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**THE REPUBLIC OF KENYA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**COUNTY GOVERNMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2016**

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**Unaudited- Revised March 2017**

**GOVERNMENT OF KENYA  
COUNTY GOVERNMENTS CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

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**Glossary of abbreviations**

AHF	AIDS Health Foundation
AIA	Appropriation In Aid
AIE	Authority to Incur Expenditure
B/FWD	Brought Forward
CA	County Assembly
CBK	Central Bank of Kenya
CDF	Constituency Development Fund
CE	County Executive
CGs	County Governments
CHAI	Clinton Health Initiative
DANIDA	Danish International Development Agency
DAS	Directorate of Accounting Services
DG	Director General
ECD	Early Childhood Development
FS	Financial Statements
FY	Financial Year
HSSF	Health Sector Services Fund
ICT	Information Communication and Technology
IFMIS	Integrated Financial Management Information Systems
IPSAS	International Public Sector Accounting Standards
KRA	Kenya Revenue Authority
KShs	Kenya Shillings
MCA	Member of County Assembly
MDAs	Ministries, Departments and Agencies
MSF	Médecins Sans Frontières
NT	National Treasury
OAG	Office of Auditor General
PFM	Public Financial Management
PFMA	Public Financial Management Act
PFMR	Public Financial Management Reforms
PSASB	Public Sector Accounting Standards Board
UNFPA	United Nations Populations Fund
UNICEF	United Nations Children's Fund
WB	World Bank
WHO	World Health Organization

## **1. Commentary on the consolidated financial statements**

### **1.1. The Legal Framework**

#### **Establishment of the County Governments**

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralised system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments. Article 176 of the Constitution of Kenya provides that there shall be a County Government for each County, consisting of a County Assembly and a County Executive. The elections in March 2013 marked the official launch of decentralization following the election of the County Government leadership.

#### **Financing of the County Governments**

Article 202 of the Constitution of Kenya provides that revenue raised nationally shall be shared equitably among the National Government and the County Governments. Article 203 of the Constitution stipulates that for every financial year, the equitable share of the revenue raised nationally that is allocated to County Governments shall be not less than 15% of all revenue collected by the National Government and that the amount shall be calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly.

Each County Government's equitable share of revenue raised nationally, is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with Article 217 of the Constitution. The CARA for the financial year 2015/2016, issued via Kenya Gazette Supplement No. 119 (Acts No. 10) dated 29 July 2015, allocated County Governments equitable share of KShs 259,774,500,000 compared to KShs 226,660,000,000 in the previous financial year. In addition, the CARA also provided for conditional allocation from the National Government revenue for the financial year 2015/2016 amounting to KShs 16,598,480,000 (including KShs 4,500,000,000 for Leasing of Medical Equipment, managed directly by the Ministry of Health) and grants from development partners amounting to KShs 10,671,205,204. Accordingly, the total allocation in FY2015/2016 was KShs 287,044,185,204.

The County Governments are mandated to generate own revenues from rates and other charges that include levies, user fees as per Article 209 (3) of the Constitution of Kenya.

Funds from the National Government are transferred to the County Revenue Fund Account of each of the 47 County Governments in accordance with the payment schedule approved by the Senate and published in the Kenya Gazette by the Cabinet Secretary as per Section 17 of the Public Finance Management (PFM) Act, 2012.

### **Financial Reporting Arrangements**

Section 164 of the PFM Act, 2012 requires the Accounting Officer of a County Government entity to, for each financial year, prepare financial statements in respect of the entity and to submit them to the Auditor General with a copy to the Controller of Budget and the Commission on Revenue Allocation within three months after the end of the financial year.

Further, Section 163 of the PFM Act, 2012 requires the County Treasury of the County Government to consolidate the annual financial statements in respect of all the County Government entities and submit them to the Auditor General with a copy to the National Treasury, the Controller of Budget and the Commission on Revenue Allocation within four months after the end of the financial year.

The PFM Act, 2012 require the County Governments to prepare financial statements in the format prescribed by Public Sector Accounting Standards Board (PSASB). The PSASB was established pursuant to Section 192 of the PFM Act, 2012 and has the mandate to determine the accounting standards that public sector entities should apply. In line with its mandate, the PSASB prescribed the financial reporting standards to be applied in the public sector with effect from 1<sup>st</sup> July 2014. The PSASB also provided reporting templates for County Governments to enable them comply with the standards.

The National Treasury in conjunction with the PSASB has been supporting County Governments to comply with the reporting standards and statutory reporting requirements.

### **Scope of the Consolidation**

The consolidated financial statements for the County Governments were prepared based on the financial statements submitted to the National Treasury by County Executives, County Assemblies and other entities of each of the 47 County Governments. The County Executive Committee (CEC) Members for Finance as the heads of the County Treasuries assume the overall responsibility in the preparation of financial statements for their respective County Governments.

The consolidated financial statements are for the year ended 30<sup>th</sup> June 2016.

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**1.2. Key Highlights**

The following are the key highlights for financial statements for County Governments for the FY 2015/2016.

**1.2.1. Overall Performance**

The table below provides a summary of the FY 2015/2016 financial statements:

***Table 1: Summary County Governments Consolidated Financial Statements***

Description	FY 2015/2016	FY 2014/2015	Variance	% Variance
	KShs M	KShs M	KShs M	
Opening balances	35,148	40,987	(5,839)	(13%)
Receipts	308,848	264,508	44,340	17%
Payments	305,955	270,346	35,609	13%
Bank and Cash Balances	37,707	33,605	4,102	12%
Accounts Receivable	1,354	1,928	(574)	(30%)
Accounts Payable	(1,020)	(385)	(635)	165%
Closing Balances	38,040	35,148	2,892	8%

**1.2.2. Consolidated Receipts**

Consolidated receipts consist of all sources of receipts to County Governments in the FY2015/2016. The comparatives for the previous year are indicated below.

***Table 2: Consolidated County Governments Receipts***

Description	FY 2015/16	FY 2014/15	Variance	%
	KShs M	KShs M	KShs M	Variance
Transfers from National Treasury	264,039	228,050	35,989	16%
Proceeds from Domestic and Foreign Grants	369	305	64	21%
Transfers from Other Government Entities	8,029	402	7,627	1897%
Proceeds from Domestic Borrowings	862	298	564	189%
Proceeds from Sale of Assets	0	11	(11)	(100%)
Reimbursements and Refunds	119	995	(876)	(88%)
Locally Generated Receipts	35,430	34,447	983	3%
<b>Total Receipts</b>	<b>308,848</b>	<b>264,508</b>	<b>44,340</b>	<b>17%</b>

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The overall increase from prior year was 17% with major movements being increases on transfers from other Government entities, proceeds from domestic borrowings and a decrease on reimbursements and refunds.

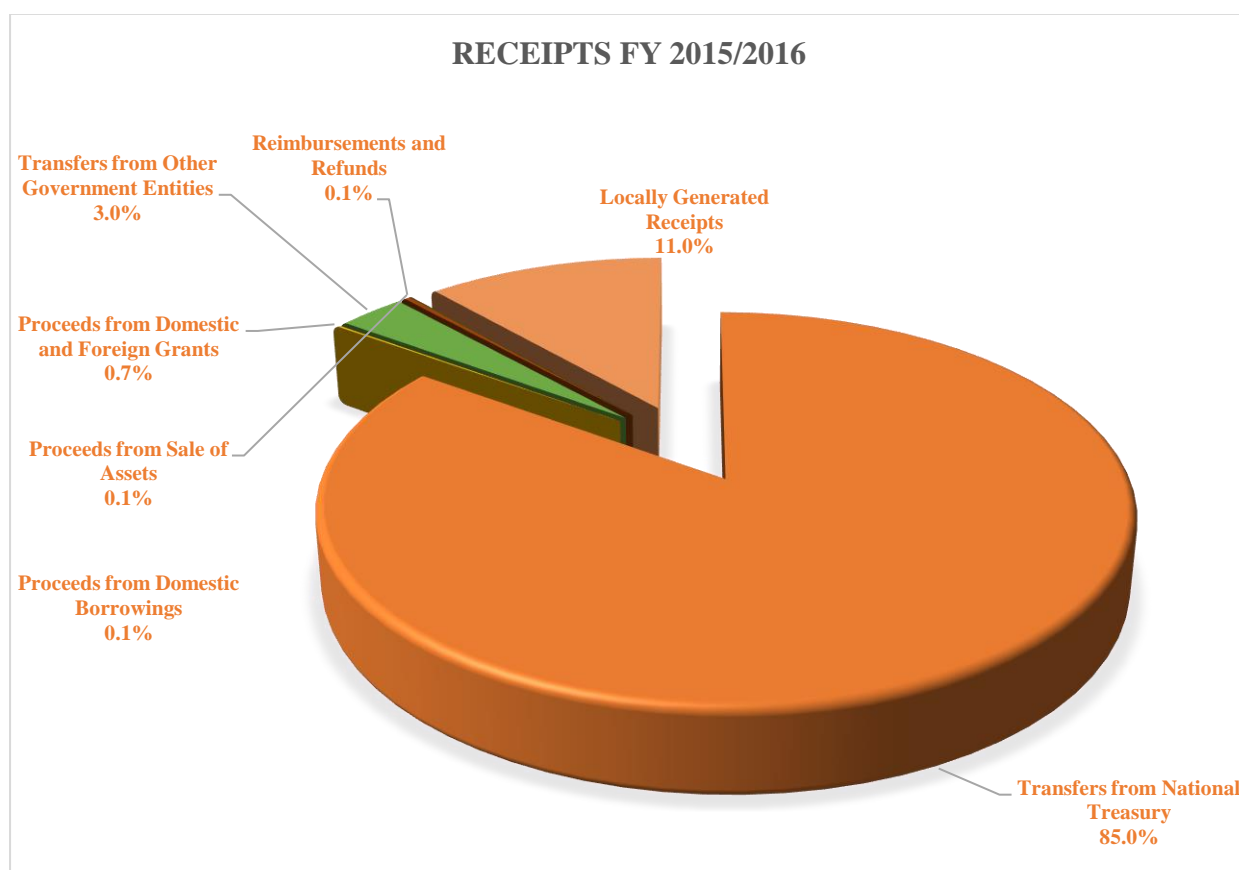
The increase of 1897% on transfers from other Government entities is attributed to Road Maintenance funds transferred to Counties through the Kenya Roads Board, Maternal Health Care, User Fees forgone and World Bank Health Funds, all transferred to County Governments through the Ministry of Health.

