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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MURANG'A UNIVERSITY COLLEGE**

**FOR THE YEAR ENDED
30 JUNE 2014**



MURANG'A UNIVERSITY COLLEGE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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

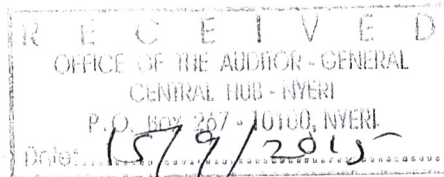


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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Murang'a University College (MRUC) was established in September 2011 via Murang'a University College order legal notice No. 129 of September 2011 as a constituent College of Jomo Kenyatta University of Agriculture and Technology. MRUC is the successor of Murang'a College of Technology. The University College currently operates under the provision of the Universities Act 2012 CAP 210 B of the laws of Kenya. MRUC is positioning itself to develop a distinctive profile as a progressive and international Technical University, growing its enrolment strategically.

(b) Principal Activities

Mandate

The principal activities of the University College are derived from the core functions as set out in the universities Act 2012. The mandate of MRUC is to provide quality teaching, training, scholarship, entrepreneurship, innovation, and research and consultancy services.

Vision

"A leading university of choice that promotes excellence in learning and service delivery"

Mission

"To develop leaders and professionals through teaching, training, consultancy, research and innovation for socioeconomic development"

Strategic Objectives

- i) To offer innovative programmes that meet market demand.
- ii) To develop and maintain adequate infrastructure and facilities.
- iii) To increase students' enrolment by the end of plan period.
- iv) To increase revenue during the plan period.
- v) To enhance student welfare and development
- v) To enhance Consultancy, Research and Development in the University.
- vi) To strengthen human resource capacity
- vii) To strengthen Corporate Governance and Management systems.
- viii) To integrate ICT in training and management practices.

Value Statements

Value statements constitute a set of beliefs and standards of behaviour that drive MRUC's agenda. They are essential and must be upheld as they are key to corporate culture and identity. The following are our values:

Innovation and Creativity - We are committed to delivering innovative solutions in delivery of our services.

Professionalism - We strive to uphold professionalism in whatever we do. We will stand ethical scrutiny by being committed to high standards of excellence in our day to day operations.

Teamwork - We promote respect and unity of purpose among staff as well as promoting mutual exchange of information and experiences.

Diversity and Inclusiveness – We are an equal opportunity employer.

Autonomy and freedom of Inquiry - We encourage our staff to engage in free and independent thinking.

(a) Key Management

The *entity's* day-to-day management is under the following key positions:

- Principal
- Deputy principal
- Registrar; and
- Finance Officer

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairman	Prof. Mohamud A. Jama
2.	Member	Arch. Aida N. Munano
3.	Member	Dr. Felister M. Makini
4.	Member	Mr. Anthony Lubulellah
5.	Member	Mr Charles Kairu
6.	Member	Adelaide Mbaika Mbithi
7.	Member	Principal Secretary- MOEST-Rep by Dr Areba Nyang'ate
8.	Member	Principal Secretary- National Treasury- Rep by Charles Kairu
9.	Member	Prof Geoffrey Mariaso Ole Maloij

(c) Fiduciary Oversight Arrangements

Full council committee
 Finance Administration, Planning and Development Committee
 Audit committee
 Human Resource, Academic and Sealing committees

(d) Entity Headquarters

P. O Box 75 - 10200
 Karuri Avenue, Governor Road
 Murang'a, Kenya

(e) Entity Contacts

Telephone : 0771 463 515
 E- Mail : info@mruc.ac.ke
 Web site : <http://www.mruc.ac.ke>

