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## LUPON SCHOOL OF FISHERIES

### NOTES TO FINANCIAL STATEMENTS FUND 101 (General Fund/Trust Fund) CY 2017

#### Note 1 – GENERAL

The financial statements of Lupon School of Fisheries were authorized for issue on February 3, 2018 as shown in the Statement of Management Responsibility for Financial Statements signed by **RUTH R. PUNDANG**, the Vocational School Administrator III.

**LUPON SCHOOL OF FISHERIES** is a **TESDA Technology Institution** established on **November 15, 1982** and operates under the authority of the **Technical Education and Skills Development Authority**. The mandate of Lupon School of Fisheries is to implement the comprehensive development plan for middle level manpower. These services are grouped into the following key areas: training, production, research and extension services. The Agency's registered office is located in Roxas cor. Panuncialman Sts., Brgy. Poblacion, Lupon, Davao Oriental.

#### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of Preparation

The financial statements of the Agency have been prepared in accordance with the Government accounting principles, as set forth in the Philippine Public Sector Accounting Standards (PPSAS). The financial statements are presented in Philippine Pesos, which is the Agency's functional currency.

The Agency uses the Revised Chart of Accounts (RCA), prescribed under Commission on Audit (COA) Circular nos. 2013-002 and 2014-003 dated January 30, 2013 and April 15, 2014, respectively, with December 31, 2014 as the date of conversion.

The financial statements have been prepared using historical cost. Accounting estimates and assumptions are used in preparing the financial statements. Although these estimates are based on management's informed judgment of events and conditions with an appropriate consideration to materiality, actual results may ultimately differ from those estimates.

##### 2.2 Statement of Compliance

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

##### 2.3 Adoption of New Accounting Standards

The following accounting standards and interpretations to existing standards that have been published by the International Public Sector Accounting Standards Board (IPSASB) and adopted by the Philippine Public Sector Accounting Standards Board (PPSASB) which became effective starting January 1, 2014 were adopted by Lupon School of Fisheries as at year end of CY 2014.

PPSAS 1	Presentation of Financial Statements
PPSAS 2	Cash Flow Statements
PPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
PPSAS 12	Inventories
PPSAS 14	Events after the Reporting Date
PPSAS 17	Property, Plant and Equipment
PPSAS 27	Agriculture
PPSAS 28	Financial Instruments: Presentation
PPSAS 29	Financial Instruments: Recognition and Measurement
PPSAS 30	Financial Instruments: Disclosures

These new standards and interpretations prescribe new accounting measurement and disclosure requirements applicable to the Agency. When applicable, the adoption of the new standards was made in accordance with the transitional provisions of the standards, otherwise the adoption of the new standards is accounted for as change in accounting policy under PPSAS 3: “Accounting Policies, Changes in Accounting Estimates and Errors.”

The effects of these new standards and interpretations on the Agency’s accounting policies and on the amounts disclosed in the financial statements are summarized as follows:

**PPSAS 1, “Presentation of Financial Statements,”** provided different terminology for the financial statements. The most significant examples are the use of “Statement of Financial Position” and “Statement of Financial Performance.” The equivalent terms used in prior years are “Balance Sheet” and “Income Statement,” respectively. The Standard sets out the components of financial statements and minimum requirements for disclosure on the face of the Statement of Financial Position and the Statement of Financial Performance, as well as for the presentation of changes in net assets/equity. It also describes further items that may be presented either on the face of the relevant financial statement or in the notes.

**PPSAS 2, “Cash Flow Statements,”** requires the provision of information about the historical changes in cash and cash equivalents by means of a Cash Flow Statement which classifies cash flows during the period from operating, investing and financing activities.

**PPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors,”** defines material omissions and misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting errors. The most significant change in accounting estimate for this period is the change in residual value of all classes of PPE from 10% to 5% of the cost.

**PPSAS 12, “Inventories,”** sets out the accounting treatment for cost of inventories to be recognized as an asset and carried forward until the related revenues are recognized. The Standard also provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The weighted average method is adopted for items that are not specifically identifiable.

**PPSAS 14, “Events after the Reporting Date,”** prescribes the circumstances in which adjustments for events after the reporting period are required. The date when the financial

statements are authorized for issue and the Agency Head who authorized such shall also be disclosed.

**PPSAS 17, “Property, Plant and Equipment,”** prescribes the accounting treatment for property, plant and equipment and its related disclosure requirements. The cost model is adopted for all classes of PPE. Depreciation is computed for the month if the PPE is available for use on or before the 15<sup>th</sup> of the month and in the succeeding month if the PPE is available for use after the 15<sup>th</sup> of the month. The straight line method of depreciation is adopted with asset’s residual value equivalent to at least five percent (5%) of the cost, and the asset’s estimated useful life using the schedule prepared by the Commission on Audit (COA).

