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THE AUDITOR-GENERAL

ON

**KENYA URBAN SUPPORT PROGRAM II
(KUSP II) - WOTE MUNICIPALITY GRANT
NUMBER E208-KE**

**FOR THE YEAR ENDED
30 JUNE, 2026**

COUNTY GOVERNMENT OF MAKUENI



OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084-00100, NAIROBI
MACHAKOS HUB

09 SEP 2026

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PROJECT NAME: KENYA URBAN DEVELOPMENT GRANT (KUSP II)

**IMPLEMENTING ENTITY: WOTE MUNICIPALITY, COUNTY GOVERNMENT OF
MAKUENI**

PROJECT GRANT/CREDIT NUMBER: E208-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE, 2026

**Prepared in accordance with the Accrual Basis of Accounting Method Under International Public Sector Accounting
Standards (IPSAS)**

Kenya Urban Support Programm 11 (KUSP 11)
Annual Report and Financial Statements for the financial year ended June 30, 2026

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1. Acronyms, Abbreviations, and Definition of Terms

A. Acronyms and Abbreviations

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank

2. Project Information and Overall Performance

2.1 Name and registered office

- **Name**

The project's official name Kenya Urban Development Grant (KUSP II)

- **Objective**

The key objective of the project is to strengthen the capacities of urban institutions to improve the delivery and resilience of urban infrastructure and services, enhance the private sector engagement in urban planning, and support the transition of refugee camps into integrated host community and refugee settlements.

- **Address**

The project headquarters offices are in Wote town, Makueni County, Kenya. The address of its registered office is;

P.O. Box 78-90300
Red Dot Plaza
Wote Machakos Road
Makueni, Kenya

- **Branches**

The project does not have branches

- **Contacts**

The following are the project contacts

Telephone: (+254) 721282784
E-mail: wote.municipality@makueni.go.ke
Website: www.makueni.go.ke

2.2 Project Information

Table 1: Project information

Project Start Date:	30 - 05 – 2024
Project End Date:	30 - 06 – 2028
Project Coordinator:	Mr Geoffrey Mutinda
Project Development Partner:	WORLD BANK

Project information and overall performance (continued)

2.3 Project Overview

Table 2: Project overview

County Department	Department of Lands, Urban Development, Environment and Climate Change
Project number	E208-KE
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ol style="list-style-type: none"> 1) Improve urban road infrastructure by upgrading the 0.30 km road section to paved standards. 2) Enhance mobility and accessibility for motorists, pedestrians, traders and residents within Wote Town. 3) Improve stormwater management through construction of proper drainage infrastructure and reduce incidences of flooding and erosion. 4) Improve pedestrian safety through construction of dedicated pedestrian walkways and improved road infrastructure. 5) Improve urban aesthetics and cleanliness by replacing deteriorated gravel surfaces with interlocking concrete block paving. 6) Reduce dust and improve air quality within the project area, particularly during dry seasons. 7) Promote local economic development by improving access to commercial and market areas and facilitating movement of goods and customers. 8) Enhance urban security through installation of street lighting and CCTV surveillance systems. 9) Promote climate-resilient infrastructure through improved drainage and sustainable interlocking concrete paving technology. 10) Create local employment opportunities by prioritising local residents and youth groups for suitable unskilled labour during project implementation. 11) Improve the long-term sustainability of municipal infrastructure through quality construction, proper supervision and incorporation of maintenance considerations. 12) Promote transparency, accountability and community participation in the planning, procurement, implementation and monitoring of the project.
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ol style="list-style-type: none"> (i) Competitive procurement ;-contractor execution under Municipal team supervision. (ii) Project Management Committee (PMC) oversight. (iii) Regular site inspections and progress reporting.

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Other important background information of the project	The project targets approximately 4,000 m ² of parking and walkways and the installation of drainage, streetlights and CCTV along the Co-operative Bank Junction–Ngooni Ndogo section.
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Urban mobility. (ii) Drainage/flooding. (iii) Parking/traffic management. (iv) Safety and urban environmental/aesthetic needs in Wote Town.
Project duration	The project is expected to be completed within a period of three (3) months from commencement, inclusive of mobilization, material procurement, construction, and handover. The proposed timeline will ensure minimal disruption to ongoing business operations within the project area.

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

Kenya Commercial Bank
Wote Branch.

