



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

EDUARDO T. BAGTANG, CPA, DBM
SUC President
Kalinga State University
Tabuk City, Kalinga

Qualified Opinion

We have audited the financial statements of Kalinga State University (KSU), which comprise the statement of financial position as at December 31, 2018, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of KSU as at December 31, 2018, and its financial performance, its cash flows and its comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Qualified Opinion

As discussed in detail in Part II of this Report, the following audit observations affected the fair presentation of the financial statements of KSU, to wit:

1. The reliability of the Biological Assets account amounting to ₱1,083,074 was doubtful because Property Cards and Quarterly Reports of Biological Assets were not prepared.
2. Impairment loss on Accounts Receivable was not recognized in the Financial Statements, thereby, overstating the realizable value of the receivable account and understating the non-cash expenses.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in



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the *Auditor's Responsibilities of the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled out other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, 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.

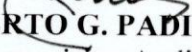
Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:


ROBERTO G. PADILLA
OIC Supervising Auditor

April 30, 2019

KALINGA STATE UNIVERSITY
Condensed Statement of Financial Position
As of December 31, 2018

	Note	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	₱	82,895,398.70	₱ 25,298,439.43
Receivables		38,295,382.39	44,988,426.85
Inventories	6	5,605,841.02	16,508,619.05
Other Current Assets		26,314,545.10	27,341,892.91
Total Current Assets		153,111,167.21	114,137,378.24
Non-Current Assets			
Property, Plant and Equipment	7	373,368,999.39	288,920,455.92
Biological Assets		1,083,074.00	1,083,074.00
Intangible Assets	8	1,000,000.00	1,000,000.00
Total Non-Current Assets		375,452,073.39	291,003,529.92
Total Assets		528,563,240.60	405,140,908.16
LIABILITIES			
Liabilities			
Current Liabilities			
Financial Liabilities		47,723,915.25	25,088,111.51
Inter-Agency Payables	9.4	36,307,576.01	33,106,518.50
Other Payables	9.6	7,425,766.35	7,676,745.15
Trust Liabilities		12,747,504.15	6,855,026.72
Total Current Liabilities		104,204,761.76	72,726,401.88
Non-Current Liabilities			
Loans Payable - Domestic		-	26,048,080.66
Total Liabilities		104,204,761.76	98,774,482.54
Total Assets less Total Liabilities		424,358,478.84	306,366,425.62
NET ASSET/EQUITY			
Equity			
Government Equity Accumulated			
Surplus	10	424,358,478.84	306,366,425.62
Total Equity		₱ 424,358,478.84	₱ 306,366,425.62

This statement should be read in conjunction with the accompanying notes.

KALINGA STATE UNIVERSITY
Condensed Statement of Financial Performance
For the Year Ended December 31, 2018

	Note	2018	2017
Revenue			
Service Income	11	₱ 4,124,912.31	₱ 4,892,428.29
Business Income	11	37,753,530.24	31,108,480.43
Miscellaneous Income		278,316.47	-
Total Revenue		42,156,759.02	36,007,328.72
Expenses			
Personnel Services	15	180,788,215.62	149,571,593.55
Maintenance and Other Operating Expenses	16	78,203,231.99	57,385,204.21
Financial Expenses	16.14	1,973,519.80	3,223,328.15
Non-Cash Expenses	16.15	8,199,188.50	10,484,451.82
Total Expenses		269,164,155.91	220,664,577.73
Excess of Income over Expenses		(227,007,396.89)	(184,657,249.01)
Subsidy Income	12	342,407,925.50	320,645,046.29
Surplus (Deficit) for the Period		₱ 115,400,528.61	₱ 135,987,797.28

This statement should be read in conjunction with the accompanying notes.

