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LAKE VICTORIA NORTH WATER SERVICES BOARD



ANNUAL REPORT 2009



LAKE VICTORIA NORTH WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENT

**FOR THE YEAR ENDED
30 JUNE 2009**



LVNWSB
Lake Victoria North Water Services Board
Annual Report for 2009



Core business

The core businesses as set out in its strategic plan are:

- (a) Managing and developing water supply and sanitation assets;
- (b) Entering into service provision agreements with WSPs and monitoring their performance;
- (c) Supporting communities in the Board's area of responsibility, in the provision of water and sanitation.

Vision

To be the leading WSB in Kenya in the provision of adequate and quality water and sanitation services

Mission

To ensure provision of quality and affordable water and sanitation services through effective management of resources and in turn promote socio-economic progress in the region.

Core Values

- (a) The Board will endeavour to provide services that meet the expectations of its customers.
- (b) The Board will pursue good governance, conduct its affairs in a transparent and accountable manner; and seek stakeholder participation in decision making process.
- (c) The Board will at all times endeavour to appoint, reward and engage staff on merit basis.
- (d) The Board will be an equal opportunity employer and will be sensitive to gender parity.
- (e) The Board will seek to have an organization built on teamwork and high level of discipline.
- (f) The Board will be committed to continuous learning
- (g) The Board will remain a committed advocate of sustainable environment in all its dealings.

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BOARD DETAILS

Incorporation

Lake Victoria North Water Services Board is a state corporation established under the Water Act 2002 and gazetted vide notice No. 1717 and is domiciled in Kenya.

Principal Place of Business

Kenfinco Complex
Kakamega-Kisumu Road
P.O Box 673 – 50100
KAKAMEGA

Tel: 254- 56–30795
Fax: 254-056-31506

E-mail: info@lvnwsb.go.ke

Bankers

Kenya Commercial Bank
Kakamega Branch
P.O Box 152 – 50100
KAKAMEGA

Cooperative Bank
Kakamega Branch
P.O Box 595– 50100
KAKAMEGA

Auditors

The Controller and Auditor General
Kenya National Audit Office
Anniversary Towers
P.O Box 30084
NAIROBI

BOARD OF DIRECTORS

Mr. Joseph Murunga (Chairman)

Mrs. Lena Rop

Mr. Albert K. Kimwatan

Mr. Boaz O. Ojiambo

Mr. Jackson Mwangale

Eng. Lawrence Simitu (Alt. Director to Permanent Secretary Ministry of Water)

Mr. Herman Chavera (Alt. Director to Permanent Secretary Ministry of Local Government)

Mr. Charles Mutiso (Alt. Director to Permanent Secretary Ministry of Finance)

Mr. Benson Chemiat Kirui

Mrs. Imelda Itini

Mrs. Sarah Nekesa Lubano

Mr. Francis Abuje



MANAGEMENT TEAM



Eng. Diru Magomere
Chief Executive Officer



Eng. Claude Busieney
Technical Manager



Mr. Bonface Wanyonyi
Finance and Administration Manager



Eng. Richard Donde
Water Services Provider Manager



Eng. Gilbert Maiyo
Asset. Development Manager



M/s Nelly Mkoko
Community Development Manager



Mr. Fredrick Musungu
Senior Accountant



Mr. Peter Bett
Procurement Manager



Mr. Daniel Owino
Corporate Affairs Manager



Mr. Wellington Magoi
Internal Audit Manager

OVERVIEW OF THE BOARD AND SERVICE AREA

Lake Victoria North Water Services Board (LVNWSB) is one of the eight Water Services Boards established under the Water Act 2002, as part of the reforms in the water sector. The Board was established vide gazette notice No. 1717 dated 12th March 2004. The mandate of the Board is to contract, monitor and enforce agreements between the Board and Water Service Providers in accordance with regulations set by the Water Services Regulatory Board; ensure effective and economical provision of water services; monitor and acquire assets; plan, manage and develop water and sewerage services; and take custody of water services provision assets. The Board became fully operational in January 2005.

Lake Victoria North Water Services Board covers the entire Western Province and ten districts in parts of the Rift Valley Province. The specific Districts covered in parts of the Rift Valley Province are Nandi Central, Nandi North, Trans Nzoia East, Trans Nzoia West, Kwanza, Uasin Gishu West, Eldoret south (Tarakwa), Eldoret East, Markwet East, Marakwet West. The total coverage of the districts in the area of the Board's mandate is 24,420 sq. kms, with an estimated population of 6,474,730 (1999 National Population Census).

Chairman's Statement



May I, on behalf of the Board, announce the financial statement for Lake Victoria North Water Services Board for the year ended on 30th June, 2009.