The increase of 189% on proceeds from domestic borrowings is attributed to loans borrowed by Nairobi County Government from commercial banks during the financial year.

The decrease of 88% on reimbursements and refunds is attributed to the refunds for health workers salaries made by the Ministry of Health in FY2014/2015.

The diagram below depicts the percentage composition of receipts for FY 2015/16 by category.

***Figure 1: Consolidated Receipts by Category***



Majority of the receipts were from the National Treasury, being equitable share allocation to County Governments.

### 1.2.3. Consolidated Payments

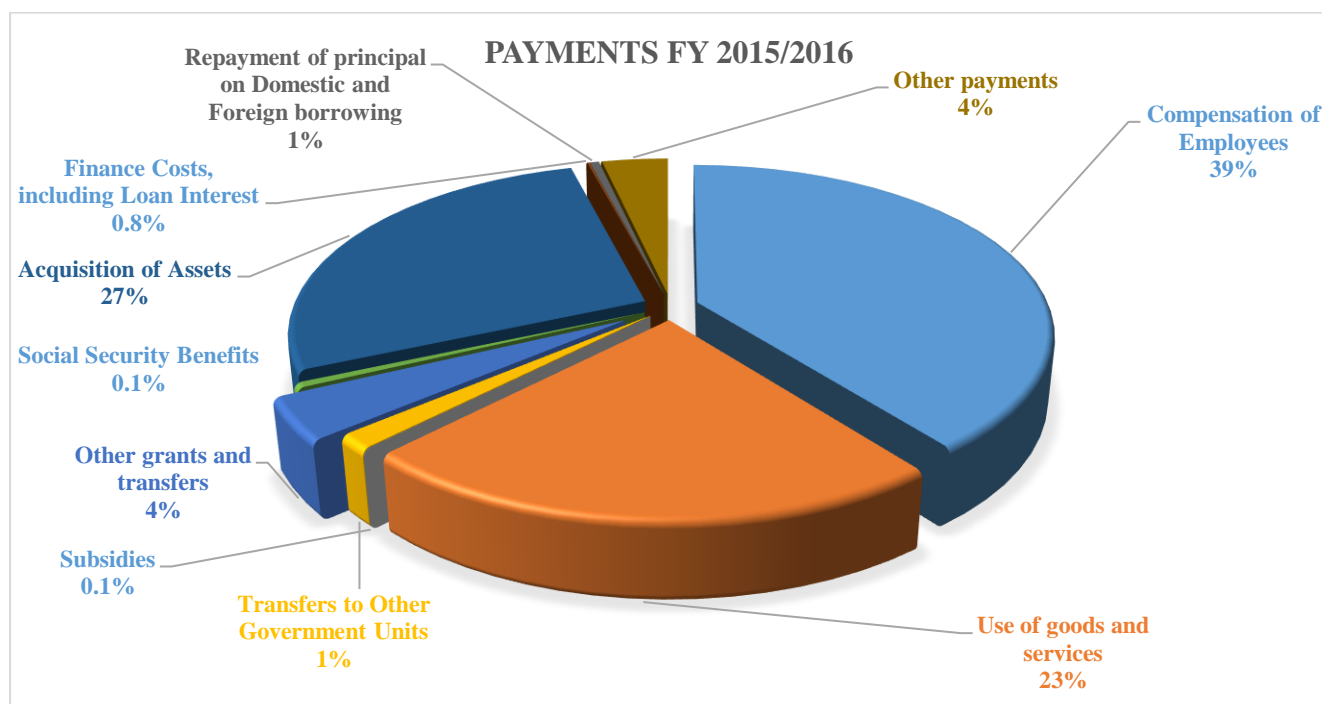
Payments consist of operations costs incurred by County Governments. The table below presents a comparison between payments in the FY2015/16 and prior year:

**Table 3: Consolidated County Governments Payments**

Descriptions	FY 2015/16	FY 2014/15	Variance	%
	KShs Million	KShs Million	KShs Million	Variance
Compensation of Employees	120,370	104,121	16,249	16%
Use of goods and services	70,603	61,327	9,276	15%
Subsidies	1	-	1	100%
Transfers to Other Government Units	4,907	6,614	(1,707)	(26%)
Other grants and transfers	12,375	9,397	2,978	32%
Social Security Benefits	1,445	867	578	67%
Acquisition of Assets	83,848	80,649	3,199	4%
Finance Costs, including Loan Interest	274	494	(220)	(45%)
Repayment of principal on Domestic and Foreign borrowing	1,287	783	504	64%
Other payments	10,845	6,094	4,751	78%
<b>TOTAL PAYMENTS</b>	<b>305,955</b>	<b>270,346</b>	<b>35,609</b>	<b>13%</b>

The diagram below depicts the percentage distribution of expenditure for FY 2015/16 by category.

**Figure 2: Consolidated Expenditures by Category**





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The overall increase from prior year was 13% with major increase in payments being compensation to employees.

Significant variances were on transfers to other Government units, social security benefits, repayment of principal on domestic and foreign borrowing and other payments as explained below:

The decrease of 26% on transfers to other Government units is attributed to transfers to the County Assemblies being accounted for under the different budget lines in the consolidation compared to prior year where they were simply recorded as transfers to other government units.

The increase of 67% on social security benefits is attributed to increased pension and gratuity funds transferred to pension schemes for staff on contract.

The increase of 64% on repayment of principal on domestic and foreign borrowing is attributed to the loan repayments made by the County Governments Nairobi, Nyamira and Murang'a on loans borrowed from commercial banks. This is in line with the increase on proceeds from domestic borrowings as explained above.

The increase of 78% on other payments is attributed to the increased level of operations at the devolved units as Counties strive to improve on their service delivery to the citizens with the major component being on recurrent activities.

#### **1.2.4. Financial Assets Held By County Governments**

The net financial assets as at 30<sup>th</sup> June 2016 was KShs 38.1 billion while the comparative for the previous financial year was KShs 35.6 billion representing an increase of 7% as shown in the table below:

***Table 4: Consolidated County Governments Financial Assets and Liabilities***

<b>Item</b>	<b>FY 2015/2016</b>	<b>FY 2014/2015</b>	<b>Variance</b>	<b>%</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>Variance</b>
Bank Balances	37,636	33,541	4,095	12%
Cash Balances	71	64	7	11%
Accounts Receivable	1,354	1,928	(574)	-30%
Accounts Payable	(1,020)	(385)	(635)	165%
<b>NET ASSETS</b>	<b>38,040</b>	<b>35,148</b>	<b>2,892</b>	<b>7%</b>

**1.2.5. Receipts Sources as per the County Allocation of Revenue Act, 2015**

Below is a summary of the different receipts allocated to County Governments in the FY 2015/2016.

***Table 5: Receipts sources as per CARA, 2015***

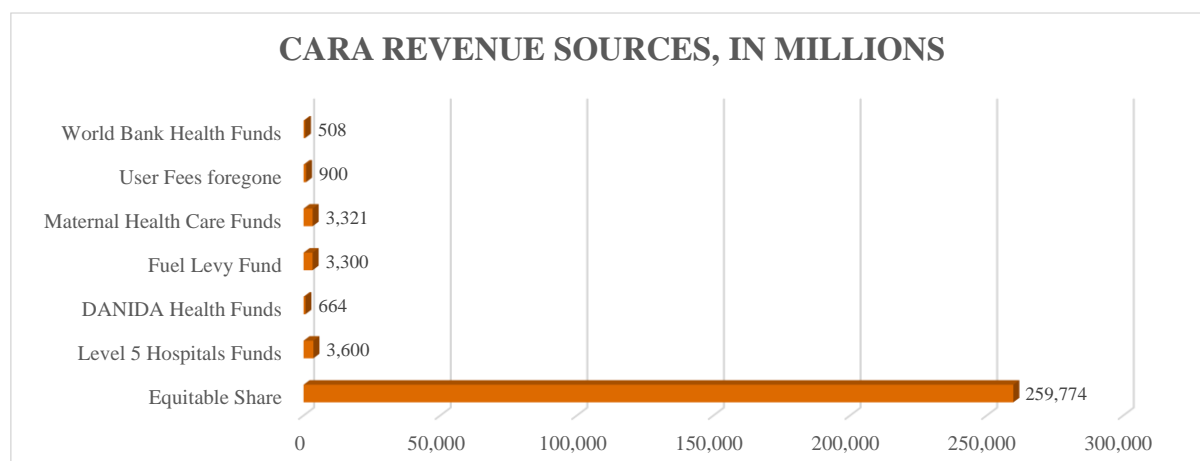
Description	Reference	Amount Allocated	Amount Disbursed	Balance
		KShs Million	KShs Million	KShs Million
Equitable Share		259,775	259,775	-
Level 5 Hospitals Funds		3,600	3,600	-
DANIDA Health Funds		845	664	181
<b>*Sub-total, transfers from Exchequer</b>	<b>3.7.1</b>	<b>264,220</b>	<b>264,039</b>	<b>181</b>
Fuel Levy Fund	3.7.3	3,300	3,300	-
Maternal Health Care Funds	3.7.3	4,298	3,321	977
User Fees foregone	3.7.3	900	900	-
World Bank Health Funds	3.7.3	508	508	-
<b>Sub-total</b>		<b>273,226</b>		
**Leasing of Medical Equipment		4,500		
***Other Loans and Grants		9,318		
<b>Total</b>		<b>287,044</b>		

\*The amount disbursed by the National Treasury to the County Governments amounted to KShs 264,038,639,996 being equitable share, Level 5 hospital funds and DANIDA Health Funds (Refer to Appendix 1).