KALINGA STATE UNIVERSITY
Statement of Cash Flows
For the year ended December 31, 2018

Notes	2018	2017
Cash Flows From Operating Activities		
Cash Inflow:		
Receipt of Notice of Cash Allocation	₱ 280,802,532.34	₱ 298,325,233.00
Collection of business income	-	-
Closing of Petty Cash Fund	-	-
Collection of service income	114,407,786.25	41,784,519.20
Liquidation of Cash Advance for Travel Granted in Prior Year	-	6,396,066.97
Refund of Cash Advance	253,977.48	28,105.00
Other adjustments	6,484,650.04	19,584,882.99
<i>Total Cash Inflow</i>	<i>401,948,946.11</i>	<i>366,118,807.16</i>
Cash Outflows:		
Payment of personnel services	56,273,760.98	443,422.40
Payment of maintenance and other operating expenses	9,569,970.98	6,588,991.24
Payment for Training and Scholarship Expenses	27,101,705.02	10,400,454.19
Payment of Utility Expenses	2,400,260.46	2,089,022.41
Payment for , Supplies and Materials Directly Issued to End-User	11,368,000.50	10,883,829.66
Payment for Purchase of Inventories, Supplies and Materials for Stock	-	9,120.00
Advances to Officers and Employees	12,111,722.53	12,589,508.00
Payment for Prepayments od Deposits	300,000.00	-
Payment for Communication Expenses	1,571,283.69	1,932,022.34
Remittance of other payables	-	40,498,588.87
Payment of Intra-Agency Payable	-	24,081.91
Payment of Financial Expense	-	57,448,618.22
Closing of the Petty Cash Fund due to the Retirement/Tranfer of the Petty Cash Custodian	50,000.00	96,361,488.70
Loans Granted to Students	-	32,000.00
Other Adjustments	5,032,999.26	51,058,220.58

Notes	2018	2017
Payment / Reimbursement of		
Traveling Expenses	2,095,608.10	732,221.54
Payment for Accounts Payable	7,139,828.51	3,014,100.55
Payment for Expenses Incurred		
During Prior Years	122,000.00	17,624,613.42
Payment for First / Final Progress		
Billing of Contractor for		
Construction of Agency Assets	51,156,904.10	2,831,287.07
Payment for Progress Billing of		
Contractor for Construction of		
Agency Assets Branch	191,130.51	46,295.81
Payment for Inter-Agency		
Payable/Obligations	612,642.64	-
Payment for Long-Term Liabilities	5,388,268.30	6,282,964.14
Payment for Mobilization Fee to		
Contractors	7,464,701.95	12,716,360.56
Payment for Professional and		
General Services	13,029,807.22	4,549,689.39
Payment for Repairs and		
Maintenance - Buildings and		
Other Structures	1,509,137.17	340,680.80
Payment for Repairs and		
Maintenance - Machineries and		
Equipment	114,419.24	693,387.19
Payment for Repairs and		
Maintenance of Other Property		
and Equipment	38,614.29	386,353.87
Payment for Repairs and		
Maintenance of Transportation		
Equipment	646,496.99	140,102.37
Payment for Trust and Other		
Liabilities	-	1,916.18
Payment of Allowances, Bonus		
and Other Compensation/Benefits	38,206,072.42	2,438,271.72
Payment of Taxes, Insurance		
Premiums and Other fees	394,843.35	378,222.79
Payment/Reimbursement for		
Miscellaneous,		
Extraordinary/Confidential Expenses	-	100,046.86

Notes	2018	2017
Refund of Discount/Unused Reservation/ Guaranty Deposit / Retention Fee	802,690.11	24,500.30
Remittance of Authorized Deduction Withheld on Employees (Employee Share)	68,243,010.48	7,129,267.62
Granting of Loan to NGAs, LGUs and Others	250,000.00	-
Release of Inter-agency Fund Transfers	3,000,000.00	-
Remittance of Taxes Withheld from Suppliers, Contractors and Other Creditors	977,028.13	2,997,841.27
Replenishment of Expenses from Petty Cash Fund	291,606.24	1,530,744.43
Payment for lease	-	10,000.00
<i>Total Cash Outflows</i>	327,454,513.17	354,328,236.40
Cash Provided by Operating Activities	74,494,432.94	11,790,570.76
Cash Flows from Investing Activities		
Cash Inflow	-	-
Cash Outflows		
Purchase of Property, Plant and Equipment	16,897,473.67	41,287,675.32
Purchase of Intangible Asset	-	1,000,000.00
Cash Provided by Investing Activities	(16,897,473.67)	(42,287,675.32)
Cash Flows From Financing Activities		
Cash Inflow	-	-
Cash Outflows	-	-
Cash Provided by Financing Activities	-	-
Total Cash Provided by Operating, Investing and Financing Activities	57,596,959.27	(30,497,104.56)
Add: Cash Balance, Beginning Jan. 1, 2017	25,298,439.43	55,795,543.99
Cash Balance, End	₱ 82,895,398.70	₱ 25,298,439.43