2.5 Independent Auditor

The project is audited by the ;

Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

2.6 Roles and Responsibilities

The key officers involved in the project implementation are composed of;

Table 3: Key responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1	Everlyn Mutua	Manager – Wote Municipality	Degree and Masters in Business	Overall supervisor
2	Shadrack Makau	Accountant	Degree, CPAK	Financials Reporting
3	Shadrack Nduto	Procurement officer	Masters in Supply chain	Procurement
4	Samuel Manthi	Engineer	Degree	Technical supervision
5	Benjamin Musyoka	Social Development officer	Degree	Social work

2.7 Funding summary

The Project is for a duration of 5 years from 2023 to 2028 with an approved budget of US\$ 308,992 equivalent to Kshs **40,168,831** as highlighted in the table below:

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Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 th June 2026)		Undrawn balance to date	
	Development Partner currency(USD)	Kshs	Development Partner currency	Kshs	Development Partner currency(USD)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Urban Development Grant (UDG) – Kenya Urban Support Programme	308,992	40,168,831	160,928	20,920,611	160,928	20,920,611
Insert name of development partner	-	-	-	-	-	-
(ii) Loan						
Insert name of development partner	-	-	-	-	-	-
Insert name of development partner	-	-	-	-	-	-
(iii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	308,992	40,168,831	160,928	20,920,611	160,928	20,920,611

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2026)		Cumulative amount paid to date – (30 th June 2026)		Unutilised balance to date (30th June 2026)	
	Development Partner currency(USD)	Kshs	Development Partner currency	Kshs	Development Partner currency(USD)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
Grant						
Urban Development Grant(UDG) - Kenya Urban Support Programme	160,928	20,920,611	-	-	160,928	20,920,611
Insert name of development partner	-	-	-	-	-	-
Loan						
Insert name of development partner	-	-	-	-	-	-
Insert name of development partner	-	-	-	-	-	-
Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	160,928	20,920,611	0	0	160,928	20,920,611

2.8 Summary of Overall Project Performance:

The program received funding of Kshs 20,920,611 or 52 % of the total project costs. There were no expenditures relating to the program at the end of June 2026.

2.9 Summary of Project Compliance:

The County and particularly Wote Municipal is keen to observe all guiding laws and regulation and conform to them.

Project information and overall performance (continued)

3. Statement of Performance against the Project's Predetermined Objectives

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the project's agreement/ plan are to:

- a. **Improve urban road infrastructure** by upgrading the 0.30 km road section to paved standards
- b. **Enhance mobility and accessibility** for motorists, pedestrians, traders and residents within Wote Town.
- c. **Improve stormwater management** through construction of proper drainage infrastructure and reduce incidences of flooding and erosion.
- d. **Improve pedestrian safety** through construction of dedicated pedestrian walkways and improved road infrastructure.
- e. **Improve urban aesthetics and cleanliness** by replacing deteriorated gravel surfaces with interlocking concrete block paving.
- f. **Reduce dust and improve air quality** within the project area, particularly during dry seasons.
- g. **Promote local economic development** by improving access to commercial and market areas and facilitating movement of goods and customers.

The Municipal is yet to implement its main project under this program. Future implementations will ensure that the expected outcomes are achieved.

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement.

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Below, we provide the progress on attaining the stated objectives: (the entity to provide this information as per the table below or in a more applicable format to its operations)

Project	Objective	Outcome	Indicator	Performance
Kenya Urban Support Program II (KUSP II) – Wote Municipality	To upgrade approximately 0.30 km of Wote Town road and associated urban infrastructure, including stormwater drainage, pedestrian walkways, street lighting and CCTV infrastructure.	Improved urban mobility, accessibility, pedestrian safety, drainage, security and urban aesthetics upon completion of the planned works.	Level of implementation of the approved road and associated urban infrastructure works.	During FY 2025/26, the Municipality received Kshs.20,920,611 on 12 June 2026 against a final budget of Kshs.40,168,831. Due to the late receipt of funds and the limited period remaining before the end of the financial year, implementation did not progress beyond procurement/preparatory processes. No expenditure was incurred during the year, and the funds remained in the dedicated KUSP II bank

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				account. The planned upgrading of approximately 0.30 km of Wote Town road, stormwater drainage, pedestrian walkways, street lighting and CCTV infrastructure was therefore not completed during the reporting period.
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(Customize as per the project objectives)

4. Environmental and Sustainability Reporting

1. Sustainability strategy, risk management and profile

The Kenya Urban Support Program II, implemented by Makueni County Government through the Urban Institutional Grant (UIG), is mandated to strengthen urban governance, planning, and service delivery in municipalities. Its sustainability strategy is anchored on ensuring that urban services and infrastructure can be maintained over the long term, while balancing economic growth, environmental conservation, and social inclusion. The program integrates international best practices in sustainable urban development, aligning with Kenya's Vision 2030 and the Sustainable Development Goals (SDGs).

2. Environmental performance

The program is guided by an environmental policy that promotes biodiversity conservation, climate resilience, and responsible waste management.

