



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. X  
Cagayan de Oro City

# **MANAGEMENT LETTER**

**ON THE**

**Technical Education and Skills Development  
Authority**

**Lanao Norte National  
Agro-Industrial School  
(LNNAIS)  
Bualan, Tubod, Lanao del Norte**

**For the Year Ended December 31, 2019**





Republic of the Philippines  
**COMMISSION ON AUDIT**  
*Regional Office No. 10*  
*Cagayan de Oro City*

**OFFICE OF THE AUDIT TEAM LEADER**  
**Audit Group NGS,- Cluster 5**  
**Audit Team No. R10-16**

March 16, 2020

**MR. VICENTE E. CRUZ**

Vocational School Administrator II  
Lanao Norte National Agro-Industrial School (LNNAIS)  
Bualan, Tubod, Lanao del Norte

Dear Mr. Cruz:

**Management Letter on the Audit of the**  
**Lanao Norte National Agro-Industrial School (LNNAIS)**  
**Bualan, Tubod, Lanao del Norte**  
**for the period January 1 to December 31, 2019**

1. Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (PD 1445), we have audited the accounts and operations of the Lanao Norte National Agro-Industrial School (LNNAIS) for the period ended December 31, 2019. The audit was conducted in accordance with applicable legal and regulatory requirements, and International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted on a test basis to verify the level of assurance that may be placed on management's assertions on the financial statements; recommend agency improvement opportunities; and determine the extent of implementation of prior year's audit recommendations.
3. The Agency's financial conditions, results of operations and cash flows as of December 31, 2019 are shown in the attached audited financial statements (Annexes A-I).
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOMs) and discussed in an exit conference on March 3, 2019 with concerned officials and employees. Their comments were incorporated in this letter where appropriate. The significant audit observations and recommendations shall be incorporated in the Management Letter (ML) of the TESDA - Region X for CY 2019.

## **A. INTRODUCTION**

### **AGENCY'S MANDATE & ORGANIZATIONAL STRUCTURE**

5. The Lanao Norte National Agro-Industrial School (LNNAIS), Bualan, Tubod, Lanao del Norte was established in June 1973 under the leadership of the late Governor Arsenio A. Quibranza, catering Secondary Program. It was nationalized through the effort of Congressman Abdullah D. Dimaporo by passing a bill to the congress on March 25, 1992 under Batas Pambansang Blg. 213.

6. The school acquired 16 hectares of school site through government reservation. It was surveyed in July 21, 1921 and was approved on December 31, 1921 in the name of the provincial government of Lanao del Norte for Bureau of Education.

7. In 1997, LNNAIS, become a TESDA Administered School by virtue of Republic Act 7796 popularly known as the TESDA Law. LNNAIS is a technical vocational institution offering UTPRAS registered qualifications identified as priority skills in the province. The School prepare trainees to surpass the competency assessment and become certified skilled workers by upgrading our trainers and improving our facilities. LNNAIS link partners who serve as potential channels for employment of our graduates. LNNAIS also sustain our livestock and crop projects to address a twofold target and income generating and to serve as hands-on venue for students and trainees. Alongside, LNNAIS pursue a quality assurance system.

8. Its vision is to be a globally competitive; agriculturally and industrially-based training institution supportive and committed to economic development, nurturing ecology-conscious society. And its Mission is to offer Post-Secondary Program, to produce graduates who shall serve as propellers of agro-industrial development through its competent faculty and staff, well-equipped innovative training facilities for global competitiveness.

9. The Agency is Headed by Mr. Vicente E. Cruz, Vocational School Administrator III. He is ably assisted by 22 regular employees, 1 casual employee and 22 Job Orders assisting in the Office and School.

### **OPERATIONAL HIGHLIGHTS**

10. For Calendar Year 2019, TESDA-LNNAIS offered training program for twenty eight (28) Qualifications. The number of enrolments and graduates has decreased by nineteen (19%) percent and twenty-six (26%) percent respectively compared to last year, as shown below:



Period	CY 2019	CY 2018	Increase (Decrease)	Percent
Enrolled	3,380	5,516	(2,136.00)	(39%)
Graduated	3,153	5,116	(1,963.00)	(38%)
Assessed (incl. walk-in)	6,678	7,110	(432.00)	(6%)
Certified	6,288	6,394	(106.00)	(2%)
Employed	893	1,453	(560.00)	(39%)

11. LNN AIS has conducted a total of 6,678 assessments on various qualifications. At least 94.20% or 6,288 of these assessments were certified during the year.

12. TESDA-LNN AIS reported the following major accomplishments per Major Final Output (MFO) and Performance measures vis-a-vis the targets:

Key Performance Indicator (KPI)	Enrolled			Graduated		
	Target	Cumm. Output	% of Accomplishment	Target	Cumm. Output	% of Accomplishment
<b>MFO 2: Technical Education and Skills Development Services</b>						
<b>A. TESDA Technology Institution</b>						
-Regular Program	1,819	3,380	186%	1,749	3,153	180%
<b>I. Total Massive Training</b>						
No. of Persons Employed (All Technical Vocational Education and Training (TVET Graduates)	1,137	893	79%			
<b>III. Assessment/Certified (All Qualifications)</b>	<b>Assessed</b>			<b>Certified</b>		
Regular & Walk in	6,672	6,678	100%	6,138	6,288	102%

## FINANCIAL PROFILE

13. For CY 2019, Lanao Norte National Agro-Industrial School has a total appropriation of ₱ 10,682,990.15 which includes the Regular Budget of ₱ 8,294,378.23, Pension & Gratuity Fund (PS) ₱ 541,337.00, MPBF of ₱ 1,120,457.00 and the Automatic Appropriations of ₱ 726,817.92 as provided for in the General Appropriations Act (GAA) for Fiscal Year 2019. During the year, the TESDA LNN AIS received a total allotment of ₱ 10,682,990.15, out of which, total obligations of ₱ 10,682,978.29 were incurred leaving



an unexpended balance of **₱11.86** as at year-end, the details of which are presented below:

Source of Funds	Appropriations	Allotment	Obligation Incurred	Unobligated Balance
<b>A. Current Year Budget</b>				
<b>1. Agency Specific Budget</b>				
PS	7,840,878.23	7,840,878.23	7,840,872.60	5.63
MOOE	453,500.00	453,500.00	453,499.02	0.98
Sub-total	<b>8,294,378.23</b>	<b>8,294,378.23</b>	<b>8,294,371.62</b>	<b>6.61</b>
<b>2. Special Purpose Fund</b>				
Miscellaneous Personnel Benefits Funds (PS)	1,120,457.00	1,120,457.00	1,120,457.00	0.00
Pension & Gratuity Fund (PS)	541,337.00	541,337.00	541,337.00	0.00
Sub-total	<b>1,661,794.00</b>	<b>1,661,794.00</b>	<b>1,661,794.00</b>	<b>0.00</b>
<b>3. Automatic Appropriations</b>				
Retirement and Life Insurance Premium (RLIP) PS	726,817.92	726,817.92	726,812.67	5.25
Sub-total	726,817.92	726,817.92	726,812.67	<b>5.25</b>
<b>Total Current Year</b>	<b>10,682,990.15</b>	<b>10,682,990.15</b>	<b>10,682,978.29</b>	<b>11.86</b>