\*\*The allocation for Leasing of Medical Equipment was managed directly by the Ministry of Health and hence there was no direct disbursement to the County Governments.

\*\*\*This was an allocation of other loans and grants which were to be disbursed directly to the Counties through relevant line Ministries, but did not materialize.

***Figure 3: Receipts sources as per CARA, 2015***



Equitable share – is the amount allocated to County Governments as a share of receipts raised nationally in accordance with the equitable sharing formula provided by CRA in the FY2015/2016. This was disbursed fully in the year.

Level 5 Hospital funds – is the amount allocated to specific hospitals in the Counties from National Government for rehabilitation and infrastructural improvement of these hospitals. The funds were disbursed in full in the year.

DANIDA funds – are conditional additional allocations to County Governments as a grant from the Government of Denmark to supplement financing of County health facilities. The total allocation was KShs 845 Million. During the year, KShs 664 Million was disbursed leaving a balance undisbursed of KShs 181 Million as a result of some Counties not meeting the required conditions.

Fuel levy – conditional additional allocation by the National Government to all County Governments for the repair and maintenance of County roads. These were disbursed in full during the financial year.

Maternal Health Care Funds – conditional additional allocation by the National Government to all County Government health facilities to provide free maternal health care to its citizens.

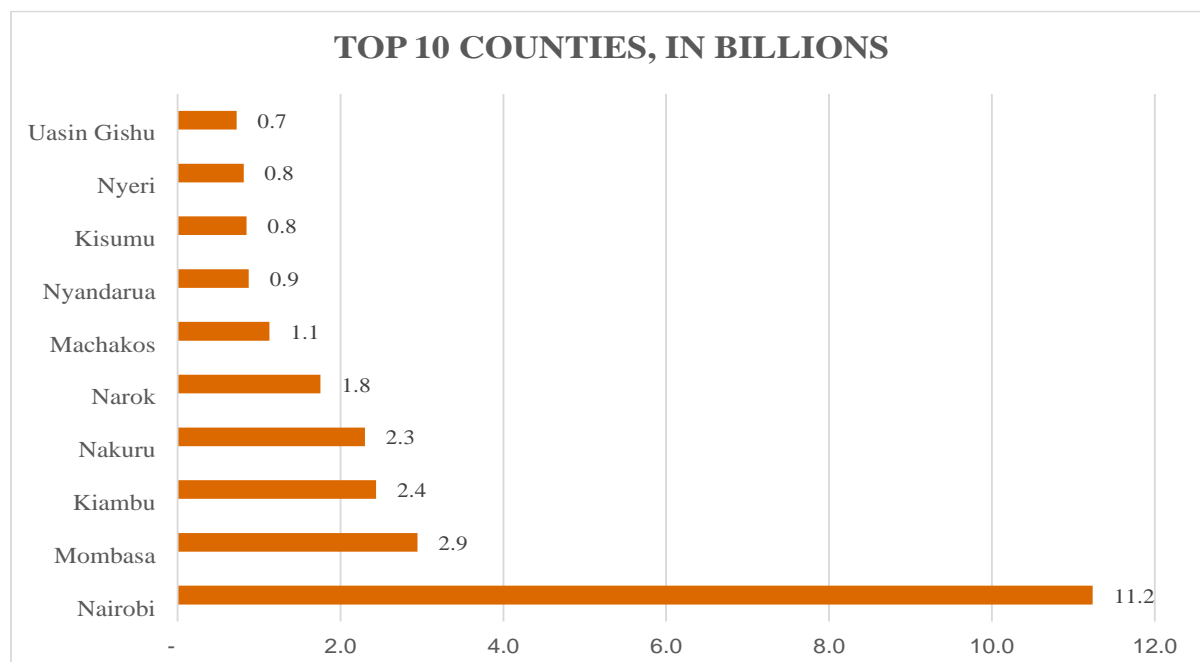
User Fees forgone – conditional additional allocation by the National Government to all County government health facilities to compensate them for forgone user fees receipts.

World Bank Health Funds – conditional additional allocations to selected County Governments from the World Bank loan to supplement financing of County health facilities.

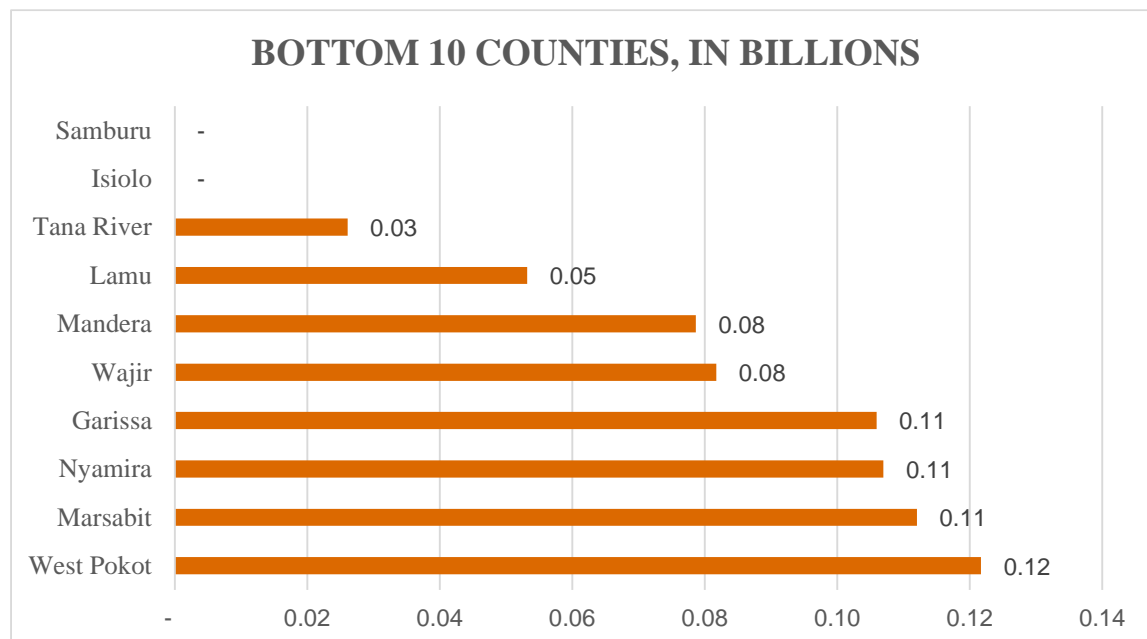
**1.2.6. Receipts Generation at County level**

County Governments have different abilities to generate local receipts. The figures below show the top ten and least ten Counties in terms of generation of local receipts.

**Figure 4: Amount of Receipts Generated by the Top 10 Counties**



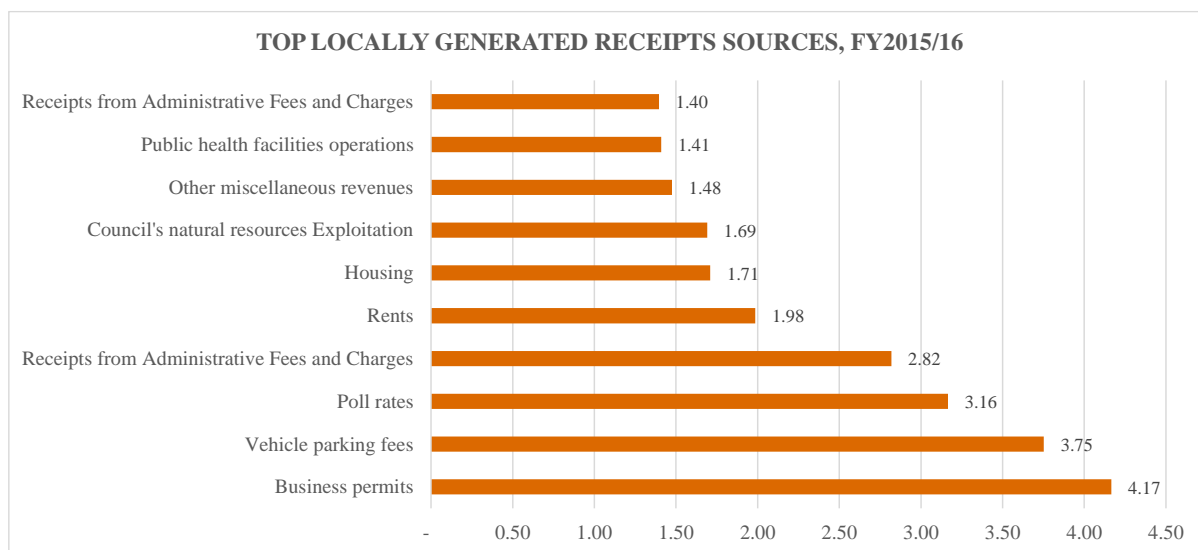
**Figure 5: Amount of Receipts Generated by the Lowest 10 Counties**



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The major sources of own receipts relates to fees from business permits and parking fees as shown in the figure below:

**Figure 6: FY 2014/15 Highest Sources of Receipts**



**Bernard Ndungu, MBS**  
**Director General Accounting Services & Quality Assurance**  
**National Treasury**  
 31 March 2017

## **2. Statement of responsibility**

Section 164 of the Public Finance Management (PFM) Act, 2012 requires the County Governments to prepare annual financial statements within three months following the financial year end. Section 163 of the PFM Act, 2012 further requires the County Governments to consolidate the financial statements in respect of County Government entities within four months following the financial year end. These financial statements are prepared in accordance with the accounting policies and formats prescribed by the Accounting Standards Board.

