company is a public service provision company, the boards of directors do not recommend distribution of dividends, and any surplus is to be ploughed back to finance Company activities.

(h). CURRENCY

These financial statements are prepared in Kenya Shillings (Kshs) rounded to the nearest shilling.

(J) Creditors and accruals

- 1 The company made an agreement with water abstraction resource authority (WARMA) on december 2013. we agreed we were to pay Kshs. 1,929,000 but we had Kshs.160,000 which we had recognized in our account ending June 2013 which was to be part of Ksh. 1,929,000 hence we recognised Kshs. 1,769,000. There is also quarterly contribution of Kshs. 226,125 hence 425,250 from december 2013 to June 2014.
- 2 There was a tax provision of Kshs. 514,000 in the books 2013/2014. This tax was known with certain because it was for prior years not paid. The tax was for year 2008,2009,2010,2011& 2012. The corporate tax had not been paid because we had applied for tax exemption which was later rejected.

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Risk management objectives and policies

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the water financial performance.

Risk management is carried out by the management. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads.

(a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with no limits set by the management. The utilisation of credit is regularly monitored.

None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by Maintaining availability under committed credit lines. Mean while company has not gone offshore.

Incorporation

Gatanga Community Water Scheme is incorporated in Kenya under the Trustees Act Cap 164 as a Trust.