3. Employee welfare

Makueni County Government has adopted policies that promote fair hiring practices, gender balance, and inclusivity in staffing. Stakeholder engagements are regularly conducted to refine these policies. Employee welfare is enhanced through training, peer learning, and career development programs for municipal boards, staff, and the county executive committee. Appraisal and reward systems are being strengthened to motivate performance. The county also complies with the Occupational Safety and Health Act (OSHA) 2007, ensuring safe working environments in municipal offices, particularly with the establishment of new records offices and boardrooms.

4. Marketplace practices-

a) Responsible Supply chain and supplier relations-

The project shall maintains responsible supplier relations by honoring contracts, ensuring timely payments, and promoting transparency in procurement.

b) Responsible ethical practices

Ethical standards are upheld through anti-corruption measures, adherence to procurement laws, and responsible political involvement. Public sensitization on grievance redress mechanisms further reinforces accountability.

c) Regulatory impact assessment

The program safeguards citizen and stakeholder rights by embedding regulatory compliance in urban planning, land management, and infrastructure development. This ensures that urban growth remains lawful, equitable, and sustainable.

5. Community Engagements

The program design is to engage stakeholders throughout the implementation and monitoring framework of the projects

5. Statement of Project Management Responsibilities

The Municipal Manager for *Wote municipality* and the **Project Coordinator** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on 30th June, 2026.

This responsibility includes (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The Municipal Manager for Wote municipaliy and the *Project Coordinator* accept responsibility for the Project's financial statements, which have been prepared on the IPSAS Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Municipal Manager for Wote municipality and the *Project Coordinator* are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2026, and of the Project's financial position as at that date. The Municipal Manager for Wote municipality and the *Project Coordinator* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

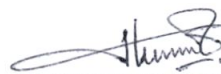
The Municipal Manager for wote municipality and the *Project Coordinator* confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the *Municipal Manager* for the *County Department* of Wote Municipality and the *Project Coordinator* on 28th Aug 2026 and signed by:



.....
Everlyn Mutua
Municipal Manager



.....
Project Coordinator

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN SUPPORT PROGRAM II (KUSP II) - WOTE MUNICIPALITY GRANT NUMBER E208-KE FOR THE YEAR ENDED 30 JUNE, 2026 - COUNTY GOVERNMENT OF MAKUENI

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim at addressing the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, Cap. 412A and the Public Audit Act, Cap. 412B. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements Kenya Urban Support Program II (KUSP II) - Wote Municipality Grant Number E208-KE set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2026 and the statement of financial performance, statement of changes in net assets, statement of cash flows and

the statement of comparison of budget and actual amounts 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 35 of the Public Audit Act, Cap. 412B. 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Urban Support Program II (KUSP II) - Wote Municipality Grant Number E208-KE as at 30 June, 2026 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Inter-Governmental Participation Agreement for KUSP II between the National Government of the Republic of Kenya and the County Government of Makueni and the Public Finance Management Act, Cap. 412A.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Urban Support Program II (KUSP II) - Wote Municipality Grant Number E208-KE Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.40,168,831 and Kshs.20,920,611 respectively resulting to an under-funding of Kshs.19,248,220 or 48% of the budget. However, the Project did not spend the realized receipts of Kshs.20,920,611 resulting to an under-absorption of Kshs.20,920,611 or 100% of the receipts. The under absorption was attributed to the delay in disbursement of funds which was received in the project bank account on 12 June, 2026.

The under-funding and under-absorption affected the planned activities and may have impacted negatively on service delivery to the residents of Wote Municipality.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Management is responsible for the Other Information set out on pages iv to xiii which comprise of Project Information and Overall Performance, Statement of performance

against the project's predetermined objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Program's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap. 412B, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Program's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, Cap. 412B.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Program's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

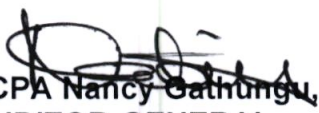
My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, Cap. 412B and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, Cap. 412B. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities

that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, Cap. 412B.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2026

Kenya Urban Support Programm 11 (KUSP 11)
Annual Report and Financial Statements for the financial year ended June 30, 2026

7. Statement of Financial Performance for the Year Ended 30th June 2026.

	Notes	FY 2025/2026	FY 2024/2025
		Kshs	Kshs
Revenue			
Revenue Transfers	6	20,920,611	-
Miscellaneous Revenue	7	-	-
Total revenue		20,920,611	-
Expenses			
Employee costs	8	-	-
Use of goods and services	9	-	-
Depreciation and amortization expense	10	-	-
Transfer to other Government Entities	11	-	-
Other Transfers/Subsidies/Grants	12	-	-
Finance Costs	13	-	-
Certified Works	14	-	-
Total expenses		-	-
Other gains/(losses)			
Gain/Loss on sale of assets	15	-	-
Gain/Loss on foreign exchange transactions	16	-	-
Impairment loss	17	-	-
Surplus/ (deficit)		20,920,611	-