(f) Entity Bankers

Kenya Commercial Bank
Murang'a Branch

Equity Bank
Murang'a Branch

Co-operative Bank
Murang'a Branch

Consolidated Bank
Murang'a Branch





(g) Independent Auditors






Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(h) Principal Legal Adviser







Chief Legal Officer
Murang'a University College
P.O. Box 75-10200
Murang'a






II. THE BOARD MEMBERS

Name	Period	Date of Birth Key qualifications and Work experience
 Prof. Mohamud A. Jama	Full Year	18 th April, 1953 PhD Agricultural Economics (Washington State University – 1987) 1980 – 1995: Ag. Director, Institute of Development Studies, UoN 1995 – 2000: Director, Institute of Development Studies, UoN
 Prof. Julius O. Nyabundi	From 10th January 2014	1954 PhD Ecology (University of California at Davis - 1985) 1998 – 1999: HoD Dept of Environmental Science, Maseno University 1999 – 2001: Dean, Faculty of Science, Maseno University 2003 – 2008: Managing Director, Chemelil Sugar Company 2008 – 2011: Director, Botanic Garden, Maseno University 2011 – 2014: Dean, School of Agriculture & Food Security, Maseno University 2012 – 2014: Ag. Deputy Vice Chancellor (Admin, Finance & Dev) Maseno University 2014 to date: Principal, Murang'a University College
 Arch. Aida N. Munano	Full Year	Master of Science Construction Project Management (JKUAT – 2012) 1982 Assistant Architect 1997-2003: Provincial Works Officer, Nairobi 2003 – 2005: Architect, Ministry of Public Works 2005 – 2014: Deputy Chief Architect, Ministry of Public Works 2014 to date: Works Secretary, Ministry of Lands, Housing and Urban Planning
 Dr. Felister M. Makini	Full Year	13 th July, 1960 PhD Plant Pathology (University of Greenwich, U.K. – 1999) 1983 – 1994: Research Officer 1994 – 2010: Center Director, KARI 2010 to date: Deputy Director, Department of Outreach and Partnerships







 Dr. Areba Nyang'ate	Full Year	DODT (CEBU Doctors) Representing Principal Secretary Ministry of Education Science and Technology
 Mr. Anthony Lubulellah	Full Year	10 th July, 1957 Masters of Law (LLM) – University of Nairobi, 2007 1983 to date Advocate
 Mr. Charles Kairu		Masters in Development Economics (Williams College, U.K. – 1993). Representing the Principal Secretary National Treasury
 Dr. Adelaide Mbaika M.	Full Year	14 th December, 1960 PhD Business Administration (University of Nairobi, 2014) 1997 – 1999: Senior Administrative Assistant 1999 – 2004: Assistant Registrar (Admissions) 2004 – 2008: Senior Assistant Registrar (Examinations) 2008 to date: Deputy Registrar (Examinations)
 Prof. Geoffrey Mariaso Ole Maloiy	Upto November 2013	PhD Animal Physiology (Aberdeen University, Scotland – 1968) 1969 – 1971: Senior Research Officer and HoD, Animal Physiology Division, East African Veterinary Research Organization 1980 – 1983: Dean, Faculty of Veterinary Medicine, University of Nairobi 1983 – 1988: Principal, College of Agriculture and Veterinary Sciences, University of Nairobi 2012 – 2013: Member, Murang'a University College Council 2013 to date: Chancellor, Jomo Kenyatta University of Agriculture and Technology

III. MANAGEMENT TEAM

		Period
 1. Prof Mary K. Walingo	Chief Executive Officer	Upto 9 th January 2014
 2. Prof. Julius O Nyabundi	Chief executive officer	From 10 th January 2014
 3. Prof. Elijah Siringi	Deputizing the chief executive officer	Upto September 2013
 4. Dr. Jairus B. Amayi	Deputizing the chief executive officer	January 2015 to May 2015
 5. Dr. Godrick Mathew Bulitia	Administrative duties	Full year
 6. Richard Ng'ang'a Karigi	Financial management	Full year

	Full Year	DODT (CEBU Doctors) Representing Principal Secretary Ministry of Education Science and Technology
	Full Year	10 th July, 1957 Masters of Law (LLM) – University of Nairobi, 2007 1983 to date Advocate
	Full Year	Masters in Development Economics (Williams College, U.K. – 1993). Representing the Principal Secretary National Treasury
	Full Year	14 th December, 1960 PhD Business Administration (University of Nairobi, 2014) 1997 – 1999: Senior Administrative Assistant 1999 – 2004: Assistant Registrar (Admissions) 2004 – 2008: Senior Assistant Registrar (Examinations) 2008 to date: Deputy Registrar (Examinations)
	Upto November 2013	PhD Animal Physiology (Aberdeen University, Scotland – 1968) 1969 – 1971: Senior Research Officer and HoD, Animal Physiology Division, East African Veterinary Research Organization 1980 – 1983: Dean, Faculty of Veterinary Medicine, University of Nairobi 1983 – 1988: Principal, College of Agriculture and Veterinary Sciences, University of Nairobi 2012 – 2013: Member, Murang'a University College Council 2013 to date: Chancellor, Jomo Kenyatta University of Agriculture and Technology

III. MANAGEMENT TEAM

		Period
 1. Prof Mary K. Walingo	Chief Executive Officer	Upto 9 th January 2014
 2. Prof. Julius O Nyabundi	Chief executive officer	From 10 th January 2014
 3. Prof. Elijah Siringi	Deputizing the chief executive officer and Ag Dean of students	Upto September 2014
 4. Dr. Jairus B. Amayi	Deputizing the chief executive officer	January 2015 to May 2015
 5. Dr. Godrick Mathew Bulitia	Administrative duties	Full year
 6. Richard Ng'ang'a Karigi	Financial management	Full year

IV. CHAIRMAN'S STATEMENT

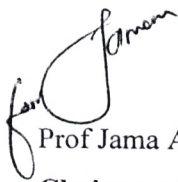
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Although the University College opened its doors to undergraduate students, MRUC has remained committed to harnessing technology to improve the quality of education it offers. Through the continued development of our courses, we will continue to explore and embrace sound pedagogy through a combination of active and engaged learning and appropriately matched technological tools.