#### Financial Position:

##### FUND 01 GENERAL FUND

	2019	2018
Assets	46,466,824.67	51,894,193.12
Liabilities	40,160.26	5,140,257.45
Government Equity	<b>₱ 46,426,664.41</b>	<b>₱ 46,752,135.67</b>



**FUND 06 SSP**

	<b>2019</b>	<b>2018</b>
Assets	982,021.08	1,199,150.51
Liabilities	132,204.28	275,225.19
Government Equity	<b>P 849,816.80</b>	<b>P923,925.32</b>

**FUND 07 TRUST FUND**

	<b>2019</b>	<b>2018</b>
Assets	3,683,791.54	5,136,375.75
Liabilities	3,683,791.54	5,136,375.75
Government Equity	<b>P 0.00</b>	<b>P 0.00</b>

**Sources and Application of Funds:**

	<b>2019</b>	<b>2018</b>
Revenue	<b>P 12,544,450.40</b>	<b>P13,267,473.52</b>
Less: Current Operating Expenses		
MOOE	12,292,709.80	14,771,959.10
Non-Cash Expenses	325,849.12	472,325.92
Total	12,618,558.92	15,244,285.02
Surplus (Deficit) from Operations	<b>P (74,108.52)</b>	<b>P (1,976,811.50)</b>

**Fund 07 Trust Fund**

<b>Approved Budget</b>	<b>Utilizations</b>	<b>Disbursements</b>	<b>Balances</b>
<b>P 21,278,831.25</b>	<b>P 17,595,039.71</b>	<b>P 17,595,039.71</b>	<b>P 3,683,791.54</b>

**Scope of Audit:**

14. The audit covered the accounts and operations of TESDA-Lanao Norte National Agro-Industrial School, Bualan, Tubod, Lanaodel Norte for Calendar Year (CY) 2019. The objectives of the audit were to ascertain the fairness of presentation of the accounts in the financial statements in accordance with Philippine Public Sector Accounting Standard (PPSASs), determine the validity and propriety of the financial transactions and



ascertain compliance with laws, rules and regulations. The audit focus for calendar year CY 2019 with reference to unnumbered memorandum dated January 26, 2018 from NGS Cluster 5 Cluster Director re: Specific Audit Instructions on the audit of CY 2019 accounts and operations and the preparation of CY 2019 Management Letter are: (1.) Cash and Cash Equivalent (2.) Receivables, (3.) Inventories, (4.) Advances, (5.) Property, Plant and Equipment, (6.) Payables, (7.) Expenses, (8.) Fund Transfer, and (9.) Fund Utilization.

## **B. SUMMARY OF RECOMMENDATIONS**

15. The following is a summary of recommendations, the details of which are discussed in the Detailed Observations and Recommendations of the report:

### **FINANCIAL AUDIT**

16. In course of our audit, there were no deficiencies noted in relation to the financial audit.

### **COMPLIANCE AUDIT**

*Documentary requirements pursuant to the provisions in Annex "H" of the 2016 Revised Implementing Rules and Regulations Act No. 9184.*

17. We recommended the Management to follow strictly the provisions under the RA 9184 and the revised IRR for the succeeding months to avoid suspension in audit of transactions.

## **C. DETAILED OBSERVATIONS AND RECOMMENDATIONS**

### **FINANCIAL AUDIT**

In the course of our audit, we found no deficiencies in relation to the financial audit.

### **COMPLIANCE AUDIT**

*Documentary requirements pursuant to the provisions in Annex "H" of the 2016 Revised Implementing Rules and Regulations Act No. 9184.*



18. *Documentary requirements pursuant to the provisions in Annex “H” of the 2016 Revised Implementing Rules and Regulations Act No. 9184, otherwise known as the Government Procurement Reform Act, were not included as attachments in the Disbursement Vouchers (DVs) which precluded the auditor in the evaluation whether the procuring entity negotiated a contract with a technically, legally and financially capable supplier, contractor or consultant.*

19. *Item V of Annex “H” provides for the Specific Guidelines for the Alternative Methods of Procurement. Under the Shopping and Small Value Procurement, the Request for Quotation (RFQ) prepared by the Bids and Awards Committee (BAC) shall indicate the specifications, quantity, approved Budget Cost [ABC], and other terms and conditions of the contract.*

20. *It shall also include whether the quotation the by the prospective bidder is partial bid (any of the items), and the basis to AWARD – whether the lowest quoted price on any of the items (partial bid) or all of the items (complete bid).*

21. *Likewise, Appendix A thereof summarizes additional documentary requirements that shall be indicated in the RFQ to wit:*

<b>Alternative Modality</b>	<b>Mayor's/ Business Permit</b>	<b>PhilGEPS Reg. Number</b>	<b>PCAB License (Infra.)</b>	<b>Income/ Business Tax Statement</b>	<b>Omnibus Sworn Statement</b>
Shopping [Sec. 52.1(b)]	✓	✓			
Small Value Procurement [Sec. 53.9]	✓	✓	✓	✓ For ABC's above P500K	✓ For ABC's above P500K

22. *The BAC shall indicate in the RFQ or RFP at what stage of the procurement process these requirements must be submitted, i.e., submission of offer/s, evaluation of offer/s, before issuances of Notice of Award or Prior to payment.*

23. *Section 3 (a) of the Guidelines for Shopping and Small Value Procurement provides that 1 “The RFQ must indicate the specifications, quantity, ABC and other terms and conditions of the item to be procured.”*

24. *Further, Section 3 (b) of the same guidelines provides — “The RFQ must also prescribe the manner by which price quotations shall be submitted i.e., by sealed or open quotation, and the deadline for their submission. Xxx.”*

25. Records of this office show that RFQs attached to the Disbursement Vouchers failed to include the ABC's although the PhilGEPS Registration Certificate is indicated in the RFQ as a requirement, however, only PRN is required and not the certificate. Also, there was no indication whether the participating bidders complied with the submission of the subject requirements, as these were not attached in the DVs. Particularly with that of the winning bidder. Further, the bidders' quotations did not indicate the PRN, as it is basic requirement before the bidder is declared eligible.

26. Non-observance of the foregoing provisions precluded the auditor in the evaluation whether the procuring entity negotiated a contract with a technically, legally and financially capable supplier, contractor or consultant.

27. **We recommended the Management to follow strictly the provisions under the RA 9184 and the 2016 Revised IRR for the succeeding months to avoid suspension in audit of transactions.**

*Management Comment*

28. **The management takes your recommendation and we have attached issued Memorandum no. 005 series 2020 dated 1/31/2020 to the BAC members to follow strictly the provision of revised IRR of RA9184 under Annex "H" that RFQ should include ABC's, and PRN and the Designated Accounting Officer to ensure Attachment of documentary requirement to the DVs particularly with that of the winning bidder. Effective February 2020.**

**Compliance with Tax Laws**

29. As of December 31,2019 tax withheld from employees and suppliers totaling **P824,174.37** as summarized below:

<b>Taxes Withheld</b>	<b>Amount Withheld</b>	<b>Amount Remitted</b>
Employees' Withholding Tax	<b>P 211,037.00</b>	<b>P 211,037.00</b>
Tax withheld from purchase of Goods & Services	613,137.37	613,137.37
<b>TOTAL</b>	<b>P 824,174.37</b>	<b>P 824,174.37</b>

**Gender and Development (GAD)**

30. The Agency had set to develop an understanding, knowledge and awareness on moral values formation. In line with this objectives, the agency has appropriated P428,000.00 for CY 2019 and expended P453,345.37 for GAD activity for its personnel.