The financial statements were approved on **28th Aug 2026** and signed by:

.....
Name **VERKIN MUTUA**
Municipal Manager

28th Aug 2026

.....
Name **GEOFFREY MUTINDA**
Project Coordinator

28th Aug 2026

.....
Name **Shadrach Makau**
Project Accountant
ICPAK Member No: **16809**
28th Aug 2026

Kenya Urban Support Programm 11 (KUSP 11)
Annual Report and Financial Statements for the financial year ended June 30, 2026

8. Statement of Financial Position as at 30th June 2026

	Note	FY 2025/2026	FY 2024/2025
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	18	20,920,611	-
Receivables	19	-	-
Inventories	20	-	-
Prepayment	21	-	-
Total Current Assets		20,920,611	-
Non-Current Assets			
Property, Plant and Equipment	22	-	-
Intangible Assets	23	-	-
Right of use assets	24	-	-
Total Non- Current Assets		-	-
Total Assets (a)		20,920,611	-
Liabilities			
Current Liabilities			
Trade and Other Payables	25	-	-
Third Party Deposits	26	-	-
Deferred Income	27	20,920,611	-
Current Lease Liabilities	28	-	-
Total Current Liabilities		20,920,611	-
Non-Current Liabilities			
Non-current lease liability	28	-	-
Total Non-Current Liabilities		-	-
Total Liabilities (b)		20,920,611	-
Net Assets (a-b)		-	-
Represented By:			
Accumulated Surplus		-	-
Revaluation Reserve		-	-
Total Net Assets		-	-

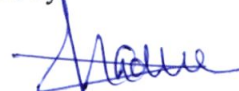
The financial statements were approved on 28 Augst 2026 and signed by:


 Name EVELYN MUTA
 Municipal Manager

28th Aug 2026


 Name GEOFFREY MURIUKI
 Project Coordinator

28th Aug 2026


 Name CHARLES MAKAU
 Project Accountant
 ICPAK Member No: 16809
 28th Aug 2026

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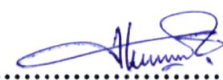
9. Statement of Changes in Net Assets

	Accumulated Surplus	Revaluation Reserve	Total
As At 1st July 2024 <i>(previous FY)</i>	-	-	-
Return to Exchequer	(-)	-	(-)
Surplus/Deficit for the year	(-)	-	-
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	(-)	
Other Changes <i>(specify)</i>	-	-	-
As at 30th June 2025	-	-	-
As At 1st July 2025 <i>(current FY)</i>	-	-	-
Return to Exchequer	(-)	-	(-)
Surplus/ deficit for the year	(-)	-	-
Prior year adjustment	-	-	-
Transfer of excess depreciation on revaluation	-	(-)	
Add: Recognition of Assets	-	-	-
Other Changes <i>(specify)</i>	-	-	-
As at June 30, 2026	-	-	-

The financial statements were approved on 28th Aug 2026 and signed by:


 Name **EVELYN MUTOA**
 Municipal Manager

28th Aug 2026


 Name **GEOFFREY Mwangi**
 Project Coordinator

28th Aug 2026


 Name **Shadrack Maken**
 Project Accountant
 ICPAK Member No: **16809**
 28th Aug 2026

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10. Statement of Cash flow for the year ended 30th June 2026

Description	Note	FY 2025/2026	FY 2024/2025
		Kshs	Kshs
Cash flow from operating activities			
Receipts			
Revenue Transfers		20,920,611	-
Miscellaneous Revenue		-	-
Total receipts		20,920,611	-
Payments			
Employee costs		-	-
Use of goods and services		-	-
Transfer to other Government Entities		-	-
Other Transfers/Subsidies/Grants		-	-
Certified Works		-	-
Total payments		-	-
Net cash flow from operating activities	29	20,920,611	-
Cash flow from investing activities			
Acquisition of non-financial assets		(-)	(-)
Proceeds from sale of Assets		-	-
Acquisition of Intangible assets		(-)	(-)
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Repayment of Lease Principal		(-)	(-)
<i>Specify the activity</i>		-	-
Net cash flow from financing activities		-	-
Net increase/Decrease in cash and cash equivalents		20,920,611	-
Cash and cash equivalent at 1st July	18	-	-
Cash and cash equivalent at end June	18	20,920,611	-