KALINGA STATE UNIVERSITY
Statement of Changes in Net Assets/Equity
As of December 31, 2018

	Note	2018	2017
Government Equity, Beginning	₱	306,366,425.62	₱ 244,162,584.27
Changes in Accounting policy		-	-
Prior period of Adjustments/Unrecorded Income and Expenses		(826,834.26)	(2,264,666.45)
Other adjustments		(14,864,957.20)	(71,472,410.14)
Adjusted Beginning Balance		290,674,634.16	170,425,507.68
Changes in Net Assets/Equity for the Calendar Year			
Surplus/(Deficit) for the period		115,400,528.61	135,987,797.28
Others		18,283,316.07	(46,879.34)
Revenue and expenses for the period		133,683,844.68	135,940,917.94
Balance at December 31	₱	424,358,478.84	₱ 306,366,425.62

This statement should be read in conjunction with the accompanying notes.

KALINGA STATE UNIVERSITY

Notes to Financial Statements

December 31, 2018

(All amount in Philippine Peso)

1. General/Agency Profile

The consolidated financial statements of Kalinga State University were authorized for issue on February 8, 2018 as shown in the Statement of Management Responsibility for Financial Statements signed by Dr. Eduardo T. Bagtang, the Head of Agency.

Kalinga State University is a State Owned Higher Education Institution established on January 26, 1986 and operates under the authority of the Republic Act 10584. The mandate of Kalinga State University is to provide advanced education, higher technological, professional instruction and training in the arts, agriculture, forestry, social and natural sciences and technology, and other relevant fields of study. It shall also promote and undertake research and extension services, and provide progressive leadership in its areas of specialization. These services are grouped into the following key areas: Instruction, Research, Extension and Production. The Agency's registered office is located in National Highway, Purok 6, Bulanao, Tabuk City, Kalinga.

2. Statement of Compliance and Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit per COA Resolution No. 2014-003 dated January 24, 2014.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

3. Summary of Significant Accounting Policies

3.1 Basis of accounting

The financial statements are prepared on an accrual basis in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

3.2 Financial instruments

a. Financial assets

Initial recognition and measurement

Financial assets within the scope of PPSAS 29-Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The Kalinga State University determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Kalinga State University commits to purchase or sell the asset.

The Kalinga State University's financial assets include: cash and short-term deposits; trade and other receivables; loans and other receivables; quoted and unquoted financial instruments; and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Derecognition

The Kalinga State University derecognizes a financial asset or, where applicable, a part of a financial asset or part of a Kalinga State University of similar financial assets when:

- The rights to receive cash flows from the asset have expired or is waived;
- The Kalinga State University has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the Kalinga State University has transferred substantially all the risks and rewards of the asset; or (b) the Kalinga State University has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Kalinga State University assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Kalinga State University first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Kalinga State University determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics

and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Kalinga State University. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Kalinga State University's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PPSAS 29.

Gains or losses on liabilities held for trading are recognized in surplus or deficit.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, 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. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.4 Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and 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 Kalinga State University.

3.5 Property, Plant and Equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as property, plant, and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement after Recognition

After recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Kalinga State University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major repair/replacement is done, 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 as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation Method

The straight line method of depreciation is adopted unless another method is more appropriate for agency operation.

Estimated Useful Life

The Kalinga State University uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

The Kalinga State University uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

The Kalinga State University derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Provisions

Provisions were recognized when the Kalinga State University 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 Kalinga State University 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.

Provisions were reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions were reversed.

Contingent liabilities

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

Contingent assets

The Kalinga State University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Kalinga State University in the notes to the financial statements.

Contingent assets were assessed continually to ensure that developments were appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the

asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.7 Changes in accounting policies and estimates

The Kalinga State University recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impractical.

