



BENGUET STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. General/Agency Profile

- 1.1 The Benguet State University (BSU) was created by virtue of Presidential Decree No. 2010 on January 12, 1986.
- 1.2 The University is mandated by its charter to provide undergraduate courses in arts, sciences, humanities and professional fields in agriculture, natural sciences, technology and other technical and professional courses as the Board of Regents may determine and deem proper. It shall promote research, extension and agribusiness and advanced studies and progressive leadership in its field of specialization.

2. Basis of Reporting

- 2.1 The Benguet State University prepared its financial statements in accordance with generally accepted accounting principles and standards as embodied under the Manual on the New Government Accounting System and its supplements, as prescribed under COA Circular No. 2001-004, dated October 30, 2001 and COA Circular No. 2002-002, dated June 18, 2002, respectively.
- 2.2 In July 01, 2007, BSU adapted the electronic New Government Accounting System (e-NGAS) of which transactions starting July 01, 2007 were recorded using the e-NGAS, but balances of accounts as of June 30, 2007 were recorded using the other manual transaction template of the e-NGAS.
- 2.3 The Agency is now recording all its transactions using the electronic New Government Accounting System.
- 2.4 Starting CY 2011, using the e-NGAS, the Agency maintains separate fund for Fund 101, Trust Fund, Special Projects, Revolving Fund 161, Revolving Fund 163 and Revolving Fund 164.
- 2.5 The consolidated financial statements prepared include the transactions of the Benguet State University (main) and its Bokod and Buguias Campuses.

3. Summary of Significant Accounting Policies

- 3.1 The agency uses accrual basis of accounting. All expenses are recognized when incurred and reported in the financial statements in the period to which

they relate and were incurred. Income is also on accrual basis except for transactions where accrual basis is impractical or when other methods are required by law.

- 3.2 Notice of Cash Allocation (NCA) is recorded in the Regular Agency (RA) books as well as those income/receipts in which the agency is authorized to use.
- 3.3 The Modified Obligation System is used to record allotments received and obligations incurred. Separate registries are maintained to control allotments and obligations for each class of allotment.
- 3.4 Allowance for doubtful accounts was set at a level adequate to provide for potential uncollectible amount of receivables derived from computations based on percentages and aging of accounts receivable.
- 3.5 Supplies and materials purchased for inventory purposes are recorded using the perpetual Inventory System.
- 3.6 Property, plant and equipment are carried at cost less accumulated depreciation. For assets under construction, the Construction Period Theory was applied for costing purposes. Related expenses incurred during the construction of the project were capitalized and those incurred after construction formed part of the operating cost.
- 3.7 The straight line method of depreciation is used in depreciating the property, plant and equipment with estimated useful lives ranging from 5 to 10 years. A residual value computed at 10 percent of the cost of asset is set and depreciation starts on the month following purchase. Depreciation Expenses for the year were automatically generated using the e-NGAS and in accordance with the COA Circular dated 2003.
- 3.8 Liquidated damages paid for delayed completion of the project was deducted from the project cost.
- 3.9 Financial expenses such as bank charges are separately classified from Maintenance and Other Operating Expenses (MOOE).
- 3.10 Accounts were reclassified to conform to the new Chart of Accounts prescribed under the New Government Accounting System which was implemented effective January 01, 2002.

4. **Cash and Other Cash Accounts**

- 4.1 The *Cash - Disbursing Officer/s* account represents the cash on hand of the disbursing officer as of December 31, 2013.
- 4.2 The *Payroll Fund* account represents the cash on hand of the Disbursing Officer/s from various funds of the University for the payment of claims of

employees such as salaries, wages, honoraria and other benefits not yet liquidated as of December 31, 2013 Any discrepancy between the actual cash on hand of Disbursing Officers with the balances as of the end of the reporting period for CY 2012 shall be reconciled on the next accounting period.

4.3 The *Cash, National Treasury, MDS* account consists of the two MDS accounts of the University for Fund 101 maintained with the Land Bank of the Philippines (LBP). One account is for regular operating fund and the other account is for accounts payable/special fund (for terminal leave benefits). As of December 31, 2013 this account has no remaining balance in as much as the LBP automatically reverts to the Bureau of Treasury any unutilized bank balance as of the end of the month and/or as of the end of the year.