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2026

Receipts/Payments Item	Original Budget	Adjustment s	Final Budget	Actual on Comparable (cash) Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods	-	-	-	-	-	-
Receipts						
Revenue Transfers	40,168,831	-	40,168,831	20,920,611	19,248,220	52%
Miscellaneous Revenue	-	-	-	-	-	-
Total Revenue	40,168,831	-	40,168,831	20,920,611	19,248,220	52%
Payments	-	-	-	-	-	-
Employee costs	-	-	-	-	-	-
Use of goods and services	-	-	-	-	-	-
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	40,168,831	-	40,168,831	-	-	0%
Total Payments	-	-	-	-	-	-
Surplus	40,168,831	-	40,168,831	20,920,611	19,248,220	52%

-The Municipal is yet to receive grants equivalent to 48% of the budget

-The 0% Budget utilization arose because no expenditure was incurred during FY 2025/2026. The project had not progressed beyond procurement stage by 30th June 2026. The funds received remained in the dedicated Urban Development Grant bank account.

12. Notes to the Financial Statements

1. General Information

Wote Municipality is established by and derives its authority and accountability from Urban areas and Cities Act. The Municipality is under the Makueni County Government and is domiciled in Kenya.

The Municipality principal activity is to improve urban quality of life.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The financial statements have been prepared and presented in Kenya Shillings, the Entity's functional and reporting currency. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The adopted accounting policies have been consistently applied to all years presented.

a) Basis of measurement

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid, or the fair value of the consideration given to acquire them at the time of acquisition, plus directly attributable transaction costs. Liabilities are recorded at the amount of consideration received to assume the obligation, less transaction costs incurred when the liability was assumed.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Entity uses market-to-observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Entity using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items, or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date.
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- The Entity's accounting policy is to recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. This policy is consistently applied to transfers into and out of each level.

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b) Use of Estimates

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

These financial statements were authorized for issue by the accounting officer on 28th Aug,2026

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3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2026.

Standard	Effective date and impact:
IPSAS 43: Leases	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.

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ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026.

Standard	Effective date and impact:
IPSAS 47: Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48: Transfer Expenses	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49: Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	Applicable 1st January 2027 The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.
IPSAS 51: Tangible Natural Resources Held For Conservation	Applicable 1st January 2028 The objective of this standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation. A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation.
IPSASB SRS 1: Climate Related Disclosures	Applicable 1st January 2028 This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The standard provides disclosures on governance, strategy, risk management, and metrics and targets.

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Finance income

Finance income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2025/26 was approved by the County Assembly on 27th June, 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget

c) Property, plant and equipment

Recognition and Measurement

The Entity's Property, Plant, and Equipment (PPE) are tangible items held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used for more than one reporting period.

An item of PPE is recognized as an asset if, and only if:

- It's **probable** that the future economic benefits or service potential associated with the item will flow to the ministry.
- The cost or fair value of the item can be measured **reliably**.

Items acquired through non-exchange transactions (e.g., donations) are measured at their **deemed cost**, which is the fair value at the date of acquisition. For all other acquisitions, initial measurement is at **cost**, which includes all expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The entity has adopted the **Historical cost model** for the subsequent measurement of its PPE. Under this model, after initial recognition, an asset is carried at its cost less any accumulated depreciation and accumulated impairment losses.

Depreciation and Impairment

The entity applies the **straight-line method** of depreciation, as it best reflects the pattern of the asset's consumption of its future economic benefits or service potential. Depreciation begins when

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the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date of derecognition. The depreciable amount is the cost of the asset less its residual value. The residual value and the useful life of an asset are reviewed at least at each annual reporting date. The table below indicates the various classes of assets and the depreciation rates.

PPE Item	Depreciation Rate
Buildings	2-10%
Motor vehicles	10-16.67%
Infrastructure assets	2-20%
Furniture and fittings	12.5%
Computers & ICT Equipment	33.3%

Impairment: The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized immediately in the statement of financial performance.

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of financial performance.

d) Lease Liability

A right-of-use asset represents the entity's right to use an underlying leased asset over the lease term. At the commencement date of a lease, the entity recognizes a right-of-use asset and a lease liability, except for short-term leases and leases of low-value assets as allowed under IPSAS 43.

Recognition

The entity recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- The amount of the initial lease liability.
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred; and
- An estimate of the costs to be incurred in dismantling and removing the underlying asset or restoring the site.

