

FAR NORTH LUZON GENERAL HOSPITAL & TRAINING CENTER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

1. General/Agency Profile

- 1.1 Far North Luzon General Hospital & Training Center was created by the virtue of RA 8536 , dated February 23, 1998 during the term of His Excellency President Fidel V. Ramos.
- 1.2 FNLGH&TC's vision is to be a health institution that is a Center of Wellness and a center of wellness as well as a Training Institution of Health Profession.
- 1.3 FNLGH&TC's mission is to provide a tertiary quality care to patient thru a cost effective, efficient, humane and comprehensive array of health care and a venue for training of health professionals and indigenous health workers in the area.

2. Basis of Financial Statement Presentation

- 2.1 The agency's financial statements have been prepared in accordance with generally accepted state accounting principles and standards.

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. Income is 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 which the agency is authorized to use.
- 3.3 Income/receipts which the agency are not authorized to use and are required to be remitted to the National Treasury are recorded in the National Government (NG) Books.
- 3.4 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.
- 3.5 The costs of ending inventory of office supplies and materials and other inventory items are computed using the Moving Average Method.
- 3.6 Supplies and materials purchased for inventory purposes are recorded using the Perpetual Inventory System.

3.7 Petty Cash Fund (PCF) account is maintained under the Imprest System. All replenishments are directly charged to the expense account. The PCF is not used to purchase regular inventory items for stock.

3.8 Property Plant & Equipment are carried at cost less accumulated depreciation.

3.9 The Straight Line Method of depreciation is used in depreciating the Property, Plant & Equipment with estimated useful lives ranging from five to fifty years. A residual value, computed at ten percent of the cost of asset is set and depreciation starts on the following month after purchase.

3.10 Payable accounts are recognized and recorded in the books of accounts only upon acceptance of the goods/inventory/other assets and rendition of services to the agency.

3.11 Accounts were classified to conform with new Chart of Accounts prescribed under the New Government Accounting System which was implemented effective January 1, 2002.

3.12 Financial expenses such as bank charges are separately classified from MOOE.

4. Correction of Fundamental Errors

4.1 Fundamental errors of prior years are corrected by using the Prior Years' Adjustments account. Errors affecting current year's operation are charged to the current year's accounts.

5. Cash

5.1 The balance of *Cash-Collecting Officer* account totaling P775,555.47 represents undeposited collections from CY 2012 to CY 2013. This deficiency was contained in the Management Letter of Commission on Audit for CY 2013.

5.2 Of the P130,000.00 *Petty Cash Fund* (PCF) P58,741.48 was used leaving a balance of P71,258.52 to the following:

PCF Custodian	Purpose	Amount
Aurora B. Balbin	Petty Marketing Expenses	P 1,316.02
Dr. Danilo A. Domingo	Petty Expenses	69,942.50
TOTAL-----		P 71,258.52

5.3 The *Cash in Bank-Local Currency, Current* Account amounting to P5,801,139.59 consists of the following:

a. Collections from the sale of drugs and medicines and medical supplies treated as revolving fund; and

b. Collections of hospital, medical, dental , laboratory, x`ray & ultrasound fees treated as income; collections from PHIC - professional fees and the balance of payroll fund as of December 31,2013 under the following bank accounts:

Bank Account Number	Description	Amount
2252-1023-99	Revolving Fund	P (337,559.64)
2252-1018-21	Income	4,168,695.46
2252-1027-71	PHIC – Professional Fees	209,876.83
2252-1031-74	Payroll Fund	10,000.00
2252-1044-99	PHIC – PFPR(OPD)	116,780.00
2251-0483-40	PHIC-Hospital Charges	788,656.37
2252-1045-45	PHIC-PF2	844,690.57
	Total	P 5,801,139.59

6. Receivables

6.1 The account *Accounts receivable* amounting to P171,962.79 consists of the following:

Particulars	Amount
Unpaid bills of in-patients	P 162,434.79
Service charge for the returned checks c/o Jocelyn B. Du	4,200.00
Refund of cash advance-Juliet A. Cabrera	5,328.00
TOTAL-----	P 171,962.79

6.2 The account *Due from GOCC`s* totaling P 4,942,158.38 consists of drugs & medicines, medical supplies, medical, dental & laboratory fees and hospital fees which are collectibles from PHIC.

6.3 The account *Disallowances/Charges* represents the amount resulting from audit disallowances which have become final & executory. To wit:

Name of Employee	Amount Disallowed
Jocelyn B. Du	P 8,474.50
Amelia Alejandro	11,827.13
Danilo A. Domingo	25,461.78
TOTAL-----	P 45,763.41

7. Inventories

7.1 *Merchandise Inventory* consists of drugs & medicines & medical supplies issued to pharmacy that are available for sale.