At MRUC, students are trained to analyze, interpret, and synthesize information from a variety of sources; practice holistic reasoning; improve verbal, visual and written skills; organize and contribute to team efforts; and enhance self-confidence and preparedness for a career and/or further training.

In all cases we strive to maintain relevance and market appeal in line with prevailing socio-economic trends.

Murang'a University College offers Degree, Diploma and Certificates courses in Engineering, Information Technology, Institutional Management, Business and Applied Sciences. The University College workshops are equipped with modern equipment to ensure quality in training. We offer relevant and market driven academic programs for steering socio-economic development.



Prof Jama A. Mohamud

Chairman Board

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I have the pleasure to present the annual report and accounts for Murang'a University College for the year ended 30th June 2014.

The University College started the year with a cash balance of 28,729,477 and was allocated funding of Ksh. 234,305,583 by the Government during the year review. In addition, the Government allocated the University College Ksh.124, 000,000 for funding of Development projects.

In her efforts, the college collected Ksh.85, 934,669 (up from Ksh.66, 030,774 last financial year) in form of revenue from exchange transactions which went to support the recurrent budget. As the University grows, we will continually identify opportunities for increasing revenue generation in terms of increased efficiency and broadened revenue base. Tuition fees comprised major part of revenue transactions and the University College will remain focused in embracing strategies geared towards nurturing this revenue line in short and median periods.



Prof. Julius O. Nyabundi

Principal

VI. CORPORATE GOVERNANCE STATEMENT

Murang'a University college is governed through various arms as stipulated in the Universities Act 2012. The college is checked by external and internal organs to ensure that the mandate is well executed. The external arms are the line Ministry of Education Science and Technology and the National treasury. The Kenya national Audit office is the principal auditor among the other external regulatory bodies. Other external regulatory bodies include among others Kenya Revenue Authority, National Environment Management Authority, Public works, National social security fund, National Hospital Insurance fund and Public procurement oversight Authority. The College Operates directly under the Principal Secretary Ministry of Education, Science and Technology who in turn reports to Cabinet Secretary, Ministry Of Education Science and Technology. The College gets partial financing from the National Treasury through the line ministry.

The Council is appointed by the President on recommendation of the cabinet secretary. On gazetement the council members then appoints the Key managers in the University College and oversees the operations using various committees of the council among them the Finance, Administration, Planning and Development, Human resource, Audit and sealing committee. These committees meet quarterly and sometimes more often as need arises. The Council is responsible for the governance of the University College and is accountable to the citizens of this country by ensuring that it complies with the law and maintain the highest standard of corporate governance, academic standards and ethics

Internally, the Principal who is the Chief Executive Officer of the college is deputized by the deputy principals and then the registrars and finance officer follow in the command. The principal gives the overall direction in the administration of the University College with the guidance of the University college council.

To assist the principal in the execution of the university college mandate committees are constituted to ensure compliance with set policies and the constitution. Among the main committees are the Academic board which is charged with the responsibility of guiding in all academic matters from the admission of students upto administration of examinations to finality. The other committee is the deans committee that makes recommendations from the schools and faculties to the academic board for approval. The other critical board is the management which assists the principal in the general day to day running of the University College.

The other committees dealing with procurement are the Tender committee and procurement committee intended to enforce the Public procurement and disposal Act 2005 and the regulations of 2006.

The principal has further appointed directors and heads of department to cascade the management decisions to all members of staff in the University College. The heads of departments have also divided the responsibilities on section basis to ensure specialization.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Murang'a University College statutes and the strategic plan 2013/2018 commit the University College to enhance and strengthen strategic collaborations/linkages, extensions and community outreach services. This policy statement is to present a policy framework for the management, support and development of strategic collaboration/linkages, extensions and community outreach services and provide a strategy on how to achieve linkages, extensions and community outreach services in the university college.