Measurement

Right-of-use assets are initially measured at cost. After initial recognition, right-of-use assets are measured using the cost model, where the asset is carried at: Cost less accumulated depreciation, and any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Depreciation of right-of-use assets is charged to expenditure in accordance with the entity's depreciation policy applicable to owned assets of the same class. Right-of-use assets are assessed for impairment in accordance with IPSAS 21 – Impairment of Non-Cash-Generating Assets or IPSAS 26 – Impairment of Cash-Generating Assets, as applicable.

e) Lease Liability

The lease liability is measured at the present value of lease payments that are not paid at that date. The lease payments have been discounted using the interest rate implicit in the lease, and the rate can be readily determined. If the rate cannot be readily determined, the entity uses the incremental borrowing rate.

Subsequently, the lease liability is measured at amortized cost using the effective interest method and reduced by lease payments. Interest expense is recognized in the statement of financial performance.

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

g) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial

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asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

j) Provisions

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Municipality expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Municipality does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Municipality does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Municipality creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

The Municipality recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits

Retirement benefit plans

The Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using

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the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

The Municipality regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

q) Service concession arrangements

The Municipality analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Municipality recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Municipality also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

s) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30th, 2026.

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Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Municipality's financial statements in conformity with IPSAS requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes requiring a material adjustment to the carrying amount of the affected asset or liability in future periods. State all judgments, estimates, and assumptions made:

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Municipality based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Municipality. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Municipality.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the financial statements

6. Revenue Transfers

Description	Insert Current FY	FY 2024/2025
	KShs	Kshs
Unconditional Transfers		
GoK Counter Part funding	-	-
Transfers from Development partners	-	-
<i>Other unconditional transfers (Specify)</i>	-	-
Total Unconditional Transfers (a)	-	-
Conditional Transfers		
Transfers from Development partners 1	20,920,611	-
Transfers from Development partner 2	-	-
<i>Other conditional transfers (specify)</i>	-	-
Total Conditional Transfers (b)	-	-
Total Transfers for the Year (a + b)	20,920,611	-

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Total transfers (Current FY)	FY 2024/2025
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
Development Partner 1	20,920,611	-	20,920,611	-
Development Partner 2	-	-	-	-
Subtotal	20,920,611	-	20,920,611	-
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	20,920,611	-	20,920,611	-

7. Miscellaneous revenue

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Interest Income	-	-
<i>Others (specify)</i>	-	-
Total	-	-

8. Employees Costs

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Basic salaries of permanent employees	-	-
Basic wages of temporary employees	-	-
Personal allowances paid as part of salary	-	-
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
<i>Other specify*</i>	-	-
Total	-	-

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9. Use of Goods and Services

De scription	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Utilities, supplies and services	-	-
Bank charges	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Foreign travel and subsistence	-	-
Fuel and lubricants	-	-
General office supplies	-	-
Stationery, Printing, advertising, and information supplies	-	-
Office rent	-	-
Training payments	-	-
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Other operating payments(specify)	-	-
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance- other assets	-	-
Total	-	-

10. Depreciation and Amortization expense

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Right of Use Assets	-	-
Others specify	-	-
Total	-	-

11. Transfer to Other Government Entities

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Ministry ABC	-	-
Project XYZ	-	-
Department xxx	-	-
County xxx	-	-
Total	-	-

12. Other Transfers/Subsidies/Grants

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Transfers to Non-Government Organizations	-	-
Subsidies	-	-
Others Specify	-	-
Total	-	-

Kenya Urban Support Programm 11 (KUSP 11)**Annual Report and Financial Statements for the financial year ended June 30, 2026****13. Finance Costs**

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Finance leases (amortized cost)	-	-
Unwinding of discount on lease liabilities	-	-
Interest on Lease liabilities	-	-
Others specify	-	-
Total finance costs	-	-

14. Certified Works

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Specify	-	-
	-	-
	-	-
<i>Others Specify</i>	-	-
Total	-	-

15. Gain/Loss on Sale of Assets

Description	FY 2025/2026	FY 2024/2025
	Kshs	
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain/loss on sale of assets	-	-

16. Gain/Loss on foreign exchange transactions

Description	FY 2025/2026	FY 2024/2025
	Kshs	
Gain on foreign exchange transactions	-	-
Loss on foreign exchange transactions	(-)	(-)
Total Gain/Loss	-	-

17. Impairment Loss

Description	FY 2025/2026	FY 2024/2025
	Kshs	
Property, Plant and Equipment	-	-
Intangible Assets	-	-
<i>Others specify</i>	-	-
Total Impairment Loss	-	-

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18. Cash and Cash Equivalents

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Cash in Bank	20,920,611	-
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
Total Cash and Cash Equivalents	20,920,611	-