4.4 The *Cash in Bank, Local Currency Account* comprises of the consolidated balances of cash in bank of the main campus, Bokod Campus and Buguias Campus under the Trust Fund 911, Special Projects, Revolving Fund 161, Revolving Fund 163 and Revolving Fund 164 as of December 31, 2013.

The balance of cash in bank- local currency account under TF 911 was overstated by Four Hundred Two Thousand Eight Hundred Fifty Four Pesos and 29/100 (P402,854.29). This was adjusted under JEV No. 2014-01-000028.

4.5 The *Cash in Bank, Local Currency Savings Account* represents the balance of cash in bank under savings account of Trust Fund 911 and Revolving Fund 163 of BSU Main Campus and Special Trust Fund (Revolving Fund 164) of Bokod Campus as of December 31, 2013. The method of creating this Savings Account was automatic bank transfer of some amount from the checking account of Trust Fund 911 and Revolving Fund 163 of Main Campus. For Bokod Campus, the savings account is being maintained as bank account for its Special Trust Fund (Revolving Fund 164).

5. Receivables

5.1 The *Accounts Receivable* account consists mainly of the uncollected rentals from various lessees of the University and uncollected school fees (tuition fees and other fees) from students that were recorded under Revolving Fund (RF) 164, due to recognition of accounts receivables upon enrollment. Out of the total accounts receivables of P 45,271,665.23, the amount of P 38,872,629.85 was recorded in STF. It also includes uncollected sales on accounts of different Income Generating Projects of the University under Revolving Fund 161 in the amount of P 3,312,341.83 and under Revolving Fund 163 in the amount of P 2,831,315.21 and receivables from creditors amounting to ₱ 253,771.90. Included in the accounts receivable account is the unsettled receivables from a retired Professor of the University in the amount of ₱223,731.00. This consists of rentals allegedly paid by farmers-lessees to the professor for the use of the agricultural lots/properties of the

University at the swamp area for the period 1988 to 1989 that were not remitted to the account of the University and therefore not credited to the appropriate Income Generating Project (IGP) under Revolving Fund.

5.2 The *Loan Receivables* account represents the total collectibles from students who availed the CHED-SAFE LOAN Program. The mechanics of the said loan program is being embodied in a CHED Memorandum, and was implemented through a Memorandum of Agreement entered by and between the University through the Office of Student Services and Development (OSSD) and the CHED.

5.3 The *Receivables-Disallowances and Charges* account is the outstanding balance of COA disallowances as of December 31, 2013.

The University is continuously settling the disallowed benefits and COLA drawn from GF 101 and RF 164 through deduction from the salaries, bonuses, incentives, allowances and terminal leave benefits of employees having disallowances. For CY 2013, the University collected P 1,185,675.54 as partial settlement of COA disallowances drawn from General Fund and P 1,807,942.26 was also collected as partial settlement of COA disallowances drawn from STF. The collected amount were remitted to STF will be reprogrammed by the University to augment its operating requirement.

5.4 *Other Receivables* account represents the claims of the University from various persons for its other services. Bulk of it is collectibles from people who occupied BSU lots long time ago but such landholdings of the University were allegedly disposed in their favor, although according to the Board of Regents there was no land disposition. Other receivables account includes receivables recorded by Buguias Campus amounting ₱737,188.33.

6. Prepayments

6.1 *Prepaid Insurance* account represents the unconsumed portion of insurance premiums on motor vehicles, buildings and structures and other landholdings of the University as of December 31, 2013.

7. Construction in Progress- Agency Assets

The balance of *Construction in Progress-Agency Assets* account substantially increased from ₱ 547,664.99 to ₱ 13,628,922.47 due to on-going infrastructure projects implemented by the University.

8. Accumulated Depreciation

Hereunder is the accumulated depreciation of the various PPE:

	2013	2012
Land Improvements	7,985,114.00	6,842,816.48
Electrification, Power and Energy Structures	75,710.86	75,710.86
Office Buildings	6,299,390.35	5,656,749.67
School Buildings	68,645,723.35	66,004,071.68
Other Structures	14,040,422.96	12,429,472.52
Office Equipment	8,586,972.85	7,258,570.42
Furniture and Fixtures	6,808,927.58	5,825,241.66
IT Equipment and Software	34,516,045.43	29,233,731.05
Library Books	3,092,834.78	2,896,984.95
Machineries	122,210.10	119,611.35
Agricultural, Fishery and Forestry Equipment	464,208.72	346,220.29
Communications Equipment	1,013,552.98	1,020,703.08
Construction and Heavy Equipment	449,635.09	386,308.71
Firefighting Equipment and Accessories	14,329.47	12,700.23
Medical, Dental and Laboratory Equipment	4,026,034.43	3,230,786.34
Sports Equipment	379,229.59	356,382.91
Technical and Scientific Equipment	1,752,926.52	1,631,258.45
Other Machineries and Equipment	4,407,002.48	3,731,546.47
Motor Vehicles	3,559,925.59	3,457,270.63
Other Property, Plant and Equipment	8,114,315.17	7,666,383.34
TOTAL	174,354,512.30	158,182,521.09

Due to NGAs

8.1 The *Due to NGAs* account represents the balance of fund transfers given to the University by various government agencies for project implementation on research and other special projects. Individual subsidiary ledgers of outside funded researches and special projects are being maintained by the University through e-NGAs for monitoring purposes.

9. Subsidy Income

9.1 The cash allocations received from the Department of Budget and Management (DBM) through Notice of Cash Allocations (NCA) for the regular operating requirements of the University including the received cash allocations for the implementation of scholarship programs and payments of terminal leave benefits of retiring employees were recorded as debit to Cash- National Treasury, Modified Disbursement System (MDS), account 108 and credit to Subsidy Income from National Government (SING), account 651 in the books of General Fund 10. Out of the total allotment of the University from national government as authorized under the General Appropriation Acts for CY 2013, the DBM withheld a certain

percentage of it for the payment of tax liabilities of the University. The remittances of taxes withheld made by the University through the submission of monthly Tax Remittance Advice (TRA) to the Bureau of Internal Revenue(BIR) were also recorded as credit to account Subsidy Income from National Government (SING). Details of the cash allocations received and tax remittances made are as follows:

Particulars	CY 2013	CY 2012
Cash Allocations through NCAs for regular operating requirements	₱ 361,043,813.00	₱ 304,445,266.00
Cash Allocations for Special Fund/ Scholarship Fund	2,970,000.00	1,825,000.00
Cash allocations for Terminal Leave Benefits	5,676,330.00	5,305,502.00
Total Cash Allocations received	369,690,143.00	311,575,768.00
Less: Reverted cash allocations for the year		
Undisbursed cash allocations	13,128,093.97	5,081,553.89
Balance of cash allocations	356,562,049.03	306,465,244.87
Add: total Tax Remitted thru Tax Remittance Advice	38,268,951.65	28,597,661.05
Net Subsidy Income from National Government for the year	₱ 394,831,000.68	₱ 335,062,905.92

9.2 The total *Subsidy Income from National Government* for CY 2013 per Statement of Income and Statement is P 394,891,500.69, but it should be P 394,831,000.68, with a difference of P60,500.11. The difference is analysed as follows:

Unrecorded Subsidy Income of Bokod Campus	P 241,999.99
Less:	
Double recording of subsidy, Buguias Campus, recorded in General Fund and in STF	P 302,500.00
Balance	(P 60,500.11)

- 9.3 The total cash allocations received from DBM amounting to P 369,690,143.00 were divided for the operations of the Main Campus, Bokod Campus and Buguias Campus in the amounts of P 318,870,062.83, P 22,894,337.53 and P 27,925,742.64, respectively.
- 9.4 The undisbursed cash allocation consist of P13,106,668.61 automatically reverted by LBP and P 21,425.36 as over amount set aside for the payment of tax refund for taxable year 2013, and this amount will be reverted to Btr this CY 2014.
- 9.5 The total tax remitted by the University for the year 2013 (Main, Bokod and Buguias) under General Fund 101 through Tax Remittance Advice is P 38,268,951.65, from Main, Bokod and Buguias of P 34,942,688.69, P 1,743,720.08 and P 1,582,542.88, respectively.

10. Income and Expenses

- 10.1 The Income and Expenses account is the consolidated net income of the University from its College based IGPs, auxiliary services under Revolving Fund 164, IGP (Revolving Fund 161) and Revolving Fund 163, including net income realized by the two external campuses, the Bokod campus and Buguias campus.