Universities hold three overlapping missions and mandates, teaching research and outreach. The third mandate involves integrating or connecting university activities to society and the economy, in pursuant of the commission for University education guidelines (CUE, 2013), approved standards and guidelines, a university shall engage in community outreach and promote cultural and social life of the society. In the discharge of its functions and the exercise of its powers as stipulated by the universities Act no 42 of 2012, a university shall engage in community service, which may include but not limited to extension, consultancies, public lectures, corporate social responsibility, environmental conservation and promotion of cultural and social life of the society, and disseminate outcomes of research to the community. In addition the University College should take advantage of more opportunities within and without the institution to publicize, promote and recognize both strategic collaborations and community service with a view of creating a positive culture of cooperation.

In order to achieve these objectives and functions, the university college will establish and develop a linkages, extensions and community outreach framework to guide it in the establishment of linkages, extensions and community outreach programmes.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2014 which show the state of the *entity's* affairs.

Principal activities

Mandate

The principal activities of the University College are derived from the core functions as set out in the universities Act 2012. The mandate of MRUC is to provide quality teaching, training, scholarship, entrepreneurship, innovation, and research and consultancy services.

Vision

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- iv) To enhance consultancy, research and development in the University.
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- vi) To strengthen corporate governance and management systems.
- vii) To integrate ICT in training and management practices.

Results

The results of the entity for the year ended June 30, 2014 are set out on page

Directors

The members of the University College Board who served during the year are shown on page (v) in accordance with gazette number 11529 of 8th august 2013 by the cabinet secretary Ministry of education, Science and Technology. Prof Geoffrey Ole Maloiy ceased to be a board member in November 2013 when he was appointed Chancellor Jomo Kenyatta University of Agriculture and technology. The other council members term expiry date is 30th July 2017

Auditors

The Auditor General is responsible for the statutory audit of the *entity* in accordance with the Section ... of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Deloitte and Touche Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year ended June 30, 2014.

By Order of the Board



Prof. Julius O Nyabundi
Secretary - University Council

IX. STATEMENT OF UNIVERSITY COLLEGE BOARD RESPONSIBILITIES

Section ... of the Public Finance Management Act, 2012 and section ... of the State Corporations Act, require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

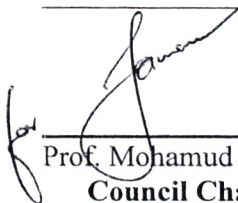
The Council members are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *entity*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for the University college financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Council members are of the opinion that the University college's financial statements give a true and fair view of the state of University college's transactions during the financial year ended June 30, 2014, and of the University college's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for the University college's, which have been relied upon in the preparation of the University college's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council members to indicate that the University college's will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The University College's financial statements were approved by the University college council on _____ 2014 and signed on its behalf by:



Prof. Mohamud Abdi Jama
Council Chairman



Prof. Julius O. Nyabundi
Principal/ Council Secretary

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MURANG'A UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Murang'a University College set out on pages 1 to 15, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Act, 2003 and submit the audit report in compliance with the provisions of Article 229(7) of Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. These standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer of Opinion

1. Accuracy and Completeness of the Financial Statements

As previously reported, the University College did not submit financial statements for 2011/2012 period for audit contrary to Section 13 of the Public Audit Act, 2003. In absence of certified financial statements for the year ended 30 June 2012, the source and accuracy of the opening balances for 2012/2013 financial statements as at 1 July 2012 and subsequent years could not be confirmed.

2. Property, Plant and Equipment

As similarly reported in the previous year, the statement of financial position reflects non-current balance of Kshs.1,149,270,030 as at 30 June, 2014. The assets include undetermined value of assets inherited from Murang'a Institute of Technology at the time of inception of the University College. Further, the balance includes parcels of land whose titles are still in the name of Murang'a Institute of Technology. In addition, the ownership documents for the motor vehicles has not been transferred in the name of Murang'a University College. Also, the University College did not maintain a fixed assets register to record its non-current assets.

In the circumstances, the accuracy and ownership of the property, plant and equipment balance of Kshs.1,149,270,030 as at 30 June 2014 could not be confirmed.

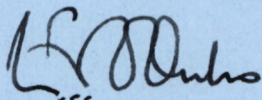
3. Investments

As similarly reported in the previous year, the statement of financial position reflects investments balance of Kshs.25,318,800 as at 30 June 2014. However, the details of these investments were not disclosed or explained in the notes to the financial statement.

In the circumstances, the accuracy and the source of investment balance of Kshs.25,318,800 as at 30 June 2014 could not be confirmed.