The financial statement as you will see from the financial figures point to stringent and prudent fiscal practices at the Board for the ended financial year. This is as a result of years of financial propriety guided by the good financial and accounting policies and practice that the board has put in place in its operations.

Lake Victoria North Water Services Board (LVNWSB) was established through Kenya Gazette Notice No. 1717 of 12th March, 2004 and licensed by the Water Services Regulatory Board (WASREB) on 11th May, 2007. It is one of the eight Water Services Boards (WSBs) established under the Water Sector Reforms Programme through the Water Act 2002 for the purpose of bringing about efficiency and sustainability in the provision of water supply and sanitation services in the country.

Lake Victoria North Water Services Board covers 40 administrative districts including the entire Western Province and the northern parts of Rift Valley Province. Geographically, this translates to about 14,000 sq. Kms, with an estimated population of about 6, 500,000 people.

The Board has the sole mandate of ensuring provision of efficient and economical provision of water and sanitation services within its area of jurisdiction. In executing this mandate, the board is tasked with planning, development and expansion of water and sanitation services infrastructure within its area of jurisdiction. To this end, the board handles a significant proportion of donor monies. Currently we are privileged to be implementing water and sanitation infrastructure developments amounting to close to Kshs. 10 billion from donors key among them Government of the Republic of Kenya, the German Technical Cooperation (GTZ), Kreditanstalt fur Wiederaufbau (KfW), the Kenya Water and Sanitation Programme, World Bank, UNICEF and JICA.

By the very nature and volume of infrastructural investment funding the board undertakes, financial prudence and accountability is of extreme importance. It is therefore my pleasure that as you will notice from the financial figures herewith, Lake Victoria North Water Services Board has done extremely well in this. I further call upon more of our development partners to join us in helping alleviate the water problem from our people, fully aware that your resources will be put where it is needed most.

Joseph Murunga
Chairman, LVNWSB

Message from the CEO



It is my sincere pleasure to present the 2008/2009 financial statement of Lake Victoria North Water Services Board.

Lake Victoria North Water Services Board is a state corporation in the Ministry of Water and Irrigation tasked with ensuring economical provision of water and sanitation services within our area of jurisdiction. To achieve this, the Board has contracted five urban Water Service Providers for water service provision in accordance with the water act 2002. These include: Eldoret Water and Sanitation Company (Eldowas), Western Water Services Company, Amatsi Water Services Company, Nzoia Water Services Company (Nzowasco) and the Kapsabet Nandi Water Services Company. These are in addition to several Rural Water Users Associations tasked with management of water and sanitation provision in rural areas within the Board area. The

Board now intends to cluster the five urban water service providers into three viable entities by the end of this financial year.

One of the main functions of the Board is the development of the development and expansion of the water and sanitation infrastructure within its area of jurisdiction. In the 2008/2009 financial year the Board spent significant amount of money in this with financial assistance from our development partners including the Government of the Republic of Kenya, the German Technical Cooperation (GTZ), Kreditanstalt fur Wiederaufbau (KfW) and the Kenya Water and Sanitation Programme, World Bank, JICA among others.

The Government of the Republic of Germany, through KfW, in conjunction with the Government of Kenya is funding projects worth over Kenya Shillings ten billion in various urban centers within the Board under the long term Water Supply and Sanitation Programme. Projects worth Kenya shillings 2.3 billion are currently ongoing in Kitale, Webuye, Bungoma and Kimilili under Nzoia Cluster Phase I. These projects are expected to be completed by October this year. The next Phase of the same project, Nzoia Cluster Phase II, worth over Kenya shillings 3.2 billion, began in August last year and is scheduled for completion next year, 2010. Nzoia cluster Phase II targets the towns of Kakamega, Busia and Nambale. Upon completion of these projects, our customers in the targeted towns would begin enjoying regular supply of water.

The World Bank and the Government of Kenya are also funding a number of water infrastructural projects in several small urban centers within the Board area, under the Water and Sanitation Services Improvement Programme (WaSSIP) jointly with the KfW. These will constitute Nzoia Cluster Phase III.

For our rural areas, the Board is implementing a number of water projects in select water starved rural locations under the Community Project Cycle (CPC) initiative with funding from the Water Service Trust Fund (WSTF). I am happy to note that Lake Victoria North Water Services Board was the leading among the eight Water Services Boards in Kenya in the number of projects under implementation in the CPC initiative with estimated cost of Kshs. 225million.

In the coming financial year, we foresee more donors coming on board to finance more capital investments within the board area. This would only assert the confidence that our development partners have in us as a board. This financial statement show positive financial position with regard to income and expenditure. The financial prudence manifested here has become part of the Board's history and we can only expect better books of accounts in years to come.