The Kalinga State University recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The Kalinga State University correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.8 Revenue from non-exchange transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in kind, that meets the definition of an asset were recognized as an asset if the following criteria were met:

- 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.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

Recognition Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As Kalinga State University satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction

recognized as an asset, it reduces the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

Gifts and Donations

The Kalinga State University recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind were recognized as assets when the goods were received, or there is a binding arrangement to receive the goods. If goods in-kind were received without conditions attached, revenue is recognized immediately. If conditions were attached, a liability is recognized, which is reduced and revenue recognized as the conditions were satisfied.

On initial recognition, gifts and donations including goods in-kind were measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value were ascertained by reference to quoted prices in an active and liquid market.

Transfers

The Kalinga State University recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

Services in-Kind

Services in-kind were not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets were 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 Kalinga State University and can be measured reliably.

3.9 Budget information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and the financial statements were not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

3.10 Impairment of Non-Financial Assets

Impairment of cash-generating assets

At each reporting date, the Kalinga State University assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Kalinga State University estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that were largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows were discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions were taken into account, if

available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Kalinga State University estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

Impairment of non-cash-generating assets

The Kalinga State University assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Kalinga State University estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The Kalinga State University classifies assets as cash-generating assets when those assets were held with the primary objective generating a commercial return. Therefore, non-cash generating assets would be those assets from which the Kalinga State University does not intend (as its primary objective) to realize a commercial return.

3.11 Employee benefits

The employees of Kalinga State University are member of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The Kalinga State University recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

The Kalinga State University recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). Unused entitlements that have accumulated at the reporting date

were not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

3.12 Measurement uncertainty

The preparation of financial statements in conformity with PPSAS, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period.

Estimates were based on the best information available at the time of preparation of the financial statements and were reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

ASSETS

4. Cash and Cash Equivalents

Accounts	CY 2018	CY 2017
Cash - Collecting Officers	609,960.82	600,332.62
Cash in Bank - Local Currency, Current Account	62,932,512.26	18,828,276.48
Cash in Bank - Local Currency, Savings Account	5,967,088.81	5,809,036.32
Cash - Modified Disbursement System(MDS), Regular	13,385,836.81	60,794.01
Total Cash and Cash Equivalents	82,895,398.70	25,298,439.43

4.1 Petty Cash Fund

The Petty Cash Fund account for CY 2018 was fully liquidated within the year.

4.2 Cash Collecting Officers

The account represents undeposited collections of Collecting Officers as of December 31, 2018.

The composition of the account as of December 31, 2018 is as follows:

Fund	CY 2018	CY 2017
Internally Generated Income	575,484.69	600,332.62
Business Type Income	34,476.13	0.00
Totals	609,960.82	600,332.62

4.3 Cash in Bank, Local Currency, Current Account

The account comprises the balances of the current account under Internally Generated Income, Business Type Income and Trust Fund.

The composition of the account as of December 31, 2018 is as follows:

Fund	CY 2018	CY 2017
Internally Generated Income	2,420,297.90	1,597,127.75
Business Type Income	3,057,116.77	1,345,005.53
Trust Fund	57,455,097.59	15,886,143.20
Totals	62,932,512.26	18,828,276.48

4.4 Cash in Bank, Local Currency, Savings Account

The account comprises the balances of the savings account under Internally Generated Income and Trust Fund.

The composition of the account as of December 31, 2018 is as follows:

Fund	CY 2018	CY 2017
Internally Generated Income	4,876,694.06	4,876,057.24
Trust Fund	1,090,394.75	932,979.08
Totals	5,967,088.81	5,809,036.32

4.5 Cash, Modified Disbursement System (MDS), Regular

The account represents the unreleased checks as of December 31, 2018.

Fund	CY 2018	CY 2017
Regular Agency Fund	13,385,836.81	60,794.01
Total	13,385,836.81	60,794.01

5. Receivables

5.1 Accounts Receivable

The account consists of uncollected tuition and other fees from students that were recorded. It also includes the unadjusted sales on account of the various Income Generating Projects (IGPs) of the University under Business Type Income Fund.