Disclaimer of Opinion

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



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 October 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

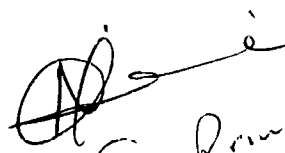
	<u>Notes</u>	<u>2014 Kshs.</u>	<u>2013 Kshs.</u>
Income			
Revenue from non exchange transactions:			
GOK grants	2	234,305,583	184,000,000
Revenue from exchange transactions:			
Tuition	3	47,826,191	48,645,562
Other income	4	38,108,478	17,385,212
Total income		<u>320,240,252</u>	<u>250,030,774</u>
Expenses			
Personal emoluments	5	268,355,029	61,355,186
Board expenses		3,813,478	5,633,106
Depreciation and amortization expense	6	23,089,181	0
Repairs & Maintenance	7	7,398,356	19,799,087
General expenses	8	75,008,189	29,073,763
Teaching expenses	9	16,486,649	11,836,120
Students welfare	10	15,049,441	15,545,689
CBA refund	11	75,653,378	0
Provision for bad debts	12	217,395	0
Total expenditure		<u>485,071,096</u>	<u>143,242,949</u>
Surplus/(Deficit) for the year		<u>(164,830,844)</u>	<u>106,787,825</u>

[Handwritten Signature]
 Chairman

[Handwritten Signature]
 for Principal

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	<u>Notes</u>	<u>2014 Kshs.</u>	<u>2013 Kshs.</u>
Assets			
Current assets			
cash & cash equivalents	13	32,062,407	28,729,477
trade & other receivables	14	16,900,438	101,082,935
inventories	15	0	0
Total current assets		<u>48,962,845</u>	<u>129,812,411</u>
Non - current assets			
property ,plant & equipment	16	1,149,270,030	1,151,472,458
works in progress	17	148,620,116	0
long-term investments	18	25,318,800	25,318,800
Total non- current assets		<u>1,323,208,946</u>	<u>1,176,791,258</u>
Total assets		<u>1,372,171,792</u>	<u>1,306,603,669</u>
Liabilities			
Current liabilities			
trade and other payables	19	161,673,963	41,894,708
Total current liabilities		<u>161,673,963</u>	<u>41,894,708</u>
Long-term liabilities			
Long-term liabilities	20	0	0
Total long-term liabilities		<u>0</u>	<u>0</u>
Total liabilities		<u>161,673,963</u>	<u>41,894,708</u>
Net assets		1,210,497,829	1,264,708,961
Accumulated fund	21	1,210,497,829	1,264,708,961
Total net assets and liabilities		<u>1,372,171,792</u>	<u>1,306,603,669</u>


 For Principal

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	CAPITAL FUND	REVALUATION RESERVES	DEVELOPMENT GRANT	ACCUMULATED FUND
Balance At July 1, 2012	0	0	0	0
Surplus (deficit) for the Year	106,787,825			106,787,825
Revaluation for the Year		0		0
Development Grants for the Year			0	0
Changes in the Year	1,157,921,136	0	0	1,157,921,136
Balance At June 30, 2013	1,264,708,961	0	0	1,264,708,961
Balance At July 1, 2013	1,264,708,961	0	0	1,264,708,961
Surplus (deficit) for the Year	(164,830,844)			(164,830,844)
Revaluation for the Year		0		0
Development Grants for the Year			110,619,711	110,619,711
Prior year Adjustment - Pension Payable	0	0	0	0
Balance As At June 30, 2014	1,099,878,118	0	110,619,711	1,210,497,829

for
Chairman

for
Principal

XIV. STATEMENT OF CASH FLOWS

		2014 Kshs.	2013 Kshs.
Cash flows from operating activities			
Surplus for the Year		(164,830,844)	106,787,825
Adjustments for :			
Depreciation	16	23,089,181	0
Increase/Decrease in provision for bad debts		217,395	480,156
Cash flow from operating activities before working capital Changes		(141,524,268)	107,267,981
WORKING CAPITAL CHANGES			
(Increase)/decrease in Trade & Other Receivables	14	83,965,101	(127,984,801)
(Increase)/decrease in Inventories	15	0	0
Increase/(decrease) in Trade And Other Payables	19	119,779,255	41,894,708
Net cash flow from operating activities		203,744,356	(86,090,093)
Cash flows from investing activities			
(Increase)/decrease in fixed assets	16	(20,886,753)	(1,151,472,458)
(Increase)/decrease in Work in progress	17	(148,620,116)	0
(Increase)/decrease in Investments	18	0	(25,318,800)
Net cash flow from investing activities		(169,506,869)	(1,176,791,258)
CASH FLOW FROM FINANCING ACTIVITIES			
Capital Fund		110,619,711	1,157,921,136
Long-Term Liabilities	20	0	0
Net cash flow from financing activities		110,619,711	1,157,921,136
Net movement in cash and cash equivalents		3,332,931	2,307,766
Cash and Cash Equivalents At Beginning of Year		28,729,477	26,421,711
Cash and Cash Equivalents At End of Year	13	<u>32,062,407</u>	<u>28,729,477</u>