The National Treasury has consolidated the financial statements of all the **47 County Governments** for the financial year ended 30<sup>th</sup> June 2016.

The consolidated financial statements for the County Governments were prepared based on the financial statements submitted to the National Treasury by County Executives, County Assemblies and other entities under the control of the County Governments. The County Executive Committee (CEC) Members for Finance, as the heads of the County Treasuries, assume the overall responsibility in the preparation of financial statements for their respective County Governments. The National Treasury is responsible for the preparation of consolidated financial statements of all the County Governments.

The consolidated financial statements have been prepared on a going concern basis, and are based on accounting policies which have consistently applied and supported by reasonable and prudent judgements and estimates.

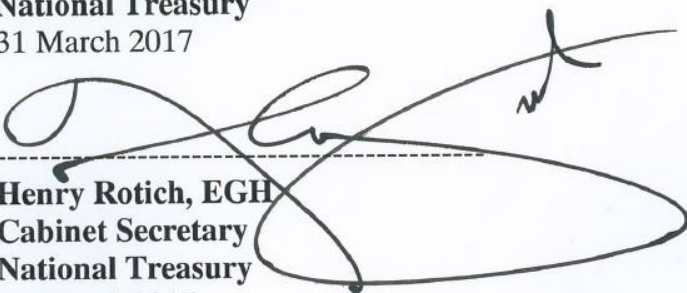
To the best of our knowledge, the consolidated financial statements as set out on pages 1 to 27 are complete in all material aspects and are prepared based on the financial statements submitted by the 47 County Governments for the financial year ended 30<sup>th</sup> June 2016.



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**Bernard Ndungu, MBS**  
**Director General Accounting Services & Quality Assurance**  
**National Treasury**  
31 March 2017



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**Dr. Kamau Thugge, CBS**  
**Principal Secretary**  
**National Treasury**  
31 March 2017



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**Henry Rotich, EGH**  
**Cabinet Secretary**  
**National Treasury**  
31 March 2017

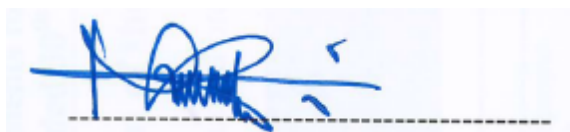
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**3. Consolidated financial statements**

**3.1. Consolidated statement of receipts and payments for the year ended 30<sup>th</sup> June 2016**

	Note	FY2015/2016	FY2014/2015
RECEIPTS		KShs	KShs
Transfers from National Treasury	3.7.1	264,038,639,996	228,050,358,495
Proceeds from Domestic and Foreign Grants	3.7.2	369,417,766	304,491,336
Transfers from Other Government Entities	3.7.3	8,029,247,711	402,038,631
Proceeds from Domestic Borrowings	3.7.4	861,691,751	298,237,393
Proceeds from Sale of Assets	3.7.5	-	10,734,535
Reimbursements and Refunds	3.7.6	118,492,607	994,422,849
Locally Generated Receipts	3.7.7	35,430,363,525	34,447,255,433
<b>TOTAL RECEIPTS</b>		<b>308,847,853,356</b>	<b>264,507,538,672</b>
<b>PAYMENTS</b>			
Compensation of Employees	3.7.8	120,370,038,212	104,120,987,920
Use of goods and services	3.7.9	70,602,669,204	61,327,243,150
Subsidies	3.7.10	841,374	-
Transfers to Other Government Units	3.7.11	4,907,350,379	6,614,176,812
Other grants and transfers	3.7.12	12,374,892,171	9,396,696,906
Social Security Benefits	3.7.13	1,444,887,942	866,697,665
Acquisition of Assets	3.7.14	83,848,309,817	80,649,172,935
Finance Costs, including Loan Interest	3.7.15	273,949,647	493,948,623
Repayment of principal on Domestic and Foreign borrowing	3.7.16	1,287,414,243	783,037,515
Other Payments	3.7.17	10,845,140,255	6,094,337,392
<b>TOTAL PAYMENTS</b>		<b>305,955,493,244</b>	<b>270,346,298,918</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>2,892,360,112</b>	<b>(5,838,760,246)</b>

The financial statements should be read in conjunction with the accompanying notes and appendices to this report. The report covers the year ended 30<sup>th</sup> June 2016 and the accompanying comparatives cover the year ended 30<sup>th</sup> June 2015.



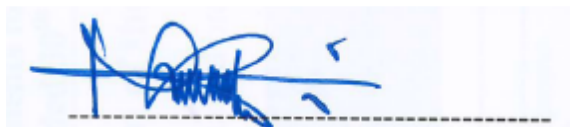
**Bernard Ndungu, MBS**  
**Director General Accounting Services & Quality Assurance**  
**National Treasury**

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**3.2. Consolidated statement of financial assets and liabilities as at 30<sup>th</sup> June 2016**

	Note	FY2015/2016	FY2014/2015
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	3.7.18A	37,635,682,895	33,541,298,118
Cash Balances	3.7.18B	70,905,865	63,506,267
<b>Total Cash and Cash Equivalents</b>		<b>37,706,588,760</b>	<b>33,604,804,385</b>
Accounts Receivable	3.7.19	1,354,164,098	1,927,952,971
<b>TOTAL FINANCIAL ASSETS</b>		<b>39,060,752,859</b>	<b>35,532,757,355</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payable	3.7.20	1,020,349,767	384,714,375
<b>NET FINANCIAL ASSETS</b>		<b>38,040,403,092</b>	<b>35,148,042,980</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	3.7.21	35,148,042,980	40,986,803,226
Surplus/(Deficit) for the year		2,892,360,112	(5,838,760,246)
<b>NET FINANCIAL POSITION</b>		<b>38,040,403,092</b>	<b>35,148,042,980</b>

The financial statements should be read in conjunction with the accompanying notes and appendices to this report. The report covers the year ended 30<sup>th</sup> June 2016 and the accompanying comparative amounts cover year ended 30<sup>th</sup> June 2015.



**Bernard Ndungu, MBS**  
**Director General Accounting Services & Quality Assurance**  
**National Treasury**



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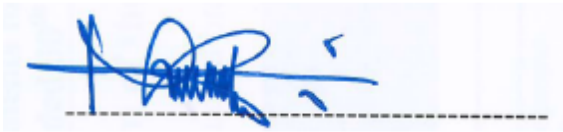
**3.3. Consolidated statement of cash flows for the year ended 30<sup>th</sup> June 2016**

	Note	FY 2015/2016	FY 2014/15
		KShs	KShs
<b>Receipts from Operating Activities</b>			
Transfers from National Treasury	3.7.1	264,038,639,996	228,050,358,495
Proceeds from Domestic and Foreign Grants	3.7.2	369,417,766	304,491,336
Transfers from Other Government Entities	3.7.3	8,029,247,711	402,038,630
Reimbursements and Refunds	3.7.6	118,492,607	994,422,849
Locally Generated Receipts	3.7.7	35,430,363,525	34,447,255,434
<b>Total Receipts from Operating Activities</b>		<b>307,986,161,605</b>	<b>264,198,566,744</b>
<b>Payments for Operating Activities</b>			
Compensation of Employees	3.7.8	120,370,038,212	104,120,987,920
Use of goods and services	3.7.9	70,602,669,204	61,327,243,150
Subsidies	3.7.10	841,374	-
Transfers to Other Government Entities	3.7.11	4,907,350,379	6,614,176,812
Other grants and transfers	3.7.12	12,374,892,171	9,396,696,906
Social Security Benefits	3.7.13	1,444,887,942	866,697,665
Finance Costs, including Loan Interest	3.7.15	273,949,647	493,948,623
Other Payments	3.7.17	10,845,140,255	6,094,337,392
<b>Total Payments for Operating Activities</b>		<b>220,819,769,184</b>	<b>188,914,088,468</b>
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts Receivable		573,788,873	(202,908,752)
Increase/(Decrease) in Accounts Payable		635,635,392	699,158,767
<b>Net Cash Flows from Operating Activities</b>		<b>88,375,816,685</b>	<b>75,780,728,291</b>
<b>Cash Flows in Investing Activities</b>			
Proceeds from Sale of Assets	3.7.5	-	10,734,535
Acquisition of Assets	3.7.14	(83,848,309,817)	(80,649,172,935)
<b>Net Cash Flows in Investing Activities</b>		<b>(83,848,309,817)</b>	<b>(80,638,438,400)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Domestic Borrowings	3.7.4	861,691,751	298,237,393
Repayment of principal on Domestic and Foreign borrowing	3.7.16	(1,287,414,243)	(783,037,515)
<b>Net Cash Flows from Financing Activities</b>		<b>(425,722,492)</b>	<b>(484,800,122)</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>		<b>4,101,784,376</b>	<b>(5,342,510,231)</b>
Cash and cash equivalents at start of year	3.7.18	33,604,804,385	38,947,314,616
Net increase in cash and cash equivalents		4,101,784,376	(5,342,510,231)
<b>Cash and cash equivalents at end of year</b>	3.7.18	<b>37,706,588,760</b>	<b>33,604,804,385</b>

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The financial statements should be read in conjunction with the accompanying notes and appendices to this report. The report covers the year ended 30<sup>th</sup> June 2016 and the accompanying comparatives cover the year ended 30<sup>th</sup> June 2015.