Project Bank Accounts

Details	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No:1330517903]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
<i>Others (specify)</i>	-	-
Total Foreign Currency balances	-	-
Local Currency Accounts		
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No:1330517903]	20,920,611	-
Co-operative Bank of Kenya [A/c No.....]	-	-
<i>Others (specify)</i>	-	-
Total local currency balances	-	-
Total bank account balances	20,920,611	-

19. Receivables

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	-	-
<i>Other Receivables (specify)</i>	-	-
Total Receivables	-	-

Aging analysis for Receivables

Description	FY 2025/2026		FY 2024/2025	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years.	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

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20. Inventories

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	(-)	(-)
Total inventories at the lower of cost and net realizable value	-	-

Detailed disclosure on inventories

	FY 2025/2026
Opening balance	-
Additional Inventory in the year	-
Inventory expensed in the year	-
Write-downs in the year	-
Others specify	-
Closing balance	-

21. Prepayments

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Insurance	-	-
Rent	-	-
<i>Others specify</i>	-	-
Total inventories	-	-

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Notes to the financial statements

22. Property, Plant and Equipment

FY 2025/2026

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computer s	Infrastruc ture Assets	Service Concessio n Assets	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2025(FY 2025/2026)	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	-	-	(-)	(-)	(-x)	(-)
Transfers/Adjustments	-	-	(-)	-	(-)	(-)	(-)	-	(-)
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
As at 30th June 2026 (FY 2025/2026)	-	-	-	-	-	-	-	-	-
Depreciation & Impairment									
At 1 July 2025 (FY 2025/2026)	-	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Depreciation	-	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Impairment	-	(-)	-	-	-	(-)	(-)	-	(-)
Transfers/ Adjustments	-	(-)	-	-	(-)	(-)	(-)	-	(-)
As at 30th June 2026(FY 2025/2026)	-	-	-	-	-	(-)	(-)	-	-
Net Book Value as at 30th June 2026	-	-	-	-	-	-	-	-	-

FY 2024/2025

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computer s	Infrastruc ture Assets	Service Concessio n Assets	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 July 2024(FY 2024/2025)	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	-	-	(-)	(-)	(-)	(-)
Transfers/Adjustments	-	-	(-)	-	(-)	(-)	(-)	-	(-)
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
As at 30th June 2025(FY 2024/2025)	-	-	-	-	-	-	-	-	-
Depreciation & Impairment									
At 1 July 2024(FY 2023/2024)	-	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Depreciation	-	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Impairment	-	(-)	-	-	-	(-)	(-)	-	(-)
Transfers/ Adjustments	-	(-)	-	-	(-)	(-)	(-)	-	(-)
As at 30th 2025	-	-	-	-	-	(-)	(-)	-	-
Net book Value As at 30th June 2025	-	-	-	-	-	-	-	-	-

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Notes to the financial statements

a) Valuation

No asset valuation was done during the year

b) Property, Plant and Equipment at Cost

The program doesn't not have assets under its portfolio

c) Fully depreciated assets

No Property, plant, and Equipment that are fully depreciated:

d) Service Concession assets

The Municipality has no heritage assets.

e) Disclosures on capital work in progress

The program does not have any work in progress WIP

Kenya Urban Support Programm 11 (KUSP 11)
Annual Report and Financial Statements for the financial year ended June 30, 2026

23. Intangible Assets

FY 2025/2026

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	Kshs	Kshs	Kshs	Kshs
Cost/Value at 1 st July 2025(FY 2025/2026)	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	(-)	-
Disposal	(-)	(-)	(-)	(-)
Cost/Value at 30 th of June 2026	-	-	-	-
Amortization and impairment				
At 1 st July 2025		-	-	-
Amortization charge for the year		-	-	-
Disposal		(-)		
Impairment loss	(-)	(-)	(-)	(-)
At the end of the period	-	-	-	-
NBV at 30 th June 2026(FY 2025/2026)	-	-	-	-

FY 2024/2026

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	Kshs	Kshs	Kshs	Kshs
Cost/Value at 1 st July 2024(FY 2024/2026)	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	(-)	-
Disposal	(-)	(-)	(-)	(-)
Cost/Value at 30 th of June 2025	-	-	-	-
Amortization and impairment				
At 1 st July 2024		-	-	-
Amortization charge for the year		-	-	-
Disposal		(-)		
Impairment loss	(-)	(-)	(-)	(-)
At the end of the period	-	-	-	-
NBV at 30 th June 2025	-	-	-	-

Kenya Urban Support Programm 11 (KUSP 11)

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24. Right of Use Assets

FY 2025/2026

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
As at 1 July 2025	-	-	-	-	-
Additions in the period	-	-	-		-
Remeasurement/Adjustments		-		-	-
Disposals/Terminations	(-)	(-)			
As at 30 June 2026	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 2025	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	(-)	(-)	(-)	(-)	(-)
As at 30 June 2026	-	-	-	-	-
NBV As at 30 June 2026	-	-	-	-	-