Eng. Diru Magomere
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

The Lake Victoria North Water Services Board is committed to the values and principles of good corporate governance. The Board of Directors and Management of the Board regard corporate governance as pivotal to the success of the Board and are committed to ensuring that the Board adheres to the highest standards of conduct and accountability in accordance with the best practice and principles of corporate governance. These principles are applied throughout all levels of the corporation.

The Role of the Board

The role of the board of Directors is to set the policy and strategy, to monitor the attainment of board's objectives and to ensure that the Board meets its obligations to stakeholders. The Directors are also responsible for overseeing the Board's assets and ensure the reliability of financial information used within the corporation. The Directors are also responsible for overseeing the Board's internal control system. These controls are designed both to safeguard the Board's assets and ensure reliability of financial information used within the corporation's business.

Members of the Board

The composition of the Board of Directors of LVNWSB underwent major changes in the year under review. Nine new directors namely Mrs Sarah Lubano, Mrs Imelda Itini, Mr. Francis Abuje, Mr. Albert K. Kimwatan (Representing Kenya Association of Manufacturers), Eng. Lawrence Simitu, Alternate Director to permanent Secretary Ministry of Water, Mr Herman Chavera, Alternate Director to Permanent Secretary Local Government, Mr. Jackson Mwangale and Benson Chemiat Kirui. Mr. Charles Mutiso was also appointed to represent Permanent Secretary Ministry of Finance to the Board. The Board represents a mix of skills and gender appropriate to its role and in line with good corporate governance principle.

Board Committees

In line with guidelines issued by the Government, the board has delegated its authority to committees to deal with specific aspects of its responsibilities. These committees have specific terms of reference and reports to the full Board meeting. LVNWSB has the following Board committees:-



1. Finance and general purpose Committee, whose main duties are: - to review financial statements and annual budgets; periodic review of staff remuneration and terms of service; appointments and disciplinary actions for senior staff; and general welfare of the Board's employees.
2. Audit Committee, whose main duty is to ensure that the systems of internal control are effective and complied with.
3. Technical Committee, whose focus is on issues arising from LVNWSB stewardship of essential water infrastructure and has a duty of reviewing the conditions and performance of technical assets including projects. The committee is also tasked with ensuring safeguarding the environment.

Meetings of the Board

The Board of Directors met four times during the year. The Board committees also met at least thrice in the year.

Organisation Structure

The Board has a clearly defined organisation structure within which individual responsibilities are identified in relation to internal financial controls. The structure is complimented by policies and management operates the business in compliance with these policies.

Management Team

The Chief Executive Officer chairs the Management team which comprises heads of department and other senior staff. The team deals with operation matters and coordinates activities across the boards various departments/divisions, water schemes and water services providers.

Lake Victoria North Water Services Board

REPORT OF DIRECTORS

The Directors have pleasure in presenting their report and audited financial statements for the year ended 30 June 2009.

Principal Activities

The mandate of the Board is to provide water and sewerage services in the 40 districts under its jurisdiction. The principal activities are to contract water service providers (WSPs), asset maintenance and development.

Results July 2008-June 2009

Kshs

Surplus/(Deficit) before depreciation and finance costs	32,040,640
Less: Depreciation	<u>5,587,450</u>
Surplus/(Deficit) before finance costs	26,453,190
Net Finance costs	-
Net surplus/(Deficit) for the period	<u>26,453,190</u>

Net deficit for the period

The Board registered a surplus of **Ksh. 26,453,190** during the year.

Auditors

The Controller and Auditor General Kenya National Office will continue to audit the Accounts of the Board in accordance with section 12 of the Public Audit Act 2003.

By order of the Board

Eng. Diru Magomere
Chief Executive Officer/Secretary
24 sept, 2009



STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

The Water Act 2002 requires the Board to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Board at the end of the financial year and of its operating results. It also requires the Board to keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Board. They are also responsible for safe guarding the assets of the Board.

The Board members accept responsibility for annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in accordance with International Financial Reporting Standards and the requirements of the State Corporations Act and Water Act 2002.

The Board members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board and of its operating results. The members further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal control.

Nothing has come to the attention of the members to indicate that the Board will not remain a going concern for at least twelve months from the date of this statement.