### **Compliance with GSIS Laws**

31. As of December 31, 2019 there was a total remittance **P 1,943,555.58** of GSIS both employer and employee share.

### **Senior Citizen and Persons with Disability**

32. During the year, LNNAIS conducted training in various qualification to senior citizens and persons with disability.

### **Status of Suspensions, Disallowances and Charges**

33. For Calendar Year 2019, there was no notice of suspensions, disallowances and charges issued.

## **D. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

34. Monitoring and validation of the actions taken by the management relative to the implementation of prior year's audit recommendations embodied in the Management Letter for CY 2019 of Lanao Norte National Agro-Industrial School, Tubod, Lanao del Norte, disclosed that the two (2) audit recommendations were fully implemented during the year.

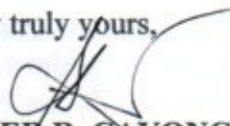
35. The results of the validation of the implementation of prior year's recommendations are presented in Annex "J".

## **E. ACKNOWLEDGEMENT**

We wish to express our appreciation to the Management and staff of Lanao Norte National Agro-Industrial School (LNNAIS) for the cooperation and assistance extended to our audit team, during the audit.

We request that a status report, by accomplishing the attached Agency Action Plan and Status of Implementation (AAPSI) form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 99 of the General Provisions of the General Appropriations Act FY 2019 (R.A. 11260).

Very truly yours,

  
**SUBAER R. CAYONGCAT**  
State Auditor III  
Audit Team Leader

Copy Furnished:

**The Supervising Auditor**  
TESDA Central Office  
East Service Road  
Taguig, Metro Manila

**The Regional Director**  
COA RO No. X  
Cagayan de Oro City

**The Regional Supervising Auditor**  
NGS, Cluster 5  
COA RO X,, Cagayan de Oro City

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**Audit Observations and Recommendations  
For Calendar Year 2019**

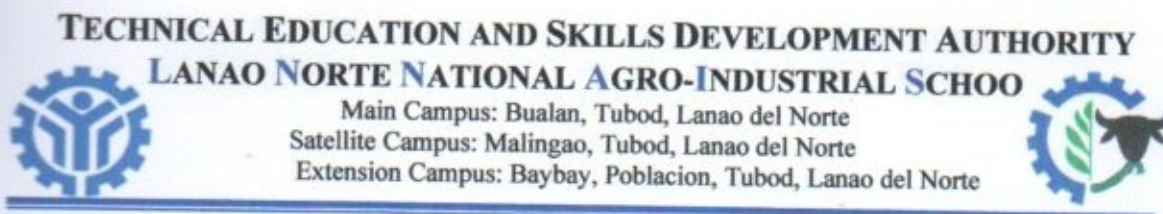
Ref.	Audit Observation	Audit Recommendations	Agency Action Plan			Status of Implementation	Reason for Delay/Partial/Non Implementation	Action Taken/Action to be Taken	Auditor's Validation	
			Action Plan	Person/Dept. Responsible	Target Implementation Date					
					From					To
AOM 2019-001	Documentary requirements pursuant to the provisions in Annex "H" of the 2016 Revised Implementing Rules and Regulations Act No. 9184, otherwise known as the Government Procurement Reform Act, were not included as attachments in the Disbursement Vouchers (DVs) which precluded the auditor in the evaluation whether the procuring entity negotiated a	We recommend the Management to follow strictly the provisions under the RA 9184 and the revised IRR for the succeeding months to avoid suspension in audit transactions.								





## ANNEXES

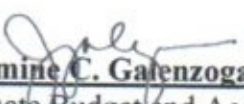
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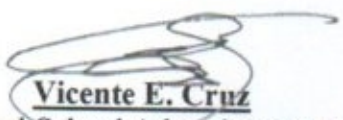


## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL** is responsible for all information and representations contained in the accompanying Statement of Financial Position as at December 31, 2019 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

  
**Jasmine C. Galenzoga**  
AOI-Designate Budget and Accounting  
Officer

  
**Vicente E. Cruz**  
Vocational School Administrator II



**LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL  
CONDENSED STATEMENT OF FINANCIAL POSITION**

**ALL FUND**

**AS OF DECEMBER 31, 2019**

(With Comparative Figures in 2018)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	6	3,902,992.02	5,461,005.08
Inventories	7	52,109.97	
<b>Total Current Assets</b>		<u>3,955,101.99</u>	<u>5,461,005.08</u>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	8	46,912,675.30	47,401,078.55
Biological Assets	9	264,860.00	229,460.00
<b>Total Non-Current Assets</b>		<u>47,177,535.30</u>	<u>47,630,538.55</u>
<b>Total Assets</b>		<u><b>51,132,637.29</b></u>	<u><b>53,091,543.63</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Inter-Agency Payables		172,364.54	3,881.70
Intra-Agency Payables		3,683,791.54	5,136,375.75
<b>Total Current Liabilities</b>		<u>3,856,156.08</u>	<u>5,415,482.64</u>
<b>Total Liabilities</b>	10	<u><b>3,856,156.08</b></u>	<u><b>5,415,482.64</b></u>
<b>Total Assets less Total Liabilities</b>		<u><b>47,276,481.21</b></u>	<u><b>47,676,060.99</b></u>
<b>NET ASSETS/EQUITY</b>			
Accumulated Surplus/(Deficit)		47,276,481.21	47,676,060.99
<b>Total Net Assets/Equity</b>		<u><b>47,276,481.21</b></u>	<u><b>47,676,060.99</b></u>

**LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL  
DETAILED STATEMENT OF FINANCIAL POSITION**

**ALL FUND**

**AS OF DECEMBER 31, 2019**

**(With Comparative Figures in 2018)**

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	3,902,992.02	5,461,005.08
Cash on Hand	-	-
Cash Collecting Officer	-	-
Cash in Bank-Local Currency	3,902,992.02	5,461,005.08
Cash in Bank-Local Currency, Current Account	3,902,992.02	5,461,005.08
Inventories	-	-
Inventory Held for Consumption	52,109.97	-
Office Supplies Inventory	52,109.97	-
Total Current Assets	3,955,101.99	5,461,005.08
<b>Non-Current Assets</b>	-	-
Property, Plant and Equipment	46,912,675.30	47,401,078.55
Land	45,684,676.69	45,684,676.69
Land	45,684,676.69	45,684,676.69
Accumulated Impairment Losses-Land		-
Net Value	45,684,676.69	45,684,676.69
Land Improvements	33,556.39	65,969.77
Other Land Improvements	430,988.75	430,988.75
Accumulated Depreciation-Other Land Improvements	(397,432.36)	(365,018.98)
Net Value	33,556.39	65,969.77
Buildings and Other Structures	363,314.58	445,209.48
Buildings	500,000.00	500,000.00
Accumulated Depreciation-Buildings	(431,459.06)	(407,709.02)
Net Value	68,540.94	92,290.98
School Buildings	1,175,985.30	1,175,985.30
Accumulated Depreciation-School Buildings	(977,928.88)	(969,446.32)
Net Value	198,056.42	206,538.98
Other Structures	1,352,480.76	2,286,934.01
Accumulated Depreciation-Other Structures	(1,255,763.54)	(2,140,554.49)
Net Value	96,717.22	146,379.52