The composition of the account as of December 31, 2018 is as follows:

Fund	CY 2018	CY 2017
Internally Generated Income	29,635,303.39	39,513,737.85
Business Type Income	0.00	0.00
Totals	29,635,303.39	39,513,737.85

5.2 Loans Receivable – Others

The account represents total loans receivable from students who availed of the CHED Student Assistance Fund on Education (SAFE-4) and CHED – SAFE Loan Program recorded under Trust Fund.

5.3 Due from National Government Agencies

The account represents the unliquidated fund transfer to other agencies.

The composition of the account of December 31, 2018 is as follows:

Fund	CY 2018
Regular Agency	3,250,000.00
Trust Fund	3,861,000.00
Total	7,111,000.00

6. Inventories

6.1 Office Supplies Inventory

The account consists of the available stocks/inventory in the stock room or unconsumed portion of purchased supplies.

6.2 Textbooks and Instructional Materials Inventory

The account represents purchased books and other readings materials for instruction and references. These are lodged in the libraries of the main and satellite campuses.

6.3 Other Supplies and Materials Inventory

The account represents purchased janitorial and general supplies needed by the various offices of the University that are not yet consumed or still in the stock room of the Supply Office. The balance of this account will be reconciled with the physical inventory to determine the correct balance. Adjustments to be made on this account will be made in the next accounting period.

6.4 Semi-Expendable Machinery and Equipment, Furniture, Fixtures and Books

The account represents the purchased/acquired machinery, equipment, furniture, fixtures and books costing less than P 15,000.00.

7. Property, Plant and Equipment

7.1 Land

The account represents the zonal valuation of land areas of the University.

7.2 Other Land Improvements

The account represents the value of improvements made by the University on its land holdings such as construction of pavements, pathways, walkways, rip rapping, fencing and other improvements to preserve/restore or control any loss or damage on such land holdings of the University.

7.3 Buildings

The account represents the value of office buildings constructed by the University including major or capitalized repairs or rehabilitation.

7.4 School Buildings

The account represents the value of office buildings constructed by the University including major or capitalized repairs or rehabilitation.

7.5 Other Structures

The account represents the value of perimeter fence, dormitory, centers, gymnasium, auditorium, poultry houses and other structures constructed by the University including major or capitalized repairs or rehabilitation.

7.6 Machinery

This account pertains to the recorded value of purchased machinery made by the University.

7.7 Office Equipment

This account pertains to the recorded value of fabricated and purchased office equipment made by the University.

7.8 Information and Communication Technology Equipment

The account pertains to purchased IT equipment such as desktops, laptops, LCDs, hubs and switches, multimedia projectors, scanners, cameras, and other IT equipment.

7.9 Agricultural and Forestry Equipment

The account pertains to purchased items such as grass cutters, sprayers, chainsaws, wheel barrows, etc. for use in cleaning the premises and other areas of the university and for various research activities.

7.10 Communication Equipment

The account pertains to purchased phones and other communication equipment.

7.11 Military, Police and Security Equipment

The account pertains to purchased ammunitions and guns for the use of the University security guards.

7.12 Medical Equipment

The account pertains to purchased equipment used in the laboratory, instructional, medical and research purposes.

7.13 Sports Equipment

The account pertains to purchased equipment used for instructional purposes.

7.14 Technical and Scientific Equipment

The account pertains to purchased equipment used for laboratory, research and instructional purposes.

7.15 Other Machinery and Equipment

The account pertains to purchased equipment used for laboratory, production, research and instructional purposes.

7.16 Motor Vehicles

The account pertains to purchased equipment used for transportation, research, production, delivery, and instructional purposes such as van cruiser, jeep and motorcycle.

7.17 Furniture and Fixtures

The account pertains to the recorded value of purchased and fabricated furniture and fixtures made by the University.

7.18 Other Property, Plant and Equipment

The account pertains to purchased equipment used for operations, laboratory, research, production, and instructional purposes such as, rice cooker, musical instrument, refrigerators, televisions, gas range, stoves, water purifier, etc.

7.19 Construction in Progress – Buildings and Other Structures

The account pertains to on-going infrastructure projects implemented by the University.