**Bernard Ndungu, MBS  
Director General Accounting Services & Quality Assurance  
National Treasury**

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**3.4. Summary statement of appropriation for the year ended 30<sup>th</sup> June 2016**

	Original Budget FY2015/16	Adjustments FY2015/16	Final Budget FY2015/16	Actual on Comparable Basis FY2015/16	Budget Utilization Difference FY2015/16	% Utilization FY 2015/16
	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) - (d)	(f) = (d)/(c)
<b>RECEIPTS</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Exchequer releases	259,597,366,539	4,441,273,457	264,038,639,996	264,038,639,996	0	100%
Proceeds from Domestic and Foreign Grants	3,108,863,632	1,241,811,293	4,350,674,925	369,417,766	3,981,257,159	8%
Transfers from Other Government Entities	11,518,772,675	8,431,559,188	19,950,331,863	8,029,247,711	11,921,084,152	40%
Proceeds from Domestic Borrowings	-	22,585,236	22,585,236	861,691,751	(839,106,515)	3815%
Proceeds from Sale of Assets	-	72,170,964	72,170,964	-	72,170,964	0%
Reimbursements and Refunds	650,529,358	656,797,475	1,307,326,833	118,492,607	1,188,834,226	9%
Locally Generated Receipts	51,318,143,925	(1,155,243,117)	50,162,900,808	35,430,363,525	14,732,537,283	71%
<b>Total Receipts</b>	<b>326,193,676,129</b>	<b>13,710,954,496</b>	<b>339,904,630,625</b>	<b>308,847,853,356</b>	<b>31,056,777,269</b>	<b>91%</b>
<b>PAYMENTS</b>						
Compensation of Employees	114,245,034,285	2,240,077,764	116,485,112,049	120,370,038,212	(3,884,926,163)	103%
Use of goods and services	65,118,874,978	8,860,569,964	73,979,444,942	70,602,669,204	3,376,775,738	95%
Subsidies	937,916,000	(908,592,000)	29,324,000	841,374	28,482,626	3%
Transfers to Other Government Units	13,464,183,632	165,420,831	13,629,604,463	4,907,350,379	8,722,254,084	36%
Other grants and transfers	8,370,095,331	2,217,704,088	10,587,799,419	12,374,892,171	(1,787,092,752)	117%
Social Security Benefits	6,676,776,967	126,496,850	6,803,273,817	1,444,887,942	5,358,385,875	21%
Acquisition of Assets	106,661,196,743	3,140,056,284	109,801,253,027	83,848,309,817	25,952,943,210	76%
Finance Costs, including Loan Interest	344,325,433	(6,472,136)	337,853,297	273,949,647	63,903,650	81%
Repayment of principal on Domestic and Foreign borrowing	412,740,650	2,014,613,594	2,427,354,244	1,287,414,243	1,139,940,001	53%
Other Payments	8,073,137,325	2,987,019,342	11,060,156,667	10,845,140,255	215,016,412	98%
<b>Total Payments</b>	<b>324,304,281,344</b>	<b>20,836,894,581</b>	<b>345,141,175,925</b>	<b>305,955,493,244</b>	<b>39,185,682,681</b>	<b>89%</b>

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The financial statements should be read in conjunction with the accompanying notes and appendices to this report. The report covers the year ended 30<sup>th</sup> June 2016 and the accompanying comparatives cover the year ended 30<sup>th</sup> June 2015.



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**Bernard Ndungu, MBS  
Director General Accounting Services & Quality Assurance  
National Treasury**

**GOVERNMENT OF KENYA  
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**3.5. Summary of funds movements per County during the financial year 2015/2016**

This presents a summary of the movement of funds at the County Governments during the Financial Year 2015/2016, including total receipts, total payments and net financial assets.

County	Total Receipts	Total Payments	Surplus/Deficit	Net financial Assets	Adjustments	Closing Balance
	KShs	KShs	KShs	KShs	KShs	KShs
Garissa	6,391,662,506	6,530,799,590	(139,137,084)	359,283,304	-	359,283,304
Tana River	4,098,092,453	4,069,592,580	28,499,873	552,492,287	-	552,492,287
Kitui	7,927,704,762	8,003,458,152	(75,753,390)	1,999,034,687	-	1,999,034,687
Wajir	7,487,078,567	7,766,737,999	(279,659,432)	(186,227,930)	-	(186,227,930)
Mandera	9,237,875,167	9,484,961,398	(247,086,231)	1,899,085,123	-	1,899,085,123
Marsabit	5,410,206,307	5,418,633,895	(8,427,588)	937,440,089	-	937,440,089
Isiolo	3,250,254,220	3,254,235,027	(3,980,807)	26,918,199	-	26,918,199
Meru	7,508,740,171	6,796,927,648	711,812,523	1,694,359,328	-	1,694,359,328
Tharaka Nithi	3,422,911,959	3,357,393,646	65,518,313	367,679,852	-	367,679,852
Embu	4,536,120,793	4,076,191,726	459,929,067	1,266,767,668	-	1,266,767,668
Lamu	2,162,819,807	2,466,716,053	(303,896,246)	481,131,709	-	481,131,709
Mombasa	8,730,700,243	8,807,543,512	(76,843,269)	338,387,684	-	338,387,684
Kilifi	8,419,974,562	6,591,823,501	1,828,151,061	3,828,149,736	-	3,828,149,736
Kwale	5,588,355,239	6,012,310,620	(423,955,381)	1,008,581,491	-	1,008,581,491
Kajiado	5,229,333,174	4,977,497,764	251,835,410	523,628,149	-	523,628,149
Taita Taveta	3,618,094,335	3,519,290,584	98,803,751	152,432,208	-	152,432,208
Machakos	8,407,648,068	8,494,799,635	(87,151,567)	539,954,457	-	539,954,457
Makueni	6,464,713,440	5,520,355,881	944,357,559	3,356,317,428	-	3,356,317,428
Kiambu	10,579,988,187	10,573,153,823	6,834,364	41,697,087	-	41,697,087
Muranga	6,239,203,188	5,827,842,171	411,361,017	670,826,119	-	670,826,119
Kirinyaga	4,052,410,814	4,235,618,518	(183,207,704)	487,591,286	-	487,591,286
Nyeri	5,786,065,404	5,121,358,745	664,706,659	752,735,800	-	752,735,800
Laikipia	4,056,656,734	4,149,000,192	(92,343,458)	312,228,048	-	312,228,048
Nyandarua	4,707,175,409	5,045,951,864	(338,776,455)	313,209,441	-	313,209,441

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County	Total Receipts	Total Payments	Surplus/Deficit	Net financial Assets	Adjustments	Closing Balance
	KShs	KShs	KShs	KShs	KShs	KShs
Samburu	3,635,379,321	3,445,401,125	189,978,196	577,689,192	-	577,689,192
Turkana	10,816,331,675	10,136,763,589	679,568,086	1,732,478,126	-	1,732,478,126
West Pokot	4,542,457,206	4,500,066,974	42,390,232	245,887,871	-	245,887,871
Trans Nzoia	5,635,494,023	5,741,953,933	(106,459,910)	312,893,752	-	312,893,752
Uasin Gishu	6,052,744,008	6,299,317,154	(246,573,146)	858,405,009	-	858,405,009
Elgeyo Marakwet	3,584,677,833	3,000,538,813	584,139,020	873,748,777	-	873,748,777
Baringo	4,873,277,716	4,801,547,151	71,730,565	1,053,354,267	-	1,053,354,267
Nandi	5,087,563,120	4,998,399,813	89,163,307	507,222,950	-	507,222,950
Kakamega	10,095,720,459	10,765,431,063	(669,710,604)	1,803,716,618	-	1,803,716,618
Vihiga	4,150,429,492	3,721,090,340	429,339,152	552,305,241	-	552,305,241
Bungoma	8,092,473,639	8,658,603,776	(566,130,137)	894,815,828	-	894,815,828
Kisumu	7,231,084,496	7,929,179,992	(698,095,496)	1,254,128,615	-	1,254,128,615
Busia	6,503,821,868	6,085,506,057	418,315,811	977,853,467	-	977,853,467
Siaya	5,315,954,528	5,518,171,852	(202,217,324)	1,069,809,818	-	1,069,809,818
Homabay	6,036,955,082	6,492,917,314	(455,962,232)	78,258,139	-	78,258,139
Migori	6,607,736,986	6,290,487,450	317,249,536	871,757,820	-	871,757,820
Nyamira	4,399,504,159	4,491,933,898	(92,429,739)	326,882,931	-	326,882,931
Nairobi	25,989,688,904	26,449,608,754	(459,919,850)	(1,703,876,247)	-	(1,703,876,247)
Kericho	5,132,664,735	4,811,894,735	320,770,000	870,081,000	-	870,081,000
Nakuru	11,242,539,018	10,632,014,393	610,524,625	2,713,208,730	-	2,713,208,730
Kisii	8,238,500,545	8,447,751,734	(209,251,189)	257,994,556	-	257,994,556
Narok	7,224,480,284	7,580,966,060	(356,485,776)	152,643,767	-	152,643,767
Bomet	5,044,588,750	5,053,752,750	(9,164,000)	35,439,616	-	35,439,616
<b>Total</b>	<b>308,847,853,356</b>	<b>305,955,493,244</b>	<b>2,892,360,112</b>	<b>38,040,403,092</b>	<b>-</b>	<b>38,040,403,092</b>

### **3.6. Significant accounting policies**

#### **a) Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the format of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the County Governments. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

#### **b) Recognition of receipts and payments**

The entity recognizes all receipts from the various sources when the event occurs and the related cash has actually been received by the entity. In addition, the entity recognizes all payments when the event occurs and the related cash has actually been paid out by the entity.