Machinery and Equipment	741,911.46	1,100,170.51
Machinery	36,000.00	36,000.00
Accumulated Depreciation-Machinery	(34,200.00)	(34,200.00)
Net Value	1,800.00	1,800.00
Office Equipment	646,213.14	852,713.14
Accumulated Depreciation-Office		
Equipment	(549,731.97)	(704,785.13)
Net Value	96,481.17	147,928.01
Information and Communication		
Technology Equipment	572,966.54	1,500,592.77
Accumulated Depreciation-Information		
and Communication	(426,711.92)	(1,269,015.01)
Technology Equipment		
Net Value	146,254.62	231,577.76
Agricultural and Forestry Equipment	1,774,823.97	1,774,823.97
Accumulated Depreciation-		
Agricultural and Forestry Equipment	(1,649,429.48)	(1,502,813.48)
Net Value	125,394.49	272,010.49
Communication Equipment	59,020.00	59,020.00
Accumulated Depreciation-		
Communication Equipment	(56,069.00)	(56,069.00)
Net Value	2,951.00	2,951.00
Disaster Response and Rescue		
Equipment		-
Accumulated Depreciation - Disaster		-
Response and Rescue Equipment		-
Net Value		-
Technical and Scientific Equipment	1,708,025.90	1,811,187.19
Accumulated Depreciation-Technical		
and Scientific Equipment	(1,350,015.81)	(1,385,030.03)
Net Value	358,010.09	426,157.16
Other Machinery and Equipment	46,899.75	46,899.75
Accumulated Depreciation-Other		
Machinery and Equipment	(35,879.66)	(29,153.66)
Net Value	11,020.09	17,746.09
Transportation Equipment	69,217.70	77,263.58
Motor Vehicles	1,384,354.10	1,384,354.10
Accumulated Depreciation-Motor		
Vehicles	(1,315,136.40)	(1,307,090.52)
Net Value	69,217.70	77,263.58
Furniture and Fixtures and Books	19,998.48	27,788.52
Furniture and Fixtures	78,725.00	78,725.00
Accumulated Depreciation - Furniture		
and Fixtures	(66,935.57)	(59,145.53)
Net Value	11,789.43	19,579.47

Books	164,181.00	164,181.00
Accumulated Depreciation-Books	(155,971.95)	(155,971.95)
Net Value	8,209.05	8,209.05
Biological Assets	264,860.00	229,460.00
Breeding Stocks	114,100.00	153,500.00
Livestock	82,000.00	7,200.00
Trees, Plants and Crops	68,760.00	68,760.00
Accumulated Impairment Losses - Breeding Stocks	-	-
Net Value	264,860.00	229,460.00
Total Non-Current Assets	47,177,535.30	47,630,538.55
	-	-
<b>TOTAL ASSETS</b>	<b>51,132,637.29</b>	<b>53,091,543.63</b>
	-	-
<b>LIABILITIES</b>	-	-
Inter-Agency Payables	172,364.54	5,415,482.64
Accounts Payable	-	-
Due to BIR	172,364.54	279,106.89
Other Payables	3,683,791.54	5,136,375.75
Total Current Liabilities	3,856,156.08	5,415,482.64
Total Liabilities	3,856,156.08	5,415,482.64
Total Assets less Total Liabilities	47,276,481.21	47,676,060.99
Net Assets/Equity	-	-
Equity	-	-
Government Equity	47,276,481.21	47,676,060.99
Accumulated Surplus/(Deficit)	47,276,481.21	47,676,060.99
	-	-
<b>Total Net Assets/Equity</b>	<b>47,276,481.21</b>	<b>47,676,060.99</b>



**LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**ALL FUND**  
**FOR THE QUARTER ENDED DECEMBER 31, 2019**  
**(With Comparative Figures in**  
**2018)**

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Revenue			
Service and Business			
Income	11	12,509,050.40	13,252,196.52
Gains		35,400.00	15,277.00
Total Revenue		12,544,450.40	13,267,473.52
Less: Current Operating			
Expenses			
Personnel Services	12	10,362,479.27	8,992,155.11
Maintenance and Other			
Operating Expenses	13	12,746,208.82	16,532,193.85
Non-Cash Expenses	14	649,043.25	703,093.29
Total Current Operating		23,757,731.34	26,227,442.25
Expenses			
Surplus/(Deficit) from		(11,213,280.94)	(12,959,968.73)
Current Operations			
Net Financial			
Assistance/Subsidy	15	10,813,701.16	9,771,488.44
<b>Surplus/(Deficit) for the</b>		<b>(399,579.78)</b>	<b>(3,188,480.29)</b>
<b>period</b>			

Total Salaries and Wages	6,310,319.00	5,481,221.00
Personal Economic Relief Allowance (PERA)	1,100,000.00	1,100,000.00
Representation Allowance (RA)	40,000.00	40,000.00
Transportation Allowance (TA)	40,000.00	40,000.00
Clothing/Uniform Allowance	126,000.00	126,000.00
Year End Bonus	445,076.00	445,076.00
Cash Gift	100,000.00	100,000.00
Collective Negotiation Agreement - Civilian	399,000.00	399,000.00
Productivity Enhancement Incentive - Civilian	100,000.00	100,000.00
Performance Based Bonus - Civilian	452,407.00	452,407.00
Mid Year Bonus - Civilian	1,215,122.00	1,215,122.00
Total Other Compensation	2,392,000.00	2,392,000.00

**LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL  
DETAILED STATEMENT OF FINANCIAL PERFORMANCE**

**ALL FUND**

**FOR THE QUARTER ENDED DECEMBER 31, 2019**

**(With Comparative Figures in 2018)**

<b>Revenue</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Service and Business Income</b>		
<b>Business Income</b>		
School Fees	8,900.00	21,400.00
Seminar /Training Fee	6,614,075.00	8,511,674.18
Examination Fee	5,076,318.40	3,972,885.00
Income from Hostel & Dormitories	2,525.00	12,270.00
Other Business Income	807,232.00	733,967.34
Total Business Income	<u>12,509,050.40</u>	<u>13,252,196.52</u>
<b>Gains</b>	<b>35,400.00</b>	<b>-</b>
<b>Gain from Changes in Fair     Value Less Costs to Sell of     Biological Assets Due to     Physical Change</b>	<b>35,400.00</b>	<b>15,277.00</b>
<b>Total Revenue</b>	<b><u>12,544,450.40</u></b>	<b><u>13,267,473.52</u></b>
<b>Less: Current Operating Expenses</b>		
<b>Personnel Services</b>		
Salaries and Wages-Regular	5,907,753.09	5,372,175.56
Salaries and Wages- Casual/Contractual	132,816.00	186,505.66
Total Salaries and Wages	6,040,569.09	5,558,681.22
Personal Economic Relief Allowance (PERA)	526,000.00	474,000.00
Representation Allowance (RA)	60,000.00	60,000.00
Transportation Allowance (TA)	60,000.00	60,000.00
Clothing/Uniform Allowance	126,000.00	126,000.00
Year End Bonus	524,325.00	445,076.00
Cash Gift	110,000.00	100,000.00
Collective Negotiation Agreement - Civilian	557,500.00	396,000.02
Productivity Enhancement Incentive - Civilian	112,000.00	100,000.00
Performance Based Bonus - Civilian		-
Mid Year Bonus - Civilian	452,497.00	432,547.00
Total Other Compensation	<u>2,528,322.00</u>	<u>2,193,623.02</u>