7.20 Livestock Held for Consumption/Sale/Distribution

The account pertains to purchased pigs/swine, cows and poultry pullets used in instructional, research, and production activities of the University.

7.21 Other Prepayments

The account pertains to pre-deposits for air travel of the University

7.22 Other Assets

The account consists of Advances for Payroll, Advances to Special Disbursing Officers, Advances to Officers and Employees, prepayments, and other assets under various funds of the University that remain unsettled/unliquidated as of December 31, 2018.

8. Intangible Assets

The account pertains to purchased computer software to be used for online enrollment of the University with accounting system.

LIABILITIES AND EQUITY

9. Current Liabilities

9.1 Accounts Payable

The composition of the account as of December 31, 2018 is as follows:

Fund	CY 2018	CY 2017
Regular Agency Fund	7,746,799.90	10,229,943.47
Internally Generated Income	2,865,672.18	3,211,098.67
Business Type Income	3,500.00	3,500.00
Trust Fund	157,930.00	29,754.76
Totals	10,773,902.08	13,474,296.90

9.2 Due to Officers and Employees

The composition of the account as of December 31, 2018 is as follows:

Fund	CY 2018	CY 2017
Regular Agency Fund	7,185,357.57	3,879,977.52
Totals	7,185,357.57	3,879,977.52

9.3 Loans Payable – Domestic

The account pertains to loan granted by Development Bank of the Philippines, Landbank of the Philippines and IHOME for the construction of gymnasium, school buildings and dormitory.

9.4 Inter-Agency Payables

The account is composed of balances of accounts for remittance to various government agencies such as BIR, GSIS, Pag-IBIG, Philhealth, LGUs and other NGAs and GOCCs.

9.5 Guaranty/Security Deposits Payable

The account represents the collected performance bond of various contractors/suppliers as a guarantee or security for the delivery of goods/services contracted by the University for CY 2018.

9.6 Other Payables

The account is composed of balances of account for remittance to DBP, BIBAK MPC, Benlife, Philam and Cocolife.

10. Accumulated Surplus

The account as of December 31, 2018 represents the beginning balance of the account plus the results of operation of the University for the calendar year 2018 and the accumulated deficit under Trust Fund is due to unliquidated funds from other NGAs.

The composition of the account as of December 31, 2018 is as follows:

Accounts	CY 2018	CY 2017
Regular Agency Fund	248,229,753.31	153,301,216.19
Internally Generated Income	131,963,716.57	153,276,786.13
Business Type Income	3,512,045.29	1,484,793.45
Trust Fund	40,652,963.67	(1,696,370.15)
Totals	424,358,478.84	306,366,425.62

11. Service and Business Income

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Service Income		
Registration Fees	0.00	0.00
Clearance and Certification Fees	79,755.00	119,660.00
Processing Fees	0.00	0.00
Other Service Income	4,045,157.31	4,772,768.29
Total	4,124,912.31	4,892,428.29

Particulars	CY 2018	CY 2017
Business Income		
School Fees	36,167,479.22	29,635,470.43
Affiliation Fees	119,321.50	77,106.00
Examination Fees	0.00	0.00
Rent/Lease Income	383,603.67	351,562.53
Waterworks System Fees	69,637.91	36,094.46
Income from Hostels/Dormitories and Other Like Facilities	35,020.00	26,217.42
Income from Printing and Publication	0.00	0.00
Sales Revenue	941,230.00	957,235.30
Interest Income	0.00	8,295.29
Other Business Income	37,237.00	16,499.00
Total	37,753,530.24	31,108,480.43

12. Subsidy Income

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Subsidy from National Government	296,794,525.50	318,103,046.29
Subsidy from Other NGAs	45,608,400.00	2,490,000.00
Assistance from Tabuk City for Scholarship Program	5,000.00	52,000.00
Total	342,407,925.50	320,645,046.29

13. Subsidy from National Government

The cash allocations received from the Department of Budget and Management (DBM) through the 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 – Modified Disbursement System (MDS), Regular account and credit to Subsidy from National Government under the Regular Agency Fund.