**PPSAS 27, “Agriculture,”** prescribes the accounting treatment and disclosure related to agricultural activity. Agricultural activity is the management of the biological transformation of living animals or plants (biological assets) for sale, distribution for nominal charge or into additional biological assets. The relevant agricultural activity of the Agency comprises of income-generating projects managed by the Technical Vocational Schools and the Regional Training Center under TESDA XI.

**PPSAS 28, “Financial Instruments: Presentation,”** establishes principles for presenting financial instruments as liabilities or net assets/equity.

**PPSAS 29, “Financial Instruments: Recognition and Measurement,”** prescribes the accounting principles for recognizing and measuring financial assets and liabilities.

**PPSAS 30, “Financial Instruments: Disclosures,”** requires the provision of disclosures in the financial statements that enable users to evaluate: (a) the significance of financial instruments; and (b) the nature and extent of risks the entity is exposed to and how the entity manages those risks.

The adoption of the above standards and interpretations did not have any significant effect on the Agency’s financial statements, and did not result in restatement of prior years’ financial statements. These, however, require additional disclosures on the financial statements of the Agency.

## **2.4 Significant Accounting Policies and Practices**

To facilitate the understanding of the financial statements, the following significant accounting policies and practices are set forth:

### **Inventories**

Inventories are stated at cost or value of purchased/acquired supplies for government operations. It includes cost of accountable forms such as checks and official receipts, and of textbooks and instructional materials purchased/received for use in the operation of government schools or training centers.

### **Property, Plant and Equipment**

Property and equipment are stated at cost less accumulated depreciation/ amortization and any impairment in value.

The initial cost of the PPE comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures

incurred after the PPE have been put into operations, such as repairs and maintenance and overhaul costs are charged to operations in the period it is incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits, the expenditures are capitalized. Cost also includes any interest on borrowed funds used. When assets are retired, their costs and related accumulated depreciation/amortization/impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from its disposal is included in the statement of operations of such period.

### ***Derecognition***

Lupon School of Fisheries 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.

### **Revenue and Expense Recognition**

The Agency uses the accrual basis of accounting wherein income and expenses are recorded in the books of account at the time they are earned and incurred, except for transactions otherwise accounted for as required by law.

The operating revenues of the Agency are sourced from Subsidy from National Government as indicated in the Approved General Appropriations Act (GAA) for the period and recorded in the Agency books upon the receipt of Notices of Cash Allocation (NCA) and Notices of Transfer of Allotment (NTA) from the Department of Budget and Management (DBM) and from TESDA-Central Office, respectively.

## **NOTE 3 – MANAGEMENT’S SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

### **3.1 Judgments**

The preparation of the Agency’s financial statements in conformity with the Philippine Public Sector Accounting Standards requires management to make estimates and assumptions that effect the amounts reported therein and its accompanying notes.

### **3.2 Estimates**

In the application of the Agency’s accounting policies, management is required to make estimates about the carrying amounts of the assets and liabilities that are not readily apparent from other sources.

#### **3.2.1 Impairment of Inventory**

The Agency recognizes impairment on inventories whenever net realizable value of inventories become lower than cost due to damage, physical deterioration, obsolescence, changes in price level or other causes.

No impairment of inventory is recognized this period.

### **3.2.2 Estimated Useful Lives of Property, Plant and Equipment**

The Agency estimates the useful lives of the PPEs based on the schedule issued by the Commission on Audit (COA) through COA Circular no. 2003-007 dated December 11, 2003.

Depreciation and amortization are calculated on a straight – line basis and assets are depreciated over the following useful lives:

Land Improvements, Aquaculture Structures	10 years
Buildings and School Buildings	30 years
Other Structures	20 years
Machinery	10 years
Communication Equipment	10 years
Office and ICT Equipment	5 years
Technical and Scientific Equipment	10 years
Other Machinery and Equipment	10 years
Motor Vehicles	7 years
Furniture & Fixture	10 years
Books	5 years
Other PPEs	5 years

### **3.3 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

## **Note 4 – CASH AND CASH EQUIVALENTS**

### **4.1 Cash – Modified Disbursement System (MDS), Regular**

This account pertains to cash received for the operating requirements of the Agency through the issuance of Notices of Cash Allocation (NCA) and Notices of Transfer of Allotment from the Department of Budget and Management (DBM) and TESDA – Central Office, respectively. The account will automatically lapse thus rendering the account with zero (0) balance at year end.