<b>Personnel Benefit Contributions</b>		
Retirement and Life Insurance Premiums	726,812.67	647,000.00
Pag-IBIG Contributions	26,100.00	23,700.00
PhilHealth Contributions	75,799.01	69,223.87
Employees Compensation Insurance Premiums	26,500.00	23,700.00
<b>Other Personnel Benefits</b>	855,211.68	476,227.00
Terminal Leave Benefit	541,337.00	476,227.00
Other Personnel Benefit	397,039.50	-
Total Personnel Benefit Contributions	<u>938,376.50</u>	<u>1,239,850.87</u>
<b>Total Personnel Services</b>	<b><u>10,362,479.27</u></b>	<b><u>8,992,155.11</u></b>
<b>Maintenance and Other Operating Expenses</b>		
<b>Traveling Expenses</b>	-	-
Traveling Expenses-Local	976,528.52	654,415.65
Total Traveling Expenses	976,528.52	654,415.65
<b>Training and Scholarship Expenses</b>	-	-
Training Expenses	229,202.56	278,959.83
Total Training and Scholarship Expenses	229,202.56	278,959.83
<b>Supplies and Materials Expenses</b>	-	-
Office Supplies Expenses	267,160.49	463,973.50
Accountable Forms Expenses	3,600.00	16,200.00
Agriculture and Marine Supplies Expenses	1,408,048.25	400,661.50
Semi-expendable - ICT Equipment Expenses		242,246.00
Semi-expendable - technical and Scientific Equipment	18,827.00	2,695,689.61
Fuel, Oil and Lubricants Expenses	248,227.01	211,283.32
Other Supplies and Material Expenses	3,918,829.35	5,266,968.50
Total Supplies and Materials Expenses	5,864,692.10	9,297,022.43
<b>Utility Expenses</b>	-	-
Water Expenses	6,927.00	65,171.55
Electricity Expenses	55,582.42	338,488.21
Total Utility Expenses	62,509.42	403,659.76
<b>Communication Expenses</b>	-	-
Postage and Courier Services	-	493.20
Telephone Expenses - Landline		12,500.00
Telephone Expenses - Mobile	24,000.00	25,500.00

Internet Subscription Expenses	31,500.00	28,000.00
Total Communication Expenses	55,500.00	66,493.20
<b>General Services</b>	-	-
Security Services	547,402.56	504,000.00
Survey Expenses	25,000.00	
Other Professional Fees	445,245.36	
Other General Services	2,982,242.51	1,905,125.11
Total General Services	3,999,890.43	3,398,970.52
<b>Awards/Rewards and Prizes</b>	30,000.00	85,000.00
Awards/Rewards Expenses	30,000.00	85,000.00
<b>Repairs and Maintenance</b>	-	-
Repairs and Maintenance-Land & Other Improvements	-	-
Repairs and Maintenance- Buildings and Other Structures	932,320.54	1,911,266.07
Repairs and Maintenance- Machinery and Equipment	6,000.00	115,124.88
Repairs and Maintenance- Transportation Equipment	410,870.81	212,560.18
Total Repairs and Maintenance	1,349,191.35	2,238,951.13
<b>Taxes, Insurance Premiums and Other Fees</b>	-	-
Insurance Expenses	35,175.19	17,075.95
Fidelity Bond Premiums	17,846.25	12,457.50
Total Taxes, Insurance Premiums and Other Fees	53,021.44	29,533.45
<b>Other Maintenance and Operating Expenses</b>	-	-
Advertising Expenses	-	-
Rent Building & Other Structure		
Rent - Motor Vehicles		
Printing & Publication Expenses	-	-
Other MOOE	125,673.00	65,910.38
Total Other Maintenance and Other Operating Expenses	125,673.00	79,187.88
<b>Total Maintenance and Other Operating Expenses</b>	<u>12,746,208.82</u>	<u>16,532,193.85</u>
<b>Non-Cash Expenses</b>	-	-
<b>Depreciation</b>	-	-
Depreciation-Land Improvements	32,413.38	37,875.76
Depreciation-Buildings and Other Structures	35,172.24	35,172.24
Depreciation-Machinery and Equipment	447,219.69	591,743.83



Depreciation-Transportation Equipment	8,045.88	30,511.42
Depreciation-Furniture and Fixture	7,790.04	7,790.04
Impairment Loss - Property, Plant and Equipment	118,402.02	
Total Depreciation	<u>649,043.25</u>	<u>703,093.29</u>
<b>Total Non-Cash Expenses</b>	<b>649,043.25</b>	<b>703,093.29</b>
	-	-
<b>Current Operating Expenses</b>	<b>23,757,731.34</b>	<b>26,227,442.25</b>
	-	-
<b>Surplus (Deficit) from Current Operations</b>	<b>(11,213,280.94)</b>	<b>(12,959,968.73)</b>
	-	-
<b>Financial Assistance/Subsidy from NGAs, LGUs, GOCCs</b>		
Subsidy from National Government	10,404,385.01	9,670,488.42
Subsidy from Regional Office	<u>409,316.15</u>	<u>101,000.02</u>
Total Financial Assistance/Subsidy from NGAs, LGUs, GOCCs	10,813,701.16	9,771,488.44
<b>Net Financial Assistance/Subsidy</b>	<b><u>10,813,701.16</u></b>	<b><u>9,771,488.44</u></b>
<b>Surplus (Deficit) for the period</b>	<b><u>(399,579.78)</u></b>	<b><u>(3,188,480.29)</u></b>

**LANAO DEL NORTE NATIONAL AGRO INDUSTRIAL SCHOOL**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
**ALL FUND**

**FOR THE QUARTER ENDED DECEMBER 31, 2019**

**(With Comparative Figures in 2018)**

	<u>2019</u>	<u>2018</u>
Balance at January 1	47,676,060.99	50,864,541.28
Add/(Deduct):	-	-
Changes in accounting policy	-	-
Restated balance	<u>47,676,060.99</u>	<u>50,864,541.28</u>
Add/(Deduct):	-	-
Surplus/(Deficit) for the period	<u>(399,579.78)</u>	<u>(3,188,480.29)</u>
<b>Balance at December 31</b>	<b><u>47,276,481.21</u></b>	<b><u>47,676,060.99</u></b>
Transfer to National Treasury		
Payment of Expenses		
Purchase of Inventory		
Remittance of Personnel Benefit		
Contribution and Mandatory		
Release of other inter agency fund		
Release of other inter agency fund		
Reversal of Utilized NCA		
Reversal of taxes withheld not reported		
Total Cash Outflows		
Cash Provided by (Used in) Operating		
Activities		
Cash Outflows		
Purchase of Property Plant & Equipment		
Expense of Biological Assets		
Cash Inflows		
Cash Provided by (Used in) Investing		
Activities		
Change (Increase) in Cash and Cash		
Equivalents		
Cash and Cash Equivalents, January 1		
Cash and Cash Equivalents, December 31		



**LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**ALL FUND**

**FOR THE QUARTER ENDED DECEMBER 31, 2019**

(With Comparative Figures in 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
<b>Cash Inflows</b>		
Receipt of Notice of Cash Allocation	10,206,437.00	9,444,227.00
Proceeds from sales of goods & services	12,509,050.40	13,267,473.52
Receipts of Intra Agency Fund Transfer	<u>16,206,907.65</u>	5,582,239.77
Receipts of Inter Agency Fund Transfer		<u>43,279,650.00</u>
<b>Total Cash Inflows</b>	<u><b>38,922,395.05</b></u>	<u><b>71,573,590.29</b></u>
<b>Cash Outflows</b>	-	-
Remittance to National Treasury	-	-
Payment of Expenses	20,177,089.45	19,133,839.22
Purchase of Inventory		-
Remittance of Personnel Benefit	2,595,141.23	2,424,705.17
Contribution and Mandatory		
Release of other inter agency fund transfer		43,279,650.00
Release of other inter agency fund transfer	17,260,175.71	344,864.00
Reversal of Unutilized NCA	12,136.53	124,336.29
Remittance of taxes withheld not covered by TRA	275,225.19	-
<b>Total Cash Outflows</b>	<u><b>40,319,768.11</b></u>	<u><b>67,732,099.85</b></u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><b>40,319,768.11</b></u>	<u><b>3,841,490.44</b></u>
<b>Cash Outflows</b>	-	-
Purchase of Property Plant & Equipment	160,640.00	-
Purchase of Biological Assets	-	-
<b>Total Cash Inflows</b>	160,640.00	-
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>160,640.00</u>	-
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(1,558,013.06)</u>	<u>3,841,490.44</u>
<b>Cash and Cash Equivalents, January 1</b>	<u><b>5,461,005.08</b></u>	<u><b>1,619,514.64</b></u>
<b>Cash and Cash Equivalents, December 31</b>	<u><b>3,902,992.02</b></u>	<u><b>5,461,005.08</b></u>

**LANAO NORTE NATIONAL AGRO INDUSTRIAL SCHOOL**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT**  
**ALL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Particulars</b>	<b>Notes</b>	<b>Budgeted Amounts</b>	<b>Final</b>	<b>Actual Amounts on Comparable Basis</b>	<b>Difference Final Budget and Actual</b>
<b>RECEIPTS</b>					
Assistance and Subsidy		8,657,000.00	10,682,990.15	10,682,990.15	-
Services and Business Income		275,704.96	12,509,050.40	12,509,050.40	-
Total Receipts		<u>8,932,704.96</u>	<u>23,192,040.55</u>	<u>23,192,040.55</u>	<u>-</u>
<b>PAYMENTS</b>					
Personnel Services		8,203,500.00	10,229,490.15	10,229,479.27	10.88
Maintenance and Other		453,500.00	453,500.00	453,499.02	0.98
Operating Expenses		275,704.96	12,509,050.40	12,504,980.00	4,070.40
Maintenance and Other					
Operating Expenses					
Total Payments		<u>8,932,704.96</u>	<u>23,192,040.55</u>	<u>23,187,958.29</u>	<u>4,082.26</u>
<b>NET RECEIPTS/PAYMENTS</b>		<u>-</u>	<u>-</u>	<u><b>4,082.26</b></u>	<u><b>4,082.26</b></u>



**NOTES TO FINANCIAL STATEMENTS**

All Funds

For the Year ended as of December 31, 2019

**1. Agency Profile**

The Lanao Norte National Agro-Industrial School ( LNNAIS ), Bualan, Tubod, Lanao del Norte was established in June 1973 under the leadership of the late Governor Arsenio A. Quibranza, catering Secondary Program. It was nationalized through the effort of Congressman Abdullah D. Dimaporo by passing a bill to the congress on March 25, 1992 under Batas PambansaBlg. 213.

The high school was nationalized through the effort of Congressman Abdullah D. Dimaporo by passing a Bill to the Congress on March 25, 1921 by virtue of Batas PambansaBlg. 213.

The school acquired 12 hectares of school site through government reservation. It was surveyed in July 21, 1921 and was approved on December 31, 1921 in the name of the provincial government of Lanaodel Norte for Bureau of Education.

In the school year 1985-1986, the school opened annex classes in barangay Pualas of the same town, 14 kilometers away from the main school which was again realized through the efforts of the founder Gov. Arsenio A. Quibranza.

The faculty and staff strive hard to provide quality education alongside with the Department of Education, Culture and Sports thrusts, plans and projects.

By virtue of Republic Act 7796, known as the TESDA Law 1994, LNNAIS became one of the schools administered by the Technical Education and Skills Development Authority (TESDA).

On March 22, 1997, TESDA-DECS Joint Memorandum Circular No. 1 Series 1997 was implemented that is the transfer of General Appropriation Act 1997 from DECS to TESDA.

In the school year 1997-1998, LNNAIS started offering Post-Secondary Programs in Automotive, Electricity, Agriculture and Garments. The twofold tasks of offering Secondary and Post-Secondary programs of LNNAIS have to be resolved to meet TESDA's mandate. A series of consultations at different levels were made to resolve the issue in the Realization of the Secondary Program of TESDA. In the school year 2003-2004, the high school started its operations back to DepEd under the name Arsenio A. Quibranza National High School and the Post-Secondary Programs are pushed through under the TESDA banner bearing the original name LANA O NORTE NATIONAL AGRO-INDUSTRIAL SCHOOL. A proportionate sharing of facilities budget and



personnel talk place. Twelve teaching positions and twelve non-teaching personnel remain with LNNAIS, four hectares' land area was given to Arsenio A. Quibranza National High School and the remaining land area has to be left with LNNAIS.

Expansion efforts were made on September 25, 2006 in Malingao, Tubod, Lanaodel Norte. A native building was lent by the good Barangay Captain Leoncio C. Bagol and his councilors in one of the barangay owned site at the back of the Malingao Elementary School. Only two qualifications offered during the year 2006-2008, namely Building Wiring Installation NCII and Bread and Pastries Production NCII. The partnership with barangay council of Malingao was strengthened through a MOA signing in the presence of Congresswoman Imelda Q. Dimaporo on January 7, 2008 when the Satellite campus was launched after a perfected Deed of Donation of a one-hectare permanent site by the philanthropic couple Mr. Marcelino P. Noval, Sr. and mayor Nelieta Q. Noval. The satellite campus located at the Noval Village, Babuyan, Malingao, Tubod, Lanaodel Norte was formally turned over on September 25, 2008 with one building called the "Bayanihan" as this was erected through the hardship and generosity of the barangay residents. The inauguration was graced with the presence of the Noval donors, the barangay council of Malingao, TESDA Regional Director Ofelia del Bando, DBM Regional Director Annabelle Atillo, and the Provincial Governor of Lanao del Norte Hon. Abdul Khalid Q. Dimaporo.

Despite these efforts, the enrolment rate has not reached into an expected peak and the school faced a most challenging state of being at a "red list"

The challenges placed the institution at a springboard to explore higher avenues. The dream of having a campus in the town proper was initiated by ABC pres. Leoncio C. Bagol. The Sangguniang Bayan of Tubod chaired by Vice Mayor Edward O. Pido passed a resolution empowering Mayor Nelieta Q. Noval to donate a property at the town proper. The Deed of Donation a lot located at Baybay, Poblacion, Tubod, Lanaodel Norte took effect on December 3, 2014. By then, some STEP, LEED thru STEPPS and TWSPA Scholarship programs were implemented in the extension campus. This campus is so promising that we are now serving a bigger social market. Finally, we had taken off.