#### **c) In-kind contributions**

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of receipts and payments both as receipts and as a payment in equal and opposite amounts; otherwise, the contribution is not recorded.

#### **d) 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.

#### **e) Accounts receivable**

For the purposes of these financial statements, imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

### **3.6 Significant accounting policies (continued)**

#### **f) Accounts payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties has been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

#### **g) Non - current assets**

Non - current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

#### **h) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the financial year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the entity at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

#### **i) Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The entity’s budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates.

#### **j) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

#### **k) Subsequent events**

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.

#### **l) Entities consolidated**

The consolidated entities comprise of all the 47 County Executives and 47 County Assemblies.



### 3.7. Notes to the financial statements

#### 3.7.1. Transfers from the National Treasury as exchequer releases

These comprise of transfers from the Exchequer summarized on a quarterly basis. This represents an increase of 16% from the FY 2014/15. A summary of the disbursements to the Counties per quarter is indicated below:

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Total Exchequer Releases for quarter 1	36,559,190,561	41,410,758,718
Total Exchequer Releases for quarter 2	68,495,104,318	46,253,058,398
Total Exchequer Releases for quarter 3	64,399,368,229	56,381,895,028
Total Exchequer Releases for quarter 4	94,584,976,888	84,004,646,351
<b>Total</b>	<b>264,038,639,996</b>	<b>228,050,358,495</b>

The amount for the FY 2015/2016 was made up of equitable share allocation, Level 5 hospital funds and DANIDA Health Funds as shown below

Description	Amount (KShs)
Equitable share allocation	259,774,499,997
Level 5 hospital funds	3,600,479,999
DANIDA health funds	663,660,000
<b>Total</b>	<b>264,038,639,996</b>

We have provided a breakdown of the releases per County under **Appendix 1**.

**3.7. Notes to the financial statements (continued)**

**3.7.2. Proceeds from domestic and foreign grants**

These are grants received from development partners either through the exchequer and/or directly into the County Governments. This represents an increase of 21% from the FY 2014/15. The increase in grants is mainly attributed to the UNICEF funds received to assist in improving health facilities at the Counties.

	FY2015/2016	FY2014/2015
	KShs	KShs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>		
-	-	-
<b>Grants Received from Multilateral Donors (International Organizations)</b>		
United Nations Children's Fund (UNICEF)	52,185,070	-
United Nations Population Fund	98,279,218	95,276,850
World Health Organization (WHO)	108,516,448	141,076,723
Evidence Action	142,570	-
World Bank health funds	-	2,226,604
Clinton Health Initiative (CHAI)	4,827,500	7,449,350
AIDS Health Foundation	1,191,560	1,493,700
Médecins Sans Frontières (MSF)	927,000	1,228,500
Others	3,248,400	-
Keroche Industries	100,000	-
World Society for the Protection of Animals	-	6,964,658
<b>Grants Received from other levels of government</b>		
Conditional Grant for rehabilitation of Bungoma Referral Hospital	100,000,000	36,344,951
Foreign borrowing – Drawdowns through exchequer	-	12,430,000
<b>Total</b>	<b>369,417,766</b>	<b>304,491,336</b>

**3.7. Notes to the financial statements (continued)**

**3.7.3. Transfers from other government entities**

These consist of funds received from the National Government MDAs and other Government entities. This represents an increase of 1897% compared to the previous year. Large increases in the transfers were from the Kenya Roads Board Fuel Levy Fund for the repairs of County roads and from the Ministry of Health to County Health facilities.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Kenya Roads Board Fuel Levy Fund	3,300,000,007	46,439,630
Ministry of Health Maternity fees	3,321,002,500	100,256,984
Ministry of Health User fees Forgone	900,000,000	5,685,000
Ministry of Health Result Based Financing	-	181,970,047
Ministry of Health World Bank	508,245,204	9,890,000
Defunct Local Authorities	-	47,484,754
Transition Authority	-	10,312,215
<b>TOTAL</b>	<b>8,029,247,711</b>	<b>402,038,630</b>

**3.7.4. Proceeds from domestic borrowings**

These comprise of the funds borrowed by County Governments from local financial institutions.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Borrowing from other domestic financial institutions	861,691,751	298,237,393
<b>Total</b>	<b>861,691,751</b>	<b>298,237,393</b>

The amount for both financial years related to borrowing by Nairobi County Government from the domestic financial institutions.

**3.7. Notes to the financial statements (continued)**

**3.7.5. Proceeds from sale of assets**

These comprise of funds received from disposal of old assets. There were no proceeds from the sale of assets during the FY 2015/16.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Receipts from sale of certified seeds and breeding stock	-	6,083,785
Receipts from sale of inventories, stocks and commodities	-	4,650,750
<b>Total</b>	-	<b>10,734,535</b>

**3.7.6. Reimbursements and refunds**

These comprise of reimbursements and refunds that accrue to the entities within the financial year. This represents a decrease of 88% from the FY 2014/15. These were refunds from National Government statutory entities.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Reimbursement of Audit Fees	-	55,375
Reimbursement on Messing Charges (UNICEF)	7,194,840	-
Reimbursement from World Bank – ECD	43,409,800	6,073,510
Reimbursement from Individuals and Private Organizations	-	2,746,680
Reimbursement from Local Government Authorities	4,386,282	-
Reimbursement from Statutory Organizations	21,004,078	565,531,199
Reimbursement within Central Government	42,497,607	420,016,085
<b>Total</b>	<b>118,492,607</b>	<b>994,422,849</b>

**3.7. Notes to the financial statements (continued)**

**3.7.7. Locally generated receipts**

These comprise of other receipts including voluntary transfers other than grants, miscellaneous income and unidentified receipts. This is mainly collected at the County level. This represents an increase of 3% from the previous financial year as shown in the table below:

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Rents	1,412,954,178	1,520,679,797
Administration	177,615,991	323,834,478
Receipts from Charges	4,207,348,078	5,621,266,115
Business permits	4,221,265,231	3,697,165,205
Cesses	1,079,140,188	1,092,828,191
Poll rates	3,249,805,620	2,873,966,554
Plot rents	498,998,717	283,886,833
Local levies	2,004,259,788	906,999,843
Fees	988,692,651	1,789,876,926
Council's Natural Resources Exploitation	1,690,647,024	1,849,925,298
Sales of Market Establishments	1,775,688,630	1,580,893,582
Market/trade Centre fee	1,099,218,911	926,707,888
Vehicle parking fees	3,852,988,035	3,187,263,233
Housing	805,542,215	846,362,475
Public health services	1,132,009,209	425,601,694
Public health facilities operations	1,499,036,701	1,430,094,747
Other health & sanitation	635,123,984	622,252,848
Business management	481,877,892	243,047,047
Other Receipts	4,321,564,395	4,930,799,752
Tax receipts	254,587,612	268,079,363
Social security contributions	41,998,475	25,723,564
<b>Total</b>	<b>35,430,363,525</b>	<b>34,447,255,433</b>

**3.7. Notes to the financial statements (continued)**

**3.7.8. Compensation of employees**

These comprise of the remuneration paid to employees in return for the work done. In addition to wages and salaries, compensation of employees includes social contributions made by County Governments on behalf of their employees. This represents an increase of 16% from the FY 2014/15 as shown in the table below:

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Basic salaries of permanent employees	85,197,001,762	77,185,677,599
Basic wages of temporary employees	7,869,530,607	7,020,232,604
Personal allowances paid as part of salary	22,450,249,658	16,680,338,525
Personal allowances paid as reimbursements	656,844,637	191,455,061
Personal allowances provided in kind	174,566,321	189,667,987
Pension and other social security contributions	1,739,441,250	971,397,779
Compulsory national social security schemes	1,615,010,900	336,144,277
Compulsory national health insurance schemes	268,310,251	41,668,516
Social benefit schemes outside government	96,206,970	13,828,080
Other personnel payments	302,875,856	1,490,577,492
<b>Total</b>	<b>120,370,038,212</b>	<b>104,120,987,920</b>

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**3.7. Notes to the financial statements (continued)**

**3.7.9. Use of goods and services**

These comprise of the total value of goods and services consumed by the County Governments in the course of carrying out their functions. This represents an increase of 15% from the FY 2014/15.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Utilities, supplies and services	2,762,521,596	3,350,766,707
Communication, supplies and services	760,073,598	719,253,169
Domestic travel and subsistence	12,600,228,179	9,163,278,601
Foreign travel and subsistence	2,061,746,669	1,853,648,507
Printing, advertising and information supplies & services	3,152,460,544	3,009,595,409
Rentals of produced assets	1,575,385,960	1,233,626,341
Legal Services	211,498,217	169,162,794
Food rations	84,075,137	-
Consultancy fees	159,776,233	12,046,853
Training expenses	3,243,343,695	2,836,070,852
Hospitality supplies and services	5,146,920,158	3,950,534,545
Insurance costs	4,458,107,942	2,536,700,787
Contracted guards and cleaning services	270,772,986	131,020,816
Trade shows and exhibitions	18,613,304	-
Specialized materials and services	9,597,842,668	8,840,426,690
Office and general supplies and services	2,141,066,098	2,292,242,328
Other operating expenses	13,818,833,231	14,352,796,468
National Day celebrations	50,217,205	23,625,802
Routine maintenance – vehicles and other transport equipment	1,737,387,848	1,544,619,422
Routine maintenance – other assets	2,052,293,054	1,906,563,536
Fuel Oil and Lubricants	2,754,965,561	2,101,709,376
Medical drugs	189,093,340	75,687,054
Liabilities taken over from Local Authorities	1,421,175,440	1,179,145,151
Membership dues and subscriptions	334,270,541	44,721,942
<b>Total</b>	<b>70,602,669,204</b>	<b>61,327,243,150</b>

**3.7. Notes to the financial statements (continued)**

**3.7.10. Subsidies**

This comprise of financial support given to County entities and private organizations to enable them provide goods and services at competitive prices for the benefit of the locals.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
*Subsidies to Public Corporations	841,374	-
<b>Total</b>	<b>841,374</b>	<b>-</b>

\* - This relates to donations given to Primary Schools in Samburu County Government.