7.2 Other inventory items consists of office supplies, accountable forms, medical, dental & laboratory supplies, which are all consumables and semi-expendable in nature.

8. Property, Plant & Equipment

8.1 Hereunder is the accumulated depreciation of various PPE.

PPE	2013	2012
Hospitals & Health Centers	6,984,634.38	4,461,073.28
Office Equipment	2,023,133.08	1,695,460.23
Furniture & Fixtures	855,367.50	759,784.83
IT Equipment & Software	710,986.10	594,259.22
Library Books	84,910.50	84,910.50
Communication Equipment	129,171.18	128,770.62
Firefighting Equipment & Accessories	38,790.00	29,790.00
Hospital Equipment	33,607,204.98	24,677,052.41
Medical, Dental & Laboratory Equipment	2,123,119.20	2,021,275.07
Motor Vehicles	3,260,177.57	3,466,782.89
Other Property, Plant & Equipment	220,185.60	183,285.60
TOTAL-----	50,037,680.09	38,102,444.65

9. Current Liabilities

9.1 The account *Accounts payable* amounting to P 15,749,856.31 are payables that are due and demandable.

9.2 The *Due to National Treasury* account consists of certification fees unremitted from October to December 2013 amounting to P10,550.00 and interest income from bank deposits of P 1,605.98. It was remitted to the Bureau of Treasury (BTr) in January 2013.

9.3 The account *Guaranty Deposits Payable* represents 10% retention fee deducted from the contractors.

9.4 The *Other Payables* consists of drugs & medicines on consignment to Qualifirst Health Inc. amounting to P 921,878.83. Balance of funding check received from the Provincial Government Office -Apayao for the wages of doctors treated as job orders amounting to P 711,794.00 and the excess of payments made by the Provincial Government Office -Cagayan for the in-patients amounting to P 241,537.00.

10. Subsidy Income from National Government

10.1 The *Subsidy Income from National Government* account consists of:

NCA received from DBM	P 37,915,559.75
Less: Reversion of Unused Notice of Cash Allocation	(561,479.71)
TRA issued to BIR	2,647,358.06
TOTAL -----	P 40,001,438.10

11. Expenses

Hereunder are the expenses with significant increase/decrease from CY 2012 to CY 2013:

Expenses	CY 2013	CY 2012	Increase (Decrease)
Productivity Incentive Bonus	86,000.00	325,000.00	(239,000.00)
Other Bonuses and Allowances	215,000.00	0	215,000.00
Hazard Pay	1,047,297.17	194,333.50	852,963.67
Other Personnel Benefits	4,130,946.60	3,866,337.33	264,609.27
Training Expenses	1,967,336.50	5,081,438.48	(3,114,101.98)
Food Supplies Expenses	3,156,145.53	2,676,234.00	479,911.53
General Services	5,221,307.67	3,931,002.75	1,290,304.92
Repairs & Maintenance-Hospitals & Health Centers	495,941.87	1,167,518.84	(671,576.97)
TOTAL -----	16,319,975.34	17,241,864.90	(921,889.56)

11.1 The Productivity Enhancement Bonus (PEB) in CY 2013 totaling P 215,000.00 was recorded under the *Other Bonuses and Allowances* while in CY 2012 the PEB was recorded under the *Productivity Incentive Bonus* account which explains the decrease of *Productivity Incentive Bonus* by P239,000.00 and increase of *Other Bonuses and Allowances* by P215,000.00.

11.2 Hazard Pay paid to employees for CY 2012 was recorded under *General Services* account except for the month of July 2012 while in CY 2013 Hazard Pay was recorded under *Hazard Pay* account which explains the increase by P852,963.67.

11.3 Medicare sharing paid to medical and administrative personnel were recorded under the *Other Personnel Benefits* account. The increase of P264,609.27 was due to the increased number of Philhealth enrollees.

11.4 The decrease of P3,114,101.98 on the *Training Expenses* account was due to the decreased number of hired nurses from 50 for CY 2012 to 20 for CY 2013 for the implementation of RNHEALS Program of the Government. All stipends of hired nurses under the program were recorded under the *Training Expenses* account.

11.5 The increase of *Food Supplies Expenses* amounting to P479,911.53 was due to increase of in-patients associated with the increase in the price of food commodities. The increase also attributed to the implementation of the RNHEALS program wherein trainees were provided with one free meal a day.

11.6 The increase of *General Services* account was due to the additional job orders hired for CY2013.

11.7 The decrease of *Repairs & Maintenance –Hospital & Health Centers* account of P671,576.97 was due to the decreased repair of the buildings.