Joseph Murunga
CHAIRMAN
24th September 2009

Eng. Diru Magomere
CHIEF EXECUTIVE OFFICER
24th September 2009



Lake Victoria North Water Services Board

L V N W S B

**LAKE VICTORIA NORTH WATER SERVICES
BOARD**

ANNUAL REPORT 2009

FINANCIAL STATEMENTS



REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LAKE VICTORIA NORTH WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2009

I have audited the accompanying financial statements of Lake Victoria North Water Services Board set out at pages 15 to 25 which comprise the Statement of Financial position as at 30 June 2009, the Statement of Comprehensive Income, the Statement of Changes in General Fund and the 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 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 Management is responsible for the preparation and fair presentation of financial statements in accordance with the International Financial Reporting Standards and for such 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.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. 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 with a view to obtaining 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 controls 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 Board's internal controls. 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.

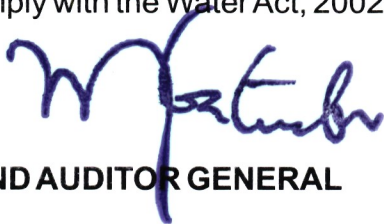
I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Property, Plant and Equipment

As previously reported, the financial statements exclude an undetermined value of assets and liabilities relating to the Board and which were transferred from Ministry of Water and the National Water Conservation & Pipeline Corporation through Legal Notice No. 101 of 12 August 2005. According to the Legal Notice, the transfer of the assets and liabilities was to be completed by 30 June 2006 through an agreement which was to contain technical audit and valuation reports of assets and liabilities transferred under Section 113 of the Water Act 2002. As disclosed in note 1(g) to the financial statements however, land, buildings and water supplies have not been valued for inclusion in the financial statements although the Board is exploring avenues to raise funds for the purpose. Under the circumstances, I am unable to confirm that the assets of the Board are fairly stated as at 30 June 2009.

Opinion

Except for the foregoing reservation, in my opinion, the financial statements give a true and fair view of the financial position of the Board as at 30 June 2009 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Water Act, 2002.



**A.S. ML Gatumbu
CONTROLLER AND AUDITOR GENERAL**

Nairobi

12 February 2010

FINANCIAL STATEMENTS FOR YEAR

ENDED JUNE 30, 2009

STATEMENT OF COMPREHENSIVE INCOME

INCOME	NOTE	2009 Ksh.	2008 Ksh.
Government Grants	2	56,578,700	53,000,000
Kazi kwa Vijana	2	31,185,000	0
Revenue from Water sales	3	3,009,718	2,466,160
Levy Income from WSP	4	18,365,714	14,745,411
SIDA/DANIDA Grants (KWSP)	5	25,585,228	15,543,700
UNICEF-Grants	5	1,668,587	0
GTZ Grants for IDP/HIV	5	786,132	250,000
Other Revenues -Wassip	23	183,000	0
Other Revenues	6	5,374,781	2,212,880
Total Income		<u>142,736,860</u>	<u>88,218,151</u>
EXPENSES			
Administrative and Establishment Expenses	7	12,994,436	19,076,918
Supplies and Services	8	5,598,647	4,497,820
Kazi kwa vijana expenses	9	18,097,344	0
Finance Costs	10	232,155	205,752
Transport Costs	11	3,620,560	3,092,269
Operation and Maintenance Expenses	12	4,635,331	4,916,373
Personnel Costs	13	35,999,052	29,437,329
Rural/urban Water Supplies Development Expenses	14	29,518,695	37,596,696
Depreciation expenses	15	5,587,450	6,071,351
Total Expenditure		<u>116,283,670</u>	<u>104,894,510</u>
Excess of income over expenditure		<u>26,453,190</u>	<u>(16,676,359)</u>

Lake Victoria North Water Services Board

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2009

	NOTE	2009 <u>Ksh</u>	2008 <u>Ksh</u>
ASSETS			
Non Current Assets			
Property, Plant and Equipments	24	52,038,467	51,199,473
Capital works in progress-Nzoia Cluster	23	4,131,015,478	0
Capital works in progress-WaSSip	23	15,715,377	0
Institutional Strengthening	23	18,060,493	0
		<u>4,216,829,815</u>	<u>51,199,473</u>
CURRENT ASSETS			
Debtors	16	51,548,083	22,682,142
Stock	17	603,830	601,547
Cash and Bank Balances	18	<u>327,877,490</u>	<u>11,250,648</u>
		<u>380,029,404</u>	<u>34,534,336</u>
TOTAL ASSETS		<u>4,596,859,219</u>	<u>85,733,809</u>
EQUITY AND LIABILITIES			
Grants	21	25,924,938	24,369,633
Capital Grants(GOK)	22	242,155,789	4,698,300
Grants KFW	23	131,739,814	0
Loan KFW	23	3,097,310,447	0
Loan WB	23	340,280,300	0
General Fund		<u>68,168,834</u>	<u>43,426,005</u>
		<u>3,905,580,121</u>	<u>72,493,938</u>
CURRENT LIABILITIES			
Creditors and accruals	20	689,338,252	12,386,505
Bank Overdraft	19	1,940,843	853,366
		<u>691,279,095</u>	<u>13,239,871</u>
TOTAL EQUITY AND LIABILITIES		<u>4,596,859,219</u>	<u>85,733,809</u>