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget Kshs.	Adjustments Kshs.	Final budget Kshs.	Actual on comparison basis Kshs.	Variance Kshs.
Revenue					
GOK grants	452,777,000	0	452,777,000	234,305,583	218,471,417
Tuition	114,676,062	0	114,676,062	47,826,191	(66,849,871)
Other income	39,510,938	0	39,510,938	38,108,478	(1,402,460)
Total income	606,964,000	0	606,964,000	320,240,252	286,723,748
Expenses					
Personal Emoluments	366,676,000	0	366,676,000	268,355,029	98,320,971
Board Expenses	20,000,000	0	20,000,000	3,813,478	16,186,522
Depreciation And Amortization Expense	26,309,000	0	26,309,000	23,089,181	3,219,819
Repairs & Maintenance	41,238,000	0	41,238,000	7,398,356	33,839,644
General Expenses	105,000,000	0	105,000,000	75,008,189	29,991,811
Teaching Expenses	21,650,000	0	21,650,000	16,486,649	5,163,351
Students Welfare	26,091,000	0	26,091,000	15,049,441	11,041,559
Provision For Bad Debts	0	0	0	217,395	(217,395)
Total Expenditure	606,694,000	0	606,694,000	409,417,718	
	0	0	0	(89,177,466)	

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the year presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis. The Board members were appointed by the Cabinet secretary Ministry Education Science and Technology through gazette notices.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees

The entity recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Research and development costs

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete

and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Inventories – IPSAS 12

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

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

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

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

Provisions – IPSAS 19

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. We do not have any reserves for now.

Changes in accounting policies and estimates – IPSAS 3

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

Employee benefits – IPSAS 25

Retirement benefit plans

We maintain a contributory pension scheme for all the employees. Gratuity is paid to staff on contract terms.

Related parties – IPSAS 20

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the members of county assembly, governor, senator or Member of Parliament.

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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Comparative figures

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

Significant judgments and sources of estimation uncertainty – IPSAS 1

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were

prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

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

Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

3. Government Grants

	2014	2013
	Kshs.	Kshs.
Recurrent grants received	234,305,583	184,000,000
Total Recurrent grants received	<u>234,305,583</u>	<u>184,000,000</u>

4. Tuition Fees

	2014	2013
	Kshs.	Kshs.
Tuition Fee SSP - Central Vote	40,039,500	48,645,562
Tuition Fee GOK - Central Vote	7,786,691	0
TOTALS	<u>47,826,191</u>	<u>48,645,562</u>

5. Other Income

	2014	2013
	Kshs.	Kshs.
Computer Fee - Central Vote	2,249,992	1,249,459
Registration Fee - Central Vote	523,685	1,014,160
Internal Examinations - Central Vote	2,345,764	0
Examinations Material Fee - Central Vote	598,431	0
Activity And Sports Fee - Central Vote	1,328,194	2,392,548
Medical Fee - Central Vote	2,697,017	1,602,132
Library Fee - Central Vote	1,524,699	971,132

Field/Academic Trips - Central Vote	274,563	520,443
Industrial Attachment Levy - Central Vote	27,524	128,812
Student IDs - Central Vote	439,527	365,747
Internet fee- Central Vote	12,144	0
Application Fee - Central Vote	731,645	0
Lost/Damaged Items - Central Vote	226,789	0
Bank Charge Fee - Central Vote	3,974	0
Student Fines - Central Vote	7,000	0
Hire Of Facilities - Central Vote	116,000	491,822
Rent Income - Central Vote	381,645	212,000
Interest on Fixed Deposits - Central Vote	4,705,217	416,271
Sale Of Tender Documents - Central Vote	589,987	772,290
Hostel Fee -Accommodation	3,120,000	2,700,000
Other Incomes - Central Vote	53,710	49,500
Administration Charges - Central Vote	101,402	0
Sale of Food & Beverages - Catering PAYE	6,656,171	3,222,775
Sale of Food & Beverages - Cafeteria	1,536,040	102,745
Sale of Food & Beverages - Hospitality & Tourism Department	19,060	0
Bookshop Sales - MRUC Workshops Services	125,400	0
Fuel Saving Jikos Sales - MRUC Workshops Services	2,066,836	0
Photocopy Income - MRUC Workshops Services	14,262	0
Mechanical Sales - MRUC Workshops Services	339,600	0
Sales - MRUC Workshops Services	1,416,597	521,956
Farm Sales - MRUC Workshops Services	51,290	651,420
Hire of Facilities - MRUC Workshops Services	26,500	0
Woodwork Income - MRUC Workshops Services	894,263	0
County Government Training	2,903,550	0
TOTALS	38,108,478	17,385,212