## **Note 5 – INVENTORY HELD FOR CONSUMPTION**

### **5.1 Accountable Forms, Plates and Stickers Inventory**

Particulars	2017
Carrying Amount, January 1	42,715.00
Purchases during the year	
Issuances during the year except write-down	(29,323.20)
Write-down during the year	-
Carrying Amount, December 31	13,391.80

## Note 6 – PROPERTIES, PLANT AND EQUIPMENT

This account consists of the following:

PROPERTY, PLANT and EQUIPMENT	Carrying Amount, 1/1/2017	Addition/ Acquisitions	Disposals	Depreciation	Adjustment	Carrying Amount, 12/31/2017	Gross Cost	Accumulated Depreciation	Carrying Amount, 12/31/2017
Land	-	10,832,640.00				10,832,640.00	10,832,640.00	-	10,832,640.00
Land Improvements	51,573.64					51,573.64	51,573.64		51,573.64
Buildings and Other Structures	2,247,182.32	432,563.08		(195,942.69)	(960,409.43)	1,523,393.28	6,365,743.56	(4,842,350.28)	1,523,393.28
Machinery and Equipment	2,506,552.25			(540,634.38)	(724,133.83)	1,241,784.04	10,383,818.24	(9,142,034.20)	1,241,784.04
Motor Vehicle	12,950.00					12,950.00	259,000.00	(246,050.00)	12,950.00
Furniture, Fixtures and Books	39,174.96			(9,524.76)	7,561.52	37,211.72	163,229.00	(126,017.28)	37,211.72

The said PPEs are carried at cost less accumulated depreciation. Regular maintenance, repair and minor replacement are charged against Maintenance and Other Operating Expenses (MOOE) under Fund 101 as these were incurred.

Property, Plant and Equipment under the P15,000.00 capitalization threshold was derecognized due to the change in Accounting Policy for PPEs implemented by the Agency in accordance with PPSAS 17.

The Adjustment column above is for the adjustments made due to over or (under) depreciation of PPEs made in the previous accounting periods.

### 6.1 Land

This account in the amount of P 10,832,640 is a 2.5-hectare land area at Lupon School of Fisheries main campus, Roxas corner Panuncialman St., Poblacion, Lupon, Davao Oriental acquired thru transfer from Municipality of Lupon. It was booked at its appraised value last November 29, 2017 due to the availability of tax declaration and still the process of titling.s

### 6.2 Other Land Improvements

This account in the amount of P 1,031,472.88 refers to the entrance way, gates, fence upgrading and other land improvements at LSF.

### 6.3 Buildings and Other Structures

This account consists of the following:

Particulars	Cost	Accumulated Depreciation	Net Book Value
Office Buildings	541,254.50	437,063.06	104,191.44
School Buildings	3,252,094.57	2,524,575.12	727,519.45
Other Structures	2,572,394.49	1,880,712.10	691,682.39
<b>TOTAL BUILDINGS &amp; OTHER STRUCTURES</b>	<b>6,365,743.56</b>	<b>4,842,350.28</b>	<b>1,523,393.28</b>

### 6.4 Machinery and Equipment

Particulars	Cost	Accumulated Depreciation	Net Book Value
Office Equipment	718,381.20	682,462.80	35,918.40
Information and Communication Technology Equipment	1,314,387.47	1,203,875.09	110,512.38
Technology and Scientific Equipment	6,109,652.37	5,710,688.99	398,963.38
Other Machinery and Equipment	2,241,397.00	1,545,007.32	696,389.68
<b>TOTAL MACHINERY AND EQUIPMENT</b>	<b>10,383,818.04</b>	<b>9,142,034.20</b>	<b>1,241,783.84</b>

### 6.5 Motor Vehicles

Particulars	Cost	Accumulated Depreciation	Net Book Value
Blue Jeep	135,000.00	128,250.00	6,750.00
Isuzu Trooper	124,000.00	117,800.00	6,200.00
<b>TOTAL MOTOR VEHICLES</b>	<b>259,000.00</b>	<b>246,050.00</b>	<b>12,950.00</b>

### 6.6 Furniture and Fixtures and Books

Particulars	Cost	Accumulated Depreciation	Net Book Value
Furniture and Fixtures	163,229.00	126,017.28	37,211.72
Books			-
<b>Furniture and Fixtures and Books</b>	<b>163,229.00</b>	<b>126,017.28</b>	<b>37,211.72</b>

**Note 7 – ACCUMULATED SURPLUS / (DEFICITS)**

Particulars	2017	2016
Balance at January 1	4,900,148.17	5,814,596.08
Add / (Deduct)		
Changes in Accounting Policy		(707,201.57)
Prior Period Errors	(1,244,418.66)	(55,860.66)
Other Adjustments 1		
<b>Restated balance</b>	<b>3,655,729.51</b>	<b>5,051,533.85</b>
Add / (Deduct)		
Changes in Net Assets/Equity for the Calendar Year		
Surplus/(Deficit) for the period	10,057,214.97	(151,385.68)
Adjustment of net revenue recognized directly in net assets/equity 1	-	-
Others 2		
<b>Balance at December 31</b>	<b>13,712,944.48</b>	<b>4,900,148.17</b>