FY 2024/2025

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
Cost/Valuation					
As at 1 July 2024	-	-	-	-	-
Additions in the period	-	-	-		-
Remeasurement/Adjustments		-		-	-
Disposals/Terminations	(-)	(-)			
As at 30 June 2025	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 2024	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	(-)	(-)	(-)	(-)	(-)
As at 30 June 2025	-	-	-	-	-
NBV As at 30 June 2025	-	-	-	-	-

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25. Trade and Other Payables

Description	FY 2025/2026		FY 2024/2025	
	Kshs		Kshs	
Trade payables	-		-	
Employee payables	-		-	
Total trade and other payables	-		-	
Ageing analysis: (Trade and other payables)	FY 2025/2026	% of the Total	FY 2024/25	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

26. Third-Party Deposits

Description	FY 2025/2026		FY 2024/2025	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
<i>Other deposits (specify)</i>	-		-	
Total deposits	-		-	
Aging analysis: (Refundable deposits)	FY 2025/2026	% of the Total	FY 2024/2025	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

27. Deferred Income

Description	FY 2025/2026		FY 2024/2025	
	Kshs		Kshs	
Development partner 1	-		-	
Development partner 2	-		-	
<i>Others specify</i>	-		-	
Total Deferred Income	-		-	

Deferred Income Movement Schedule

	Development Partner 1	Development Partner 2	Others specify	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 st July 2025	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	(-)	(-)	(-)	(-)
Balance as at 30 th June 2026	-	-	-	-

Kenya Urban Support Programm 11 (KUSP 11)
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Notes to the financial statements

28. Lease Liability

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
At the start of the year	-	-
Additions	-	-
Discount interest on lease liability	-	-
Paid during the year	(-)	(-)
Adjustments	-	-
At the end of the year	-	-

Maturity Analysis

Period	Amount
Year 1	-
Year 2	-
Year 3	-
Year 4	-
Year 5 And Onwards	-
Less: Unearned Interest	(-)
	-

Analysed as:

Description	Amount
Current	-
Non- Current	-
Total	-

29. Cash Generated from Operations

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Surplus/Deficit for the year	20,920,611	-
Adjusted for:		
Depreciation	-	-
Non-cash grants received	(-)	(-)
Impairment	-	-
Gains and losses on disposal of assets	-(-)	-(-)
Working capital adjustments		
Increase/Decrease in inventory	-(-)	(-)
Increase/Decrease in receivables	-(-)	-(-)
Increase/Decrease in deferred income	-(-)	-(-)
Increase /Decrease in payables	-(-)	-(-)
Increase in payments received in advance	-	-
Net cash flow from operating activities	20,920,611	-

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30. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2026 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Notes to the financial statements

Special Deposit Accounts Movement Schedule

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
(i) A/c Name [A/c No1330517903]		
Opening balance	100	-
Total amount deposited in the account	20,920,611	-
Total amount withdrawn	=	=
Closing balance (as per SDA bank account reconciliation attached)	<u>20,920,711</u>	=
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	=	=
Closing balance (as per SDA bank account reconciliation attached)	<u>X-</u>	=

Kenya Urban Support Programm 11 (KUSP 11)
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31. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Notes to the financial statements

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to the government agencies	-	-
Rent income from the government. Agencies	-	-
Others (specify) e.g. interest and bank charges	-	-
Total	-	-
B) purchases from related parties		
Purchases of electricity from KPLC	-	-
Purchase of water from the government service providers	-	-
Rent expenses paid to the government agencies	-	-
Others (specify)	-	-
Total	-	-
b) Grants /transfers from the government		
Grants from national the government	-	-
Grants from county government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total		
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

Notes to the financial statements

Kenya Urban Support Programm 11 (KUSP 11)
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32. Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

33. Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of xxx.
Its ultimate parent is the Government of Kenya.

34. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

Kenya Urban Support Programm 11 (KUSP 11)

Annual Report and Financial Statements for the financial year ended June 30, 2026

13. Annexes

Annex 1: Reconciliation of inter-entity transfers

Project Name:			
Break down of transfers the County Government of Makueni			
a. Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	12 th June 2026	20,920,611	FY 2025/26
		-	
	Total	20,920,611	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		-	
	Total	-	
C. Others			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		-	
		-	
	Total	-	
	Total (A+B+C)	20,920,611	


 Name GEORGEY MUTINDA
 Project Coordinator
 Wote Municipality


 Name Shadrack Makau
 Head of Accounting Unit
 Wote Municipality