6. Personal Emoluments

	2014	2013
	Kshs.	Kshs.
Basic Salaries - Central Vote	117,681,078	38,490,231
House Allowance - Central Vote	80,635,446	11,723,348
Medical Allowances - Central Vote	0	282,474
Pension Employers Expense - Central Vote	18,109,303	3,460,214
NSSF Employer's Expense - Central Vote	0	162,600
Responsibility Allowance - Central Vote	1,718,652	385,599
Telephone Allowance - Central Vote	1,923,455	159,198
Acting Allowance - Central Vote	715,905	71,664
Management Allowance - Central Vote	13,890,388	1,756,831
BOG & Other Gratuities - Central Vote	184,440	0
Leave Travel Allowance - Central Vote	1,031,880	0
Busfare Allowance - Central Vote	21,890,145	3,615,000
Non-Use of Official Car - Central Vote	450,000	180,000

Entertainment Allowance - Central Vote	3,053,193	349,199
Electricity & Water Allowance - Central Vote	1,764,116	164,865
Passage and Baggage Allowance - Central Vote	456,838	96,962
Domestic Workers Allowance - Central Vote	1,092,581	280,000
Risk Allowance - Central Vote	84,000	0
Extraneous Allowance - Central Vote	2,499,610	128,000
Coordination Allowance - Central Vote	754,000	49,000
Research Allowance - Central Vote	300,000	0
Book Allowance - Central Vote	120,000	0
	<u>268,355,029</u>	<u>61,355,186</u>

7. Depreciation and Amortization

	<u>2014</u>	<u>2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Depreciation Expense - Central Vote	23,089,181	0
	<u>23,089,181</u>	<u>0</u>

8. Repairs and Maintenance

	<u>2014</u>	<u>2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Repairs & Maintenance of Buildings and Stations - Central V	7,398,356	19,799,087
	<u>7,398,356</u>	<u>19,799,087</u>

9. General Expenses

	<u>2014</u>	<u>2013</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Travel and Subsistence - Central Vote	8,482,206	3,651,222
Fuel and oils - Central Vote	2,650,493	3,500,756
Maintenance of Vehicles - Central Vote	1,524,787	0
Vehicle Insurance - Central Vote	516,436	1,916,857
Office Stationery - Central Vote	5,011,493	1,664,070
Printing and Publishing - Central Vote	167,420	528,674
Advertising and Publicity Vacancies and Others - Central Vot	1,852,074	0
Advertising and Publicity Intake and Informatials - Central	3,559,412	3,711,639
Research, Development, Shows and Exhibitions - Central Vote	755,533	1,610,442
Marketing Activities - Central Vote	1,814,963	0
Governance - Central Vote	6,401,113	0
Conference - Principal	328,477	0
Conference - Registrar (AFP &D)	125,687	0
Conference - Finance	9,119	0
Conference - Dean of Students	68,525	0
Conference - Accomodation	12,800	0
Conference - Dean School of Business & Economics	4,225	0
Staff Medical Expenses - Central Vote	1,756,405	142,315
Professional Subscription - Central Vote	232,936	0

Purchase of Uniforms - Central Vote	64,780	651,421
Payment of Rent and Rates - Central Vote	2,062,170	0
Consultancy and Professional Services - Central Vote	436,698	1,068,214
Audit Fees - Central Vote	0	750,000
Telephone Expenses - Central Vote	338,073	490,939
Internet Charges - Central Vote	470,000	0
Library Expenses - Central Vote	0	218,430
Books, Journals and Magazines - Central Vote	1,055,792	0
Newspapers - Central Vote	354,950	0
ISO & SP Expenses - Central Vote	2,033,292	1,234,588
Bank Charges - Central Vote	148,862	0
Electricity - Central Vote	3,556,456	4,301,504
Water and Conservancy - Central Vote	4,028,454	0
Cleaning and Fumigation - Central Vote	5,599,862	0
Tender and Procurement expenses - Central Vote	1,046,932	0
Hire of Security Services- Central Vote	5,289,650	0
Casual Wages - Central Vote	4,012,670	3,632,691
Partioning & Branding - Central Vote	696,524	0
Workshops Unit Expenses	8,538,920	0
	<u>75,008,189</u>	<u>29,073,763</u>