The notes on pages 13-20 form an integral part of these Accounts. The Accounts approved and signed on behalf of the Board of Directors on 24th, September, 2009 By:

Mr. Joseph Murunga
CHAIRMAN

Eng. Diru Magomere
CHIEF EXECUTIVE OFFICER

STATEMENT OF CHANGES IN GENERAL FUND

For the Year Ended June 30, 2009

	Capital Fund	Revaluation Reserve	General Fund	Total
	<u>Ksh</u>	<u>Ksh</u>	<u>Ksh</u>	<u>Ksh</u>
As at 1st July 2008	29,067,933	0	43,426,005	72,493,938
Capital Grants - Donors	0	0	0	0
Prior period adjustment			(1,710,361)	(1,710,361)
Capital Grants (GOK)		0	0.00	0.00
Excess of income over Expenditure	0	0	26,453,190	26,453,190
As at 30th June 2008	<u>29,067,933</u>	<u>0</u>	<u>68,168,834</u>	<u>97,236,767</u>

Lake Victoria North Water Services Board

STATEMENT OF CASHFLOWS YEAR ENDED JUNE 30, 2009

		2,009	2008
	Notes	Ksh	Ksh
Cash flow from operating activities			
Excess of income over expenditure		26,453,190	(16,676,359)
Adjustments for: Depreciation		5,587,450	6,071,351
Operating Surplus		32,040,640	(10,605,008)
Increase in debtors		(30,576,303)	(9,655,592)
Decrease in stock		(2,284)	315,498.40
Decrease in Creditors		<u>676,951,747</u>	(1,489,691)
Net working Capital		<u>646,373,161</u>	<u>(10,829,784)</u>
Net cash flow from operating activities		<u>678,413,801</u>	<u>(21,434,793)</u>
Cash flow from investing activities			
Purchase of property, plant and equipments	21	(4,171,217,792)	(1,803,855)
Net cash used in investing activities		(4,171,217,792)	(1,803,855)
Cash flow from Financing Activities		<u>3,808,343,355</u>	
Net Cash used in financing Activities		<u>3,808,343,355</u>	<u>0.00</u>
Net Increase in Cash and cash equivalents in the year		315,539,363	(23,238,648)
Cash and cash equivalent at the beginning of the year		10,397,282	33,635,930
Cash and cash equivalent at the end of the year		<u>325,936,647</u>	<u>10,397,282</u>
Represented by:			
Cash on hand		0	0
Bank Balances		327,877,490	11,250,648
Bank overdraft		(1,940,843)	(853,366)
		<u>325,936,647</u>	<u>10,397,282</u>



Notes to the Financial Statements

For the Year Ended 30th June 2009

1. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of Accounting

The financial statements have been prepared in accordance with the international financial reporting standards (IFRS) under the historical cost convention.

b) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized.

- Government grants are recognized as income when there is reasonable assurance that the grants will be received. The grants are recognized as income on a systematic and rational basis over the period to march them with related costs.
- Grants from other donors are recognized as income when there is reasonable assurance that the grants will be received. The grants are recognized as income on a systematic and rational basis over the period to march them with related costs.
- Revenues from water services levy are recognized as income when there is reasonable assurance that the levy has been earned.

c) Expenditure

Expenditures comprises all expenses incurred in operations of the Board and are recognized when incurred on an accrual basis..

d) Currency

Asset and liability are expressed in local currency i.e. Kenya shilling (Ksh)

e) Retirement Benefits obligations

The Board's staffs were deployed from Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation (NWPC) and maintained their terms of employment. The deployed staff from NWPC staff maintained a defined contributory benefit scheme and the schemes assets are held in a separate trustee administered fund. Staff deployed from government continued with the government retirement plan. This arrangement holds until the Board develops its own retirement benefits scheme. In core Management Team comprising of Chief Executive Officer, Technical Manager and Finance and Administration Manager are on a three year contract and are entitled to gratuity at the end of their contract at the rate of 31% of basic salary. The accrued gratuity as at 30th June 2009 amounted to Ksh. 3,644,328.05

f) Leave Accrual

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave at the balance sheet date.

a) Property and Equipment

1. The value of land, buildings and water supplies are not considered in the report because they have not been valued. The Board is soliciting for finances to enable it value the assets. It is important to note that although the water assets within the Board area were transferred to the Board vide legal notice No. 101 the titles to the said properties are yet to pass over to the Board.
2. Only motor vehicles whose log books are in the name of the Board have been included in the statements at cost. Value for motor vehicles handed over to the Board by the Ministry of Water is not included in the Balance sheets because their log books are still being held by the parent ministry, so it is assumed that the same was included in their books of accounts.
3. Donated furniture and equipments from the Ministry and donors have been included in the accounts at an estimated value based on management assessment.
4. Depreciation is charged on a straight line basis over the estimated useful lives of the assets. The annual rates used are as below.