**3.7.11. Transfers to other County Government units**

This comprises Transfers to County Government non-reporting entities as per details below. The transfers were mainly to facilities to improve on service delivery.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Transfers to water companies	119,400,000	-
Transfers to research institutions	-	3,600,000
Transfer to funds and other County departments/projects	4,787,950,379	6,610,576,812
<b>Total</b>	<b>4,907,350,379</b>	<b>6,614,176,812</b>

It represents a decrease of 26% from FY 2014/15. The decrease was due to reduction in transfers to Central Government entities compared to prior year.



**3.7. Notes to the financial statements (continued)**

**3.7.12. Other grants and payments**

This consist of bursaries for needy students, support to vulnerable and marginalised people and other support to self- help groups. It represents an increase of 33% from the FY 2014/15.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Scholarships and other educational benefits	4,578,374,622	4,605,985,236
Grants for Management of Disaster	494,790,739	70,876,951
Emergency relief and refugee assistance	2,048,306,482	2,203,596,685
Subsidies to small businesses, cooperatives, and self employed	965,255,749	461,155,844
Capital and current grants	3,917,682,544	1,709,279,686
Government Pensions and Retirement Benefits	31,257,275	22,410,669
Cooperative Development Fund	36,416,240	48,286,573
Membership fees and dues	302,808,520	275,105,262
<b>Total</b>	<b>12,374,892,171</b>	<b>9,396,696,906</b>

**3.7.13. Social security benefits**

This consists of pensions and other payments in kind to County employees. This represents an increase of 67% from the FY 2014/15.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Government pension and retirement benefits	943,213,627	397,033,147
Social security benefits in cash and in kind	403,424,982	269,356,657
Employer Social Benefits in cash and in kind	61,605,946	99,307,861
Car and Mortgage Loans	36,643,387	101,000,000
<b>Total</b>	<b>1,444,887,942</b>	<b>866,697,665</b>

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3.7. Notes to the financial statements (continued)

3.7.14. Acquisition of assets

These represent the payment made to acquire property plant and equipment purchased during the financial year which has been expensed during the financial year of purchase as per government accounting policy. The value of property plant and equipment purchased and expensed comprise of the following:

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Purchase of Buildings	939,927,063	861,632,838
Construction of Buildings	12,645,250,736	12,193,909,445
Refurbishment of Buildings	4,562,747,135	6,261,993,038
Construction of Roads	17,970,980,121	18,092,964,746
Construction and Civil Works	19,460,036,941	14,806,116,175
Overhaul & refurbishment of Construction & Civil works	4,484,463,973	3,178,338,761
Purchase of Vehicles and Other Transport Equipment	2,917,105,612	5,017,392,863
Overhaul of Vehicles and Other Transport Equipment	395,136,454	724,399,509
Purchase of Household Furniture and Institutional Equipment	377,984,449	388,530,259
Purchase of Office Furniture and General Equipment	2,204,087,659	1,891,676,529
Purchase of ICT Equipment	1,077,794,191	1,323,818,069
Purchase of lighting Equipment	340,403,951	-
Purchase of Specialized Plant, Equipment & Machinery	3,205,215,003	4,162,639,370
Medical and Hospital supplies	619,735,527	124,061,941
Rehabilitation and Renovation of Plant, Machinery and Equipment	1,066,312,510	903,390,522
Purchase of Certified Seeds, Breeding Stock and Live Animals	1,339,688,430	887,568,726
Research, Studies, Project Preparation, Design & Supervision	3,048,513,999	2,024,870,404
Purchase of medical and dental equipment	828,530,444	1,103,295,545
Rehabilitation of Civil Works	1,735,694,903	3,640,715,734
Domestic payables from previous financial year	661,679,700	28,049,654
Acquisition of Strategic Stocks and commodities	559,167,349	802,166,608
Acquisition of Land	703,682,714	995,630,370
Acquisition of Intangible Assets	246,689,263	301,664,383
Other Infrastructure and Civil Works	112,885,139	75,585,446
Domestic Public Non-Financial Enterprises	1,896,077,133	446,462,000
MCA Car Grants Bank Deposit	-	22,000,000
Domestic Public Financial Institutions	-	159,000,000
Domestic Loans to Individuals	448,519,418	231,300,000
<b>Total</b>	<b>83,848,309,817</b>	<b>80,649,172,935</b>

### 3.7. Notes to the financial statements (continued)

#### 3.7.15. Finance costs including loan interest on loans

This is cost of credit borrowed locally by Three Counties and bank charges in commercial bank accounts held by County Governments. The cost of credit reduced by 41% in the FY2015/2016 compared to FY2014/2015. The details per County are indicated below:

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Interest on domestic borrowings – Nairobi County	205,676,894	355,495,903
Interest on domestic borrowings – Murang’a County	-	16,277,144
Interest on domestic borrowings – Nyamira County	27,625	-
Bank charges	68,245,128	122,175,576
<b>Total</b>	<b>273,949,647</b>	<b>493,948,623</b>

#### 3.7.16. Repayment of principal on domestic and foreign borrowing

These represent the amount paid to settle the principal on loans advanced to County Governments. The amounts per County are indicated below:

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Repayments on borrowings – Nairobi County	1,234,914,243	735,324,515
Repayments on borrowings – Murang’a County	-	-
Repayments on borrowings – Nyamira County	52,500,000	-
Repayments on borrowings – Mombasa County		47,713,000
<b>Total</b>	<b>1,287,414,243</b>	<b>783,037,515</b>

#### 3.7.17. Other payments

These include all other expenditure transactions not elsewhere classified and consist of membership and subscriptions as well as miscellaneous expenses.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Budget Reserves	288,535,525	14,167,166
Civil Contingency Reserves	62,394,558	327,030,071
Alcoholic Drinks Payments	47,709,140	-
Cash bail Refunds	1,609,972,774	199,014,820
Other Creditors – Development	7,461,501,893	4,533,910,171
Other Creditors – Recurrent	1,176,028,263	946,215,164
Contractors retention money	6,147,392	-
KRA recoveries	192,850,710	74,000,000
<b>Total</b>	<b>10,845,140,255</b>	<b>6,094,337,392</b>

**3.7. Notes to the financial statements (continued)**

**3.7.18. Cash and cash equivalents**

**A) Bank balances**

These consist of cash book bank balances as at 30<sup>th</sup> June 2016 and comparatives for financial year to 30<sup>th</sup> June 2015.

Bank Accounts	FY2015/2016	FY2014/2015
	KShs	KShs
Central Bank of Kenya Accounts	30,516,204,428	26,998,878,688
Other Commercial Bank Accounts	7,119,478,467	6,542,419,430
<b>Total</b>	<b>37,635,682,895</b>	<b>33,541,298,118</b>

**B) Cash balances**

These comprise cashbook cash balances as at 30<sup>th</sup> June 2016 and comparatives for financial year to 30<sup>th</sup> June 2015 represented by cash balances held by the institutions.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Cash in Hand – Held in domestic currency	70,905,865	63,506,267
Cash in Hand – Held in foreign currency	-	-
<b>Total</b>	<b>70,905,865</b>	<b>63,506,267</b>

**3.7.19. Accounts receivable**

These comprise of imprest taken by staff for official missions and not yet retired as at 30<sup>th</sup> June 2016 and staff advances not recovered as at the same date and comparatives for financial year to 30<sup>th</sup> June 2015

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Government imprests	1,276,036,103	1,808,654,940
Advances	78,127,995	119,298,031
<b>Total</b>	<b>1,354,164,098</b>	<b>1,927,952,971</b>

**3.7. Notes to the financial statements (continued)**

**3.7.20. Accounts payable**

These comprise funds held by the County Governments on behalf of third parties as at 30<sup>th</sup> June 2016 and comparatives for financial year to 30<sup>th</sup> June 2015.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Deposits	742,676,262	296,757,082
Advances	277,673,505	87,957,293
<b>Total</b>	<b>1,020,349,767</b>	<b>384,714,375</b>

**3.7.21. Fund balance b/fwd**

These were the opening balances in each of the financial years as reported by the County Governments.