14. Income from Grants and Donations in Cash

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Andres P. Tamayo Sr. Foundations	-	6,420.00
Total	-	6,420.00

15. Personnel Services

15.1 Salaries and Wages

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Salaries and Wages - Regular	113,322,878.32	101,440,063.66
Salaries and Wages - Casual/Contractual	0.00	37,913.32
Totals	113,322,878.32	101,477,976.98

15.2 Other Compensation

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Personal Economic Relief Allowance (PERA)	6,736,953.73	5,884,722.91
Representation Allowance (RA)	603,525.00	256,000.00
Transportation Allowance (TA)	231,000.00	252,000.00
Clothing/Uniform Allowance	1,596,000.00	1,205,000.00
Subsistence Allowance	149,739.00	39,600.00
Laundry Allowance	0.00	0.00
Honoraria	4,264,668.70	4,436,769.70
Hazard Pay	129,427.50	181,368.56
Longevity Pay	0.00	0.00
Year End Bonus	9,668,035.05	15,759,455.70
Cash Gift	1,460,250.00	1,167,500.00
Other Bonuses and Allowances	16,495,276.94	5,591,333.00
Totals	41,334,875.92	34,773,749.87

15.3 Personnel Benefit Contribution

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Retirement and Life Insurance Premiums	13,622,199.36	11,835,565.84
Pag-IBIG Contributions	437,528.42	271,275.00
PhilHealth Contributions	1,131,168.95	863,462.50
Employees Compensation Insurance Premiums	338,799.62	304,563.36
Totals	15,529,696.35	13,274,866.70

15.4 Other Personnel Benefits

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Terminal Leave Benefits	10,513,265.03	0.00
Other Personnel Benefits	87,500.00	45,000.00
Totals	10,600,765.03	45,000.00

16. Maintenance and Other Operating Expenses

16.1 Travelling Expenses

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Travelling Expenses - Local	4,389,125.69	3,281,619.25
Travelling Expenses - Foreign	100,032.00	99,691.67
Totals	4,489,157.69	3,381,310.92

16.2 Training and Scholarship Expenses

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Training Expenses	1,759,867.35	1,331,580.00
Scholarship Grants/Expenses	27,729,398.00	17,362,684.56
Totals	29,489,265.35	18,694,264.56

16.3 Supplies and Materials Expenses

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Office Supplies Expenses	1,897,108.12	2,687,892.21
Accountable Forms Expenses	52,200.00	115,840.00
Animal/Zoological Supplies Expenses	0.00	36,020.00
Drugs and Medicines Expenses	0.00	554,449.29
Medical, Dental and Laboratory Supplies Expenses	121,978.46	20,108.00
Fuel, Oil and Lubricants Expenses	1,268,378.52	663,713.59
Agricultural and Marine Supplies Expenses	1,161,955.60	932,228.20

Particulars	CY 2018	CY 2017
Textbooks and Instructional Materials Expenses	0.00	0.00
Semi-Expendable Machinery and Equipment Expenses	1,986,594.37	1,406,446.00
Semi-Expendable Furniture, Fixtures and Books Expenses	3,145,163.92	1,743,317.50
Other Supplies and Materials Expenses	6,322,842.77	4,075,077.21
Totals	15,956,221.76	12,235,092.00

16.4 Utility Expenses

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Water Expenses	91,710.74	19,872.60
Electricity Expenses	2,412,526.54	2,173,785.67
Totals	2,504,237.28	2,193,658.27

16.5 Communication Expenses

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Postage and Courier Services	15,114.00	11,808.00
Telephone Expenses	85,126.10	191,040.05
Internet Subscription Expenses	1,705,868.17	1,920,385.66
Cable, Satellite, Telegraph and Radio Expenses	3,000.00	3,000.00
Totals	1,809,108.27	2,126,233.71

16.6 Awards/Rewards, Prizes and Indemnities

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Awards/Rewards Expenses	-	-
Prizes	101,166.66	94,499.98
Totals	101,166.66	94,499.98

16.7 Confidential, Intelligence and Extraordinary Expenses

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Confidential Expenses	-	-
Extraordinary and Miscellaneous Expenses	349,162.00	303,050.00
Totals	349,162.00	303,050.00