	% per annum
i). Office Equipment	12.5%
ii). Computer & other related equipment	33.3%
iii) Furniture and Fittings	12.5%
iv). Motor Vehicles	25%
v). Plant, Machinery and Equipments	20%
vi). Water Supply infrastructure	2.5%

b) Stock

Stocks are valued at cost using the first in first out method (FIFO).

c) Foreign Currency Translations

Assets and corresponding liabilities expressed in foreign currencies are translated into Kenya Shillings at the exchange rate ruling at the balance sheet date. Individual transactions during the year are converted into Kenya shillings at the exchange rate ruling at the time of each transaction and realized gains/losses relating to these are dealt with through income statement.

d) Bad debts provision

Bad and doubtful debts provision is made when there is significant evidence that the debts recoverability is doubtful. Bad debts are written off when all the reasonable steps have been taken to recover the debt and the Board is satisfied that all legal and other measures have been exhausted and the recovery of the debt would be uneconomical.



Lake Victoria North Water Services Board

	2009	2008
2. Government Grants		
Recurrent grants	31,000,000	34,000,000
Development grants	25,578,700	19,000,000
Kazi kwa Vijana	31,185,000	0
Total	87,763,700	53,000,000

3. Revenue		
Revenue from water sales (Kapsabet Water supplies)	3,009,718	2,466,160

4. Levy income from WSPs

WSP Licence fees	18,365,714	14,745,411
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This is the revenue accrued from the contracted Water service providers (WSPs). The Board has contracted four WSPs namely Amatsi, Western, Nzoia and Eldoret Water and Sanitation Companies. The levy is charged at the following rates:-

a). Eldoret Water Company	2.5% of revenue billed
b). Western Water Company	7.0% of revenue billed
c). Amatsi Water Company	7.0% of revenue billed
d). Nzoia Water Company	5.0% of revenue billed

The revenue is recognised when accrued.

5. Grants		
Grants from SIDA/DANIDA -KWSP Rural water supply	25,585,228	15,543,700
GTZ Grants for IDP/HIV	786,132	250,000
UNICEF-Grants	1,668,587	
	28,039,947	15,793,700

6. Other Income		
Receipts from sale of tenders and miscellaneous income	5,374,781	1,000,380
Miscellaneous receipts-IDP and other contrutions	0	1,212,500
	5,374,781	2,212,880

7. Administrative and Establishment Expenses		
Board committee & conference	3,662,310	3,849,609
Honoraria for chairman	480,000	440,000
Electricity	694,190	13,250
Trade shows & exhibitions	192,083	849,543
Library Expenses	30,935	
Training expenses	306,220	2,520,906
National celebrations	0	8,881
Workshops and meeting expenses	842,168	317,890
Contracted guards & cleaning services	513,856	506,780
Corporate social responsinsibility ,publicity	46,729	1,821,562
Miscellaneous expenses	275,414	2,122,211
Audit and accountancy	150,000	150,000
Corporate planning expenses	0	304,078
Staff travel and accommodations	2,637,988	2,973,180
Board establishment costs	173,736	2,848,625
Board Capacity Development	862,827	
Reserch and development	85,960	38,000
ISO Preparation and acquisition expenses	516,777	194,663
Work environment survey/safety	13,500	105,456
Adjustment on provisions of debtors	1,509,744	
HIV/AIDs Sensitisation programmes		70,553
	12,994,436	19,135,186