In early 2005, the top managers designed a medium-term plan of programming the three campuses (the Bualan main campus, Malingao satellite and Baybay extension campuses) to have flagship programs for each campus. The Bualan Main Campus suitably aims to focus on Agriculture occupations, the Malingao Satellite Campus has to focus mainly in Organic Agriculture Production NCII and the BaybayTubod Extension Campus serves as the nest of Tourism sector occupations, and other hard Trades. Major turnabouts have to take place, more funds need to be sourced out and a larger community has to be served. After all, this is what the late Gov. Arsenio a. Quibranza foresee many years back to leave a legacy to the next generations and his heirs continually lives up to his expectations.



LNNAIS continues to expand the better services to the public. it serves the needs and demands of the community and develops the educational, culture, moral and economic facets of individuals by training them how to fish.

Year 2017 to 2019 was a turning point as the institutional covers' education and training services to other municipalities of Lanao del Norte like Kolambugan, Baroy, Lala, Sapad, Nunungan, Sultan Naga Dimaporo and our very own Tubod.

Indeed, in the FY 2019, LNNAIS received as the best performing institution in region 10 in terms of enrollment, graduate, assessed and certified, as team LNNAIS works together to serve more.

## **2. Statement of Compliance and Basis for Financial Statement Presentation**

The consolidated 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 consolidated 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 Principles**

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 law requires other methods.

3.1 Notice of Cash Allocation is recorded on the Regular Agency ( RA) books as well as those income/ receipts which the agency is authorized to use.

3.2 Supplies and materials purchased for inventory purposes are recorded using the Perpetual Inventory Method.

3.3 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 instructional and 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.

### ***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, LNNAIS 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 straightline method of depreciation is adopted unless another method is more appropriate for agency operation.

### ***Estimated Useful Life***

LNNAIS uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

LNNAIS uses a residual value equivalent to at least five percent (5%) of the cost of the PPE acquired.

### ***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***

LNNAIS 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.

## **3.4 Gifts and Donations**

LNNAIS 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.

## **4. Changes in accounting policies and estimates**

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

LNNAIS recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

LNNAIS 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.

## 5. Prior Period Adjustments

LNNAIS has no prior period adjustment.

## 6. Cash and Cash Equivalents

Cash in Bank – Local Currency, Current Account P **3,955,101.99**

Of the total balance of Cash in Bank - Local Currency, Current Account, ₱ 136,274.68 remaining for the payment of tax withheld on December 2019. The ₱ 3,683,791.54 due to Regional Office as balances of Universal Access to Quality Tertiary Education Act and the remaining balance of ₱ 82,925.80 represents maintaining balance of the current account.

## 7. Inventories

Accounts	Office Supplies Inventory	Agricultural and Marine Inventory	Other Supplies Inventory	Semi-expandable TSE	Total++
<b>Beg. Balance</b>	-	-	-	-	-
Addition	319,270.46	1,408,048.25	3,918,829.35	18,827.00	5,664,975.06
Expenses	267,160.49	1,408,048.25	3,918,829.35	18,827.00	5,612,865.09
Adjustments	-	-	-	-	-
<b>End Balance</b>	<b>52,109.97</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,109.97</b>



The cost of supplies inventory is computed at moving average cost. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations.

## 8. Property, Plant and Equipment

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures and Books	TOTAL
Carrying Amount, 01-Jan-19	<u>45,684,676.69</u>	<u>65,969.77</u>	<u>445,209.48</u>	<u>1,100,170.51</u>	<u>77,263.58</u>	<u>27,788.52</u>	<u>47,401,078.55</u>
Additions/Acquisitions	-	-	-	88,960.64	-	-	-
Total	<u>45,684,676.69</u>	<u>65,969.77</u>	<u>445,209.48</u>	<u>1,100,170.51</u>	<u>77,263.58</u>	<u>27,788.52</u>	<u>47,401,078.55</u>
Disposals			46,722.66				-
Depreciation (As per Statement of Financial Performance)	-	32,413.38	35,172.24	447,219.69	8,045.88	7,790.04	530,671.23
Carrying Amount, December 31, 2019 (As per Statement of Financial Position)	<u>45,684,676.69</u>	<u>33,556.39</u>	<u>363,314.58</u>	<u>741,911.46</u>	<u>69,217.70</u>	<u>19,998.48</u>	<u>46,912,675.30</u>

Land valued at **P44,160,000.00** represents the market value of twelve ( 12) hectares of school site in main campus.

Problems of ownership regarding this land arose when settlers or squatters occupied an estimated area of ten ( 10 ) hectares. At present, LNNAIS is occupying barely an area of two (2) hectares.

Land valued at **P1,413,488.00** represents the market value of 3,841 sq.m located in Poblacion, Tubod, Lanao del Norte serve as LNNAIS extension campus, donated by the Municipal Government of Tubod.

Land valued at **P-111,188.69** represents the market value of 10,000 sq.m. located in Malingao, Tubod, Lanao del Norte serve as LNNAIS satellite campus, donated by Marcelino Noval Jr.

## 9. Biological Assets

ACCOUNTS	RECONCILIATION OF BIOLOGICAL ASSETS AS OF DECEMBER 31, 2019			
	Livestock	Trees, Plants & Crops	Breeding Stocks	Total
Carrying Amount, January 1, 2019	7,200.00	68,760.00	153,500.00	229,460.00
Additions due to purchase				
Additions due to physical/price change			35,600.00	35,600.00
Reduction to sales				
Reduction due to physical/price change	200.00			200.00
<b>TOTAL CARRYING AMOUNT, DECEMBER 31, 2019</b>	<b>7,000.00</b>	<b>68,760.00</b>	<b>189,100.00</b>	<b>264,860.00</b>

The biological assets were measured on initial recognition and at each reporting date at its fair value less costs to sell.

## 10. Inter-Agency Payables

The total amount of Inter Agency Payable of P3,856,156.08 consist of the following:

Due to BIR of **P 172,364.54** represents taxes withheld and remitted to BIR on January 9, 2019

Due to **Regional Office P 3,683,791.54** balances for implementation of Universal Access to Tertiary Education Act.

## 11. Service and Business Income

Particulars	2019	2018
<b>Business Income</b>	<b>12,509,050.40</b>	<b>13,252,196.82</b>
Seminar/Training Fee	6,614,075.00	8,511,674.48
Examination Fee	5,076,318.40	3,972,885.00
School Fees	8,900.00	12,270.00
Other Business Income	807,232.00	733,967.34
<b>Total Service and Business Income</b>	<b>12,509,050.40</b>	<b>13,252,196.82</b>

School fees represents collection from honorable dismissal, transcript of records, certificates of trainings and registration fees.

Examination fees represents from assessment fees for the conduct of national assessments to candidates (regular trainees, scholarships and walk in clients)



Seminars/Training Fees represents collections from training cost of regular trainees and scholarships such as Training for Work Scholarship Program (TWSP), Special Training for Employment Program, and Entrepreneurship Development Training.

Other Business Income represents sales from agricultural products.