16.8 Professional Services

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Legal Services	11,300.00	23,600.00
Other Professional Services	5,460,077.01	5,973,592.98
Totals	5,471,377.01	5,997,192.98

16.9 General Services

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Janitorial Services	949,960.57	648,854.21
Security Services	1,892,996.09	1,626,946.88
Other General Services	3,474,656.40	1,767,924.72
Totals	6,317,613.06	4,043,725.81

16.10 Repairs and Maintenance

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Repairs and Maintenance - Land Improvements	40,800.00	80,000.00
Repairs and Maintenance - Buildings and Other Structures	1,636,791.00	168,189.50
Repairs and Maintenance - Machinery and Equipment	118,957.72	317,141.00
Repairs and Maintenance - Transportation Equipment	753,040.21	660,883.37
Repairs and Maintenance - Other Property, Plant and Equipment		
Totals	2,549,588.93	1,226,213.87

16.11 Taxes, Insurance Premiums and Other Fees

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Taxes, Duties and Licenses	150,751.33	132,218.81
Fidelity Bond Premiums	65,782.50	45,303.75
Insurance Expenses	183,698.28	180,460.23
Totals	400,232.11	357,982.79

16.12 Labor and Wages

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Labor and Wages	0.00	0.00
Totals	0.00	0.00

16.13 Other Maintenance and Operating Expenses

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Advertising Expenses	205,264.72	109,782.00
Printing and Publication Expenses	2,384,812.80	1,666,857.87
Representation Expenses	4,682,811.23	3,283,688.14
Transportation and Delivery Expenses	46,624.00	228,348.00
Rent/Lease Expenses	26,000.00	38,500.00
Membership Dues and Contributions to Organizations	718,882.39	535,225.20
Subscription Expenses	62,303.74	174,289.65
Other Maintenance and Operating Expenses	639,352.99	695,288.46
Totals	8,766,051.87	6,731,979.32

16.14 Financial Expenses

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Interest Expenses	1,953,980.00	3,200,892.68
Other Financial Charges	19,539.80	22,435.47
Totals	1,973,519.80	3,223,328.15

16.15 Depreciation

The composition of the account as of December 31, 2018 is as follows:

Particulars	CY 2018	CY 2017
Depreciation - Land Improvements	848,813.21	1,027,553.77
Depreciation - Buildings and Other Structures	4,526,483.72	5,196,376.60
Depreciation - Machinery and Equipment	1,641,124.30	3,447,409.88
Depreciation - Transportation Equipment	780,180.66	418,585.19
Depreciation - Furniture, Fixtures and Books	191,857.11	140,940.41
Depreciation - Other Property, Plant and Equipment	210,729.50	253,585.97
Totals	8,199,188.50	10,484,451.82

17. Others

The **OTHERS** under the Statement of Changes in Net Asset/Equity amounting to P 18,283,316.07 is an adjustment of prior years due to the conversion from old to new Accounting Reporting in accordance with PPSAS, RCA and UACS.

18. Financial Assistance/Subsidy

The Financial Assistance/Subsidy reflected in the Statement of Comparison of Budget and Actual Amount 2018 (SCBAA) amounting to Php 245, 471, 260.00 is different from that on the Financial Statements of 2018 amounting to Php 296, 794, 525.00 due to the following reasons:

- a. The request for the released of Notice of Cash Allocation for the accounts payable for the prior years was not included in the SCBAA for which it only covers the current budget period.
- b. The Tax Remittance remitted thru Tax Remittance Advice differs from the Tax computation of annual budget by the Department of Budget and Management.

19. School Fees, Service Income and Business Income

Receipts on School Fees, Service Income and Business Income were under stated in SCBAA. All miscellaneous income were treated as Service income in the Financial Statement.

20. Personnel Services, Maintenance and Other Operating Expenses and Capital Outlay

The payments of Personnel Services, Maintenance and Other Operating Expenses and Capital outlay on SCBAA vary from Financial Statement because SCBAA includes only the disbursement covering current year budget while on the Financial Statement, it also reflects the prior year's payable for Personnel Services, Maintenance and Other Operating Expenses and Capital Outlay.