Lake Victoria North Water Services Board

8. Supplies and Services		
Advertisement and publicity	614,897	923,500
Computers stationery and accessories	736,120	187,872
Courier and postal services	314,085	282,241
General office supplies	2,040,541	428,622
Internet connections/ICT Expenses	223,032	297,223
Legal and professional services	0	59,220
Telkom wireless mobiles	0	36,600
Purchase of urns, water dispenser, DVD etc - exp	0	44,235
Hospitality supplies & services/National celebrations	40,350	80,680
Professional subscriptions and membership	53,900	30,000
Publishing & printing services	295,962	458,248
Purchase of uniforms	0	40,218
Sanitary and cleaning materials	127,685	129,424
Subscription to newspapers	245,598	180,785
Telephone, Fax and mobile phones	794,243	1,318,952
Tender/Seek quotations	112,236	
Total	<u>5,598,647</u>	<u>4,497,820</u>
9.Kazi kwa vijana expenses		
Labour and materials	18,097,344	0
10. Finance Costs		
Bank charges and commissions	232,155	205,752
11. Transport Costs		
Transport operating costs-MV Maintenance	1,768,067	1,351,070
Motor vehicle insurance	627,939	513,161
Fuels and oils for motor vehicle	1,224,555	1,228,038
Total Motor vehicle running costs	<u>3,620,560</u>	<u>3,092,269</u>
12. Operation and Maintenance Expenses		
Laboratory/quality control expenses	173,676	73,000
Maintenance of equipments	199,502	119,169
Minor alteration to building	97,029	35,224
Maintainance of water supplies	61,150	163,376
Maintenance of computers	117,915	83,172
Electricity expenses-Interim WSPs	187,713	1,261,220
Operations and Maintenance - Kapsabet	451,010	291,664
Transport operating costs-Hire of transport	0	172,848
Monitoring and evaluation	574,716	758,944
Support to water service providers	2,772,619	1,816,436
Renovation and refurbishment buildings	0	141,320
Total	<u>4,635,331</u>	<u>4,916,373</u>
13. Personnel Costs		
Basic salary and house allowance	25,814,023	21,383,262
Other allowances	1,139,568	569,184
Staff recruitment expenses	1,933,502	331,660
Staff welfare expenses	309,511	31,249
Commuter allowance	216,000	432,000
Medical allowance/expenses	990,400	709,090
Contributions to pensions/NSSF	2,920,831	3,005,237
Leave allowance&Accrued leave expense	506,931	2,517,722
Group life insurance/Personal accident cover	2,168,285	457,925
Total	<u>35,999,052</u>	<u>29,437,329</u>

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14. Rural/Urban Water Supplies Development Expenses

Rural water supply development-KWSP	24,947,044	17,733,844
Rural water supply development-Sanitation and hygiene	0	8,603,703
Support WSPS/ Feasibility studies and appraisals	84,845	75,804
Construction of water supplies-Tendering	0	1,790,657
Rehabilitation of water supplies-UNICEF Funded	1,529,713	2,451,924
Rehabilitation of water supplies	969,627	552,246
Support WSP-rehabilitation of water supplies, Meters	231,506	1,561,040
Design and supervision - Nzoia Cluster III	1,755,960	4,751,607
Design and supervision - Kapsabet	0	75,870
Total	<u>29,518,695</u>	<u>37,596,696</u>

15. Depreciation expenses

Furniture, Office equipment and fittings	534,989	472,543
Computers and related equipments	637,561	1,183,907
Motor Vehicles	2,241,832	2,241,832
Plant, Machinery and equipments	1,202,149	1,202,149
Water supply infrastructure	970,920	970,920
Totals	<u>5,587,450</u>	<u>6,071,351</u>

16. Debtors

a. Staff Debtors

(1) Imprest	1,552,371	3,225,038
(2) Salary Advances	1,145,795	0
(3) Staff Debtors -WaSSIP-Account	30,104	0
b) WSP Debtors	28,720,412	16,957,532
c) WSP Debtors -Wassip support-current	14,650,000	0
d) GOK grants	2,500,000	0
e) Water sales debtors-Kapsabet Water supply	<u>2,949,401</u>	<u>2,499,573</u>

Total **51,548,083** **22,682,142**

f) WSP Debtors -Wassip support-non current assets 1,100,000

17. Stock

Stocks consist mainly of stationery and general office supplies balances at the end of the year and materials in s of WSPs

Office refurbishment materials		27,200
Stationeries, office supplies and computer accessories	451,870	433,787
Chemicals and Water supply infrastructure repair Materials	151,960	140,560
Total	<u>603,830</u>	<u>601,547</u>

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18. Cash and Bank Balances

WaSSIP-Project account	296,383,818	0
Bank balance - Development account	25,378,991	6,098,372
Bank balance - Recurrent account	0	0
Bank balance - Revenue account	2,606,954	3,158,265
Bank Balance-KWSP Account	2,081,097	1,994,011
Bank Balance-gratuity	1,426,630	0
	<u>327,877,490</u>	<u>11,250,648</u>

19. Bank overdraft

Bank overdraft - Recurrent bank account	1,940,843	853,366
	<u>325,936,647</u>	<u>10,397,282</u>