## 12. Personnel Services

### 12.1 Salaries and Wages

Particulars	2019	2018
Salaries and Wages-Regular	5,907,753.09	5,372,175.56
Salaries and Wages-Casual/Contractual	132,816.00	186,505.66
<b>Total Salaries and Wages</b>	<b>6,040,569.09</b>	<b>5,558,681.22</b>

### 12.2 Other Compensation

Particulars	2019	2018
Personal Economic Relief Allowance (PERA)	526,000.00	474,000.00
Representation Allowance (RA)	60,000.00	60,000.00
Transportation Allowance (TA)	60,000.00	60,000.00
Clothing/Uniform Allowance	126,000.00	126,000.00
Year End Bonus	524,325.00	445,076.00
Cash Gift	110,000.00	100,000.00
Collective Negotiation Agreement - civilian	557,500.00	396,000.02
Productivity Enhancement Bonus - Civilian	112,000.00	100,000.00
Other Bonuses and Allowances	452,497.00	432,547.00
<b>Total Other Compensation</b>	<b>2,528,322.00</b>	<b>2,193,623.02</b>

### 12.3 Personnel Benefit Contributions

Particulars	2019	2018
Retirement and Life Insurance Premiums	726,812.67	647,000.00
Pag-IBIG Contributions	26,100.00	23,700.00
PhilHealth Contributions	75,799.01	69,223.87
Employees Compensation Insurance Premiums	26,500.00	23,700.00
<b>Total Personnel Benefit Contributions</b>	<b>855,211.68</b>	<b>763,623.87</b>

### 12.4 Other Personnel Benefits

Particulars	2019	2018
Terminal Leave Benefits	541,337.00	476,227.00
Other Personnel Benefit	397,039.50	
<b>Total Other Personnel Benefits</b>	<b>855,211.68</b>	<b>476,227.00</b>

### 13. Maintenance and Other Operating Expenses

#### 13.1 Traveling Expenses

Particulars	2019	2018
Traveling Expenses-Local	976,528.52	654,415.65
<b>Total Traveling Expenses</b>	<b>976,528.52</b>	<b>654,415.65</b>

#### 13.2 Training Expenses

Particulars	2019	2018
Training expenses	229,202.56	278,959.83
<b>Total Traveling Expenses</b>	<b>229,202.56</b>	<b>278,959.83</b>

#### 13.3 Supplies and Materials Expenses

Particulars	2019	2018
Office Supplies Expenses	267,160.49	463,973.00
Accountable Forms Expenses	3,600.00	16,200.00
Agriculture and Marine Supplies Expenses	1,408,048.25	400,661.50
Textbooks and Instructional Materials Expenses		
Semi-expendable - Technical and Scientific Equip.	18,827.00	2,695,689.61
Fuel, Oil and Lubricants Expenses	248,227.01	211,283.32
Other Supplies and Material Expenses	3,918,829.35	5,266,968.50
<b>Total Supplies and Materials Expenses</b>	<b>5,864,692.10</b>	<b>9,297,022.43</b>

#### 13.4 Utility Expenses

Particulars	2019	2018
Water Expenses	6,927.00	65,171.55
Electricity Expenses	55,582.42	338,488.21
<b>Total Utility Expenses</b>	<b>62,509.42</b>	<b>403,659.76</b>

#### 13.5 Communication Expenses

Particulars	2019	2018
Postage and Courier Services		493.20



Particulars	2019	2018
Telephone Expenses – Mobile		25,500.00
Telephone Expenses – Landline	24,000.00	12,500.00
Internet Subscription Expenses	31,500.00	28,000.00
<b>Total Communication Expenses</b>	<b>55,500.00</b>	<b>66,493.20</b>

### 13.6 General Services

Particulars	2019	2018
Security Services	547,402.56	504,000.00
Survey Expenses	25,000.00	
Other Professional Fees	445,245.36	989,845.41
Other General Services	2,982,242.51	1,905,125.11
<b>Total General Services</b>	<b>3,999,890.43</b>	<b>3,398,970.52</b>

### 13.7 Repairs and Maintenance

Particulars	2019	2018
Repairs and Maint. -Buildings and Other Structures	932,320.54	1,911,266.07
Repairs and Maint.-Machinery and Equipment	6,000.00	115,124.88
Repairs and Maint.-Transportation Equipment	410,870.81	212,560.18
<b>Total Repairs and Maintenance Expenses</b>	<b>1,349,191.35</b>	<b>2,238,951.13</b>

### 13.8 Taxes, Insurance Premiums and Other Fees

Particulars	2019	2018
Awards/Rewards Expenses	30,000.00	85,000.00
Insurance Expenses	35,175.19	17,075.95
Fidelity Bond Premiums	17,846.25	12,457.50
<b>Total Taxes, Insurance Premiums and Other Fees</b>	<b>83,021.44</b>	<b>114,533.45</b>

### 13.9 Other Maintenance and Operating Expenses

Particulars	2019	2018
Advertising Expenses		13,277.50
Other MOOE	125,673.00	65,910.00
<b>Total Other Maintenance and Operating Expenses</b>	<b>125,673.00</b>	<b>79,187.50</b>

## 14 Non-Cash Expenses

### 14.1 Depreciation

Particulars	2019	2018
Depreciation-Land Improvements	32,413.38	37,875.76
Depreciation-Buildings and Other Structures	35,172.24	35,172.24
Depreciation-Machinery and Equipment	447,219.69	591,743.83
Depreciation-Transportation Equipment	8,045.88	30,511.42
Depreciation-Furniture and Fixture	7,790.04	7,790.04
Impairment Loss - Property, Plant and Equipment	118,402.02	
<b>Total Depreciation</b>	<b>649,043.25</b>	<b>703,093.29</b>

## 15. Financial Assistance/Subsidy from NGAs, LGUs, GOCCs

Particulars		2018
Subsidy from National Government	10,404,385.01	9,670,488.42
Subsidy from other NGAs	409,316.15	101,000.02
<b>Total Financial Assistance/Subsidy from NGAs, Regional Office</b>	<b>10,813,701.16</b>	<b>9,771,488.44</b>

Subsidy Income from National Government for ₱ 10,206,437.00 represents NCA received from DBM-X for the period January – December 2019 through the Land Bank of the Philippines – Tubod Branch. Of the total amount received ₱ 12,136.53 was reverted back to National Treasury as cash savings. The agency tax remittance advice for year 2019 amounting to ₱ 210,084.54.

Subsidy from Regional Office of ₱409,316.15 for payment of anniversary bonus and salary of casual employee.



### STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Observation and Recommendations	Ref.	Action Taken by the Management	Status of Implementation	Reason for Partial / Non-Implementation
<p>1. Unserviceable property totaling P2,171,280.77 are not derecognized from the books of accounts and disposed, thereby overstating the Property, Plant and Equipment account by their carrying amount.</p> <p>We recommended that management:</p> <ul style="list-style-type: none"> <li>• Create an Appraisal and Disposal Committee to provide valuation on unserviceable properties for their disposal and dispose subject unserviceable properties as soon as appraisal thereof has been done and proper documentation for the disposal of the same; and</li> <li>• Require the Head of the Accounting Unit to derecognize from the books of accounts the</li> </ul>			<i>Fully Implemented</i>	

Observation and Recommendations	Ref.	Action Taken by the Management	Status of Implementation	Reason for Partial / Non-Implementation
corresponding value of the unserviceable properties.				
<p><b>2. Payment of honorarium for various assessments done within the regular working hours amounting to P50,840.64 were received by regular employees, in addition to their fixed salaries without legal basis and the lack of supporting documents thereof constitute an irregular expenditure as defined in Section 3.1 of COA Circular 2012-003 dated October 29, 2012.</b></p> <p>Submit legal justification for claimed honoraria, failure to submit such justification will tantamount to irregular expenditures and a total disallowances in audit, therefore, they are hereby instructed to refund the amount paid and received by them Notice of Disallowed shall be issued.</p>			<i>Fully Implemented</i>	