11. Status of Funds

- 11.1 The *Status of Funds* represents the allotment, obligations incurred and the unexpended balance of allotment for CY 2013. For calendar year 2013, the University received a total allotment of P 405,446,134.00 broken down into Personal Services, MOOE and Capital Outlay amounting to P 329,127,439.00, P 57,318,695.00 and P19,000,000.00, respectively.
- 11.2 In accordance with DBM Circular 2013-4, the University released Collective Negotiation Agreement incentives amounting to P14,454,812.47, representing 80% of the savings generated from MOOE items. The CNA incentives were recorded in Personal Services (PS) under account Other Benefits (account 749). The 20% apportionment of savings formed part of

the unexpended balance of MOOE. Moreover, allotment received for RLIP has unexpended balance of P 2,130,232.18. The unexpended balance of allotment can no longer be used by the University for ensuing year.

Analysis of the allotment, obligation incurred and unexpended balance of allotment in comparison with CY 2013, are as follows:

For Calendar Year 2013

PARTICULARS	Allotment	Obligation Incurred	Unexpended Balance of Allotment
(1)	(2)	(3)	(4)
A. Current Year's Allotments			
PERSONAL SERVICES	₱ 329,127,439.00	₱342,535,348.42	(₱13,407,909.42)
MOOE	57,318,695.00	36,754,123.78	20,564,571.22
Capital Outlay	19,000,000.00	19,000,000.00	0.00
Sub-total	405,446,134.00	398,289,472.30	7,156,661.70
B. Prior Year's Allotments (Continuing Appropriation)			
MOOE	0.00	0.00	0.00
C. TOTAL	₱405,446,134.00	₱398,289,472.30	₱7,156,661.70

For Calendar Year 2012

PARTICULARS	Allotment	Obligation Incurred	Unexpended Balance of Allotment
(1)	(2)	(3)	(4)
A. Current Year's Allotments			
PERSONAL SERVICES	₱292,659,364.00	₱314,696,029.33	(₱15,036,665.33)
MOOE	35,891,000.00	18,658,265.30	17,232,734.70
Capital Outlay	300,000.00	0.00	300,000.00
Sub-total	335,850,364.00	333,354,294.63	2,496,069.37
B. Prior Year's Allotments (Continuing Appropriation)			
MOOE	900,000.00	900,000.00	0.00
C. TOTAL	₱336,750,364.00	₱334,254,294.63	₱2,496,069.37

12. Breakdown of obligations incurred

- 1.1 The University incurred total obligations under General Fund 101 in the implementation of its approved programs, projects and activities for CY 2013 totaling to P 398,289,472.30. All obligations incurred that were due and demandable were totally paid during the year. Breakdown of obligations incurred , paid obligations, due and demandable and not yet due and demandable obligations on Personal Services, MOOE and Capital Outlay, in comparison for CY 2012 are as follows:

CY 2013

PARTICULARS	Obligations Incurred	Paid Obligations (a)	Due & Demandable (b)	Not yet due & demandable (c)
Regular Appropriations:				
Personal Service	₱342,535,348.42	₱342,535,348.42	₱ 0.00 0.00	₱ 0.00 0.00
MOOE	36,754,123.78	36,754,123.78	0.00	0.00
Capital Outlay	19,000,0000.00	19,000,0000.00	0.00	0.00
Sub Total	398,289,472.30	398,289,472.30	0.00	0.00
Continuing Appropriation				
MOOE	0.00	0.00	0.00	0.00
Sub Total	0.00	0.00	0.00	0.00
TOTAL	₱398,289,472.30	₱398,289,472.3	₱ 0.00	₱ 0.00

CY 2012

PARTICULARS	Obligations Incurred	Paid Obligations (a)	Due & Demandable (b)	Not yet due & demandable (c)
Regular Appropriations:				
Personal Service	₱314,696,029.33	₱314,696,029.33	₱ 0.00	₱ 0.00
MOOE	18,658,265.30	18,658,265.30	0.00	0.00
Capital Outlay	0.00	0.00	0.00	0.00
Sub Total	P 333,354,294.63	P333,354,294.63	P0.00	P0.00
Continuing Appropriation				
MOOE	0.00	0.00	0.00	0.00
Sub Total	0.00	0.00	0.00	0.00
TOTAL	₱334,254,294.63	₱334,254,294.63	₱ 0.00	₱ 0.00

Certified Correct:

IMELDA B. GALINATO
Chief Accountant