Description	FY2015/2016	FY2014/2015
	KShs	KShs
Bank balance	33,541,298,118	36,574,940,515
Cash in hand	63,506,267	3,087,565,368
Accounts Receivable	1,927,952,971	1,644,548,598
Accounts Payable	(384,714,376)	(320,251,255)
<b>Total</b>	<b>35,148,042,980</b>	<b>40,986,803,226</b>

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**APPENDICES**

**Appendix 1– Summary of transfers from National Treasury in FY 2015/2016**

CODE	COUNTY	EQUITABLE SHARE ALLOCATION	LEVEL 5 ALLOCATION	DANIDA	TOTAL ALLOCATION	EQUITABLE SHARE RELEASED	LEVEL 5H RELEASED	DANIDA RELEASED	TOTAL CASH RELEASED	%
		KShs		KShs	KShs	KShs		KShs	KShs	
		A	B	C	D=A+B+C	E	F	G	H=D+E+F	J=H/D
4460	Baringo	4,440,576,026	-	25,970,000	4,466,546,026	4,440,576,026		12,985,000	4,453,561,026	99.71%
4760	Bomet	4,706,893,298		14,950,000	4,721,843,298	4,706,893,298		17,620,000	4,724,513,298	100.06%
4910	Bungoma	7,109,113,962		14,750,000	7,123,863,962	7,109,113,962		7,375,000	7,116,488,962	99.90%
4960	Busia	6,006,860,944		12,990,000	6,019,850,944	6,006,860,944		12,990,000	6,019,850,944	100.00%
4360	E. Marakwet	3,270,440,729		20,800,000	3,291,240,729	3,270,440,729		20,800,000	3,291,240,729	100.00%
3660	Embu	3,837,939,840	192,882,857	13,750,000	4,044,572,697	3,837,939,840	192,882,857	6,875,000	4,037,697,697	99.83%
3310	Garissa	5,771,689,408	360,048,000	17,940,000	6,149,677,408	5,771,689,408	360,048,000	8,970,000	6,140,707,408	99.85%
5110	Homa Bay	5,634,960,034		24,770,000	5,659,730,034	5,634,960,034		24,770,000	5,659,730,034	100.00%
3510	Isiolo	3,056,565,534		7,970,000	3,064,535,534	3,056,565,534		7,970,000	3,064,535,534	100.00%
4660	Kajiado	4,412,625,800		17,890,000	4,430,515,800	4,412,625,800		17,890,000	4,430,515,800	100.00%
4810	Kakamega	8,908,229,519	342,902,857	23,500,000	9,274,632,376	8,908,229,519	342,902,857	11,750,000	9,262,882,376	99.87%
4710	Kericho	4,505,064,038		22,600,000	4,527,664,038	4,505,064,038		19,930,000	4,524,994,038	99.94%
4060	Kiambu	7,463,541,789	330,044,000	19,200,000	7,812,785,789	7,463,541,789	330,044,000	19,200,000	7,812,785,789	100.00%
3110	Kilifi	7,441,216,645		15,530,000	7,456,746,645	7,441,216,645		15,530,000	7,456,746,645	100.00%
3960	Kirinyaga	3,538,217,626		12,770,000	3,550,987,626	3,538,217,626		12,770,000	3,550,987,626	100.00%
5210	Kisii	7,093,627,514	338,616,571	22,950,000	7,455,194,085	7,093,627,514	338,616,571	22,950,000	7,455,194,085	100.00%
5060	Kisumu	5,681,265,569	338,616,571	16,580,000	6,036,462,140	5,681,265,569	338,616,571	16,580,000	6,036,462,140	100.00%
3710	Kitui	7,267,273,063		36,990,000	7,304,263,063	7,267,273,063		36,990,000	7,304,263,063	100.00%
3060	Kwale	5,125,697,562		13,620,000	5,139,317,562	5,125,697,562		13,620,000	5,139,317,562	100.00%
4510	Laikipia	3,449,548,893		11,530,000	3,461,078,893	3,449,548,893		11,530,000	3,461,078,893	100.00%
3210	Lamu	2,051,883,746		7,640,000	2,059,523,746	2,051,883,746		7,640,000	2,059,523,746	100.00%
3760	Machakos	6,768,653,467	304,326,286	26,700,000	7,099,679,753	6,768,653,467	304,326,286	-	7,072,979,753	99.62%
3810	Makueni	5,969,671,381		24,130,000	5,993,801,381	5,969,671,381		12,065,000	5,981,736,381	99.80%
3410	Mandera	8,955,703,809		14,620,000	8,970,323,809	8,955,703,809		14,620,000	8,970,323,809	100.00%
3460	Marsabit	5,189,461,933		15,350,000	5,204,811,933	5,189,461,933		7,675,000	5,197,136,933	99.85%

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CODE	COUNTY	EQUITABLE SHARE ALLOCATION	LEVEL 5 ALLOCATION	DANIDA	TOTAL ALLOCATION	EQUITABLE SHARE RELEASED	LEVEL 5H RELEASED	DANIDA RELEASED	TOTAL CASH RELEASED	%
		KShs		KShs	KShs	KShs		KShs	KShs	
		A	B	C	D=A+B+C	E	F	G	H=D+E+F	J=H/D
3560	Meru	6,493,602,784	244,318,286	20,590,000	6,758,511,070	6,493,602,784	244,318,286	-	6,737,921,070	99.70%
5160	Migori	5,836,852,127		20,440,000	5,857,292,127	5,836,852,127		10,220,000	5,847,072,127	99.83%
3010	Mombasa	5,197,893,978	402,910,857	6,300,000	5,607,104,835	5,197,893,978	402,910,857	-	5,600,804,835	99.89%
4010	Murang'a	5,355,997,309		24,810,000	5,380,807,309	5,355,997,309		24,810,000	5,380,807,309	100.00%
5310	Nairobi	12,996,608,958		27,800,000	13,024,408,958	12,996,608,958		-	12,996,608,958	99.79%
4560	Nakuru	8,116,330,943	377,193,143	25,260,000	8,518,784,086	8,116,330,943	377,193,143	25,260,000	8,518,784,086	100.00%
4410	Nandi	4,755,105,868		18,310,000	4,773,415,868	4,755,105,868		18,310,000	4,773,415,868	100.00%
4610	Narok	5,287,901,138		17,890,000	5,305,791,138	5,287,901,138		17,890,000	5,305,791,138	100.00%
5260	Nyamira	4,154,538,019		23,920,000	4,178,458,019	4,154,538,019		23,920,000	4,178,458,019	100.00%
3860	Nyandarua	4,307,070,831		18,860,000	4,325,930,831	4,307,070,831		18,860,000	4,325,930,831	100.00%
3910	Nyeri	4,449,219,647	368,620,571	22,930,000	4,840,770,218	4,449,219,647	368,620,571	22,930,000	4,840,770,218	100.00%
4210	Samburu	3,552,281,938		10,990,000	3,563,271,938	3,552,281,938		10,990,000	3,563,271,938	100.00%
5010	Siaya	4,995,298,722		27,530,000	5,022,828,722	4,995,298,722		27,530,000	5,022,828,722	100.00%
3260	Taita/Taveta	3,309,568,191		14,810,000	3,324,378,191	3,309,568,191		14,810,000	3,324,378,191	100.00%
3160	Tana River	3,984,569,971		9,290,000	3,993,859,971	3,984,569,971		9,290,000	3,993,859,971	100.00%
3610	T. Nithi	3,137,566,667		12,330,000	3,149,896,667	3,137,566,667		12,330,000	3,149,896,667	100.00%
4260	T. Nzoia	5,099,612,701		11,330,000	5,110,942,701	5,099,612,701		5,665,000	5,105,277,701	99.89%
4110	Turkana	10,479,033,426		12,070,000	10,491,103,426	10,479,033,426		6,035,000	10,485,068,426	99.94%
4310	U. Gishu	5,190,879,968		17,320,000	5,208,199,968	5,190,879,968		17,320,000	5,208,199,968	100.00%
4860	Vihiga	3,871,411,960		14,170,000	3,885,581,960	3,871,411,960		14,170,000	3,885,581,960	100.00%
3360	Wajir	7,232,740,318		20,090,000	7,252,830,318	7,232,740,318		10,045,000	7,242,785,318	99.86%
4160	West Pokot	4,313,692,404		12,180,000	4,325,872,404	4,313,692,404		12,180,000	4,325,872,404	100.00%
	<b>Total</b>	<b>259,774,499,997</b>	<b>3,600,479,999</b>	<b>844,710,000</b>	<b>264,219,689,996</b>	<b>259,774,499,997</b>	<b>3,600,479,999</b>	<b>663,660,000</b>	<b>264,038,639,996</b>	<b>99.93%</b>

Appendix 2 – Other important disclosures

a) Pending accounts payable

	FY 2015/16	FY 2014/15
	KShs	KShs
Construction of buildings	4,897,387,831	2,305,719,138
Construction of civil works	4,670,123,580	3,435,243,599
Supply of goods	4,093,445,707	2,793,858,905
Supply of services	3,861,492,876	3,473,005,749
Statutory/ Salary deductions	95,673,234	1,500,000
MCA's and Staff allowances	4,943,921	-
Pending staff payables	533,164,219	131,658,742
Amounts due to National Government entities	129,600	-
Amounts due to third parties (Others-LAPFUND)	54,344,499,896	42,510,003,919
<b>Total</b>	<b>72,500,860,864</b>	<b>54,650,990,052</b>



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**b) Summary of fixed assets register movement schedule**

<b>Asset class</b>	<b>Opening (FY 2014/15)</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing (FY 2015/16)</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Land, construction of roads and other civil works	61,592,326,631	44,467,743,791	-	106,060,070,422
Buildings and structures	27,357,298,152	18,147,924,935	-	45,505,223,087
Transport equipment	6,911,986,946	3,312,242,066	-	10,224,229,012
Office equipment, furniture and fittings	2,401,225,981	2,582,072,108	-	4,983,298,089
ICT Equipment, Software and Other ICT Assets	1,621,051,315	1,077,794,191	-	2,698,845,506
Other Machinery and Equipment	7,136,505,894	13,565,324,047	-	20,701,829,941
Heritage and cultural assets	8,562,575,684	448,519,416	-	9,011,095,100
Intangible assets	5,674,079,074	246,689,263	-	5,920,768,337
<b>Total</b>	<b>121,257,049,677</b>	<b>83,848,309,817</b>	<b>-</b>	<b>205,105,359,494</b>