10. Teaching Expenses

	2014	2013
	Kshs.	Kshs.
Purchase of Teaching Materials - Central Vote	1,820,104	10,345,250
Curriculum and Development - Central Vote	1,189,515	0
Part time Teaching - Central Vote	12,051,576	0
Examination Materials - Central Vote	941,953	0
External Examiners - Central Vote	483,501	0
Industrial Attachment Expenses - Central Vote	0	1,490,870
	<u>16,486,649</u>	<u>11,836,120</u>

11. Students Welfare Expenses

	2014	2013
	Kshs.	Kshs.
Purchase of Gas, Charcoal and firewood - Central Vote	1,242,290	1,290,708
Purchase of foodstuffs - Central Vote	9,900,131	13,872,203
Purchase of Utensils, beddings & fittings - Central Vote	894,700	382,778
Sports Activities - Central Vote	1,284,974	0
Health Unit Expenses - Central Vote	1,709,799	0
Student Work study Programme - Central Vote	17,547	0
	<u>15,049,441</u>	<u>15,545,689</u>

12. CBA Refund		
	2014	2013
	Kshs.	Kshs.
CBA Refund	75,653,378	0
	<u>75,653,378</u>	<u>0</u>
13. Provision for Bad debts		
	2014	2013
	Kshs.	Kshs.
Provision for Bad and Doubtful Debts - Central Vote	217,395	0
	<u>217,395</u>	<u>0</u>
14. Cash and Cash Equivalents		
	2014	2013
	Kshs.	Kshs.
Fixed Deposits KCB	80,000,000	10,000,000
Cash in Hand KCB	36,361	98,360
Cash in Hand Equity	18,073	0
Cash in Hand Float	11,596	0
Cash at Bank KCB	(49,199,722)	16,166,008
Cash at Bank Consolidated Bank	67,603	72,598
Cash at Bank Co operative	516,589	517,729
Cash at Bank Equity Workshops	286,551	1,155,059
Cash at Bank Equity Woodwork	325,619	106,116
Cash at Bank Equity Mechanical	235	235
Manual Cash Payments Control	(497)	613,371
	<u>32,062,407</u>	<u>28,729,477</u>
15. Trade and Other Receivables		
	2014	2013
	Kshs.	Kshs.
Student Debtors	13,951,021	14,301,054
Other Debtors	2,197,999	2,197,999
House Rent Debtors	107,542	107,542
Imprest Debtors	960,167	0
MRUC Pension Scheme	381,260	0
Recurrent Grants Receivable	0	71,500,000
Development Grants Receivable	0	13,456,495
Less Provision for Students Debt	(697,551)	(480,156)
	<u>16,900,438</u>	<u>101,082,935</u>

16. Long Term Investments

	2014	2013
	Kshs.	Kshs.
Bamburi Shares	25,318,800	25,318,800
	<u>25,318,800</u>	<u>25,318,800</u>

17. Trade and Other Payables

	2014	2013
	Kshs.	Kshs.
Creditors	42,410,175	12,776,362
Retention Account	14,385,996	0
Income Tax Withholding	1,666,162	0
Wages Payables	411,216	1,128,466
MRUC Pension Scheme Staff Deductions	0	3,460,214
MRUC Workshops Deductions Payable	89,636	0
Former BOG employees gratuity Payable	6,916,100	6,916,100
Parttime Lecturers Payable	5,950,225	3,162,246
Sacco Deductions MRUC Sacco	0	218,977
Sacco Deductions Mwalimu Sacco	0	643,080
Sacco Deductions Nyeri Teachers Sacco	67,603	0
Other Payables	1,698,819	0
Students Caution Money	311,622	456,222
Student Union Fee	287,800	145,888
Student Fees Prepayment	0	1,572,207
Attachment Levy	1,145,219	1,145,219
Library Books Fund	341,838	341,838
External Examinations KNEC	3,398,838	3,088,751
Chinese Project	5,144,315	5,199,115
JKUAT Share of Fees Payable	1,123,526	1,368,528
CBA Funds Refundable	75,653,378	0
Farm Fund	271,495	271,495
External Reseach	400,000	0
	<u>161,673,963</u>	<u>41,894,708</u>

18. Accumulated Fund

	2014	2013
	Kshs.	Kshs.
Balance Brought Forward	1,264,708,961	0
Prior Year Adjustment - Pension Payable	0	1,157,921,136
Development Grants	110,619,711	0
Surplus (Deficit) for the Period	(164,830,844)	106,787,825
Balance Carried Forward	<u>1,210,497,829</u>	<u>1,264,708,961</u>