20. Creditors and accruals

Suppliers and merchants	7,661,424	3,374,239
(a)Suppliers and merchants -WaSSIP-Project account	2,721,433	
VAT	2,953,426	478,231
(a)VAT-WaSSIP-Project account	1,574,123	
Withholding Tax	98,869	0
(a)Withholding tax-WaSSIP-Project account	230,936	
Payroll Liabilities	2,733,439	2,279,366
Accrued gratuity	3,644,328	4,551,866
DWO Teso	1,552,802	1,552,802
Accrued Audit fees	150,000	150,000
Nzoia Phase 1	395,509,132	0
Nzoia Phase 2	268,998,597	0
Provision for bad and doubtful debts	1,509,744	
Totals	<u>689,338,252</u>	<u>12,386,505</u>

21. Capital Fund (Grants) -NBI, KFW and GTZ

Balance brought forward	24,369,633	24,369,633
Grants year 08/09	1,555,305	0
Balance as at 30.06.09	<u>25,924,938</u>	<u>24,369,633</u>

22. Capital Fund - GOK

	2009	2008
Balance brought forward	4,698,300	4,698,300
Nzoia Phase 1	140,000,000	0
Nzoia Phase 2	97,457,489	

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23. Capital works, Borrowings and Grants

Water Sector Development Programme-Nzoia Cluster

KfW has extended credit facilities to the Board amounting to Euro 56,460,000 for Nzoia Water Development project phase 1 and 2. In addition it has extended a grant of Euro. 2,200,000. As counter part contribution the Government of Kenya through the Ministry of Water and Irrigation is required to contribute Euro 6,500,000. The total funding for Nzoia water development phase 1 and 2 is therefore Euro 65,260,000 (Approx. to Ksh. 6.2 billion). The credits were signed between the German Government and Government of Kenya and extended to the Board through subsidiary loan agreement. The detailed project financing is tabulated below:

Phase 1	
KfW Loan	1,561,718,979
Grants	101,288,240
Phase 2	
KfW Loan	1,535,591,469
Grants	30,451,573
Total KfW Loan	3,097,310,447
Grants	131,739,814

Capital works in progress

Construction of civil works	3,426,420,479
Consultancy-Design and Supervision	385,201,782
Consultancy Institutional support	150,377,749
Consultancy feasibility study phase 3	63,633,661
Advance for Emergency works	105,381,807
Total	4,131,015,478

WASSIP

The Board secured credit during last financial year from World Bank for Nzoia Cluster Water Development phase 3 amounting US\$ 42,644,361 (Approx. Ksh. 2.9 billion). The financing and project agreements were signed in June 2008 and subsidiary loan agreement signed in July 2008. During the year the disbursements and expenses were as follows:

Loan drawn	340,280,300
other incomes	183,000
Expenditure	
Goods	12,013,001
Consultancy	2,870,562
Works	831,814
Environmental management social safeguards	2,491,357
Training	13,829,393
operating costs -support WSP	16,343,475
Miscellaneous	196,268
Total Expenditure	48,575,870

(a)Staff Debtors -WaSSIP-Account	30,104
(b)Suppliers and merchants -WaSSIP-Project account	2,721,433
(c)VAT-WaSSIP-Project account	1,574,123
(d)Withholding tax-WaSSIP-Project account	230,936

24 Property, Plant and Equipments		Furniture office	Computer	Motor Vehicle	Plant, Machinery & Equipment	Water Supply Infrastructure	Land	Total
Cost or Valuation	equipment&fitt	&Accessories	25%	20%	2.5%			
Balance as at1st July 2008	ings 12.5% 3,780,347	33.3% 6,520,557	8,967,326	6,010,744	38,836,803	5,502,855	69,618,632	
Additions at cost	499,564	1,509,320				4,417,560	6,426,444	
Revaluations							0	
Disposals							0	
As at June 30,2009	4,279,911	8,029,877	8,967,326	6,010,744	38,836,803	9,920,415.00	76,045,076	
Depreciation								
Balance as at 1st July 2008	1,468,670	5,636,822	6,725,495	2,674,287	1,913,886	0	18,419,159	
Charge for the year	534,989	637,561	2,241,832	1,202,149	970,920	0	5,587,450	
Disposals							0	
Balance as at June 30,2009	2,003,659	6,274,383	8,967,326	3,876,435	2,884,806	0	24,006,610	
Net book Values								
As at June 30,2008	2,311,677	883,735	2,241,832	3,336,457	36,922,917	5,502,855	51,199,473	
As at June 30,2009	2,276,252	1,755,494	0	2,134,309	35,951,997	9,920,415	52,038,467	
Computers								
Bought in 2004/06	2,965,280	Fully depreciated in 2006/07						
Bought in 2005/06	3,150,000.00	Fully depreciated in 2007/08						

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