## Note 8 – EXPENSES

### PERSONNEL SERVICES

#### 8.1.a Salaries and Wages

Particulars	CY 2017	CY 2016
Salaries and Wages - Regular	11,947,335.69	10,799,786.83
Salaries and Wages - Casual/Contractual	-	
<b>TOTAL</b>	<b>11,947,335.69</b>	<b>10,799,786.83</b>

#### 8.1.b Other Compensation

Particulars	CY 2017	CY 2016
Personal Economic Relief Allowance (PERA)	816,000.00	888,000.00
Representation Allowance (RA)	60,000.00	60,000.00
Transportation Allowance (RA)	60,000.00	60,000.00
Clothing / Uniform Allowance	195,000.00	185,000.00
Productivity Incentive Allowance	190,000.00	
Year End Bonus	1,956,515.00	1,805,484.00
Cash Gift	190,000.00	180,000.00
Other Bonuses and Allowances	535,800.00	
<b>TOTAL</b>	<b>4,003,315.00</b>	<b>3,178,484.00</b>

#### 8.1.c Personnel Benefit Contribution

Particulars	CY 2017	CY 2016
Retirement and Life Insurance Premiums	1,413,318.49	1,474,406.46
Pag-IBIG Contributions	44,500.00	57,862.50
PHILHEALTH Contributions	140,400.00	118,637.50
Employees Compensation Insurance Premiums	44,600.00	46,900.00
<b>TOTAL</b>	<b>1,642,818.49</b>	<b>1,697,806.46</b>



#### 8.1.d Other Personnel Benefits

Particulars	CY 2017	CY 2016
Terminal Leave Benefits	323,673.40	
Other Personnel Benefits	55,000.00	1,314,800.00
TOTAL	378,673.40	1,314,800.00

### MAINTENANCE AND OTHER OPERATING EXPENSES

#### 8.2.a Traveling Expenses

Particulars	CY 2017	CY 2016
Traveling Expenses - Local	153,046.20	97,959.55
Traveling Expenses - Foreign	3,100.00	7,935.00
TOTAL	156,146.20	105,894.55

#### 8.2.b Training and Scholarship Expenses

Particulars	CY 2017	CY 2016
Training Expenses	590,246.47	535,246.00
Scholarship Grants/Expenses	2,188,739.61	4,479,462.93
TOTAL	2,778,986.08	5,014,708.93

#### 8.2.c Supplies and Materials Expenses

Particulars	CY 2017	CY 2016
Office Supplies Expenses	26,956.20	155,540.29
Accountable Forms Expenses	29,323.20	27,407.00
Fuel, Oil and Lubricants Expenses	61,149.91	163,358.01
Semi-Expendable Machinery and Equipment		
Semi-Expendable Furniture, Fixture & Books		
Other Supplies and Materials Expenses		
TOTAL	117,429.31	346,305.30

#### 8.2.d Utility Expenses

Particulars	CY 2017	CY 2016
Water Expenses	625.07	
Electricity Expenses	243,388.88	524,060.40
<b>TOTAL</b>	<b>244,013.95</b>	<b>524,060.40</b>

### 8.2.e Communication Expenses

Particulars	CY 2017	CY 2016
Telephone Expenses - Landline	17,796.21	49,560.67
Internet Subscription Expenses		35,491.16
Cable, Satellite, Telegraph and Radio Expenses		
<b>TOTAL</b>	<b>17,796.21</b>	<b>85,051.83</b>

### 8.2.g Professional and General Services

Particulars	CY 2017	CY 2016
Other Professional Services	566,778.24	1,898,479.91
<b>TOTAL</b>	<b>566,778.24</b>	<b>1,898,479.91</b>

### 8.2.h Repairs and Maintenance Expenses

Particulars	CY 2017	CY 2016
Repairs and Maintenance - Buildings and Other Structures	110,154.50	524,226.16
Repairs and Maintenance - Semi-Expendable Equipment	-	132,500.00
<b>TOTAL</b>	<b>110,154.50</b>	<b>656,726.16</b>

### 8.2.i Taxes, Insurance Premium and Other Fees

Particulars	CY 2017	CY 2016
Taxes, Duties and Licenses	45,740.85	3,697.17
Fidelity Bond Premiums	13,074.06	
Insurance Expenses		5,000.00
<b>TOTAL</b>	<b>58,814.91</b>	<b>8,697.17</b>

### 8.2.j Other Maintenance and Operating Expenses

Particulars	CY 2017	CY 2016
Advertising Expenses	47,941.25	16,272.50
Printing and Publication Expenses	5,053.00	8,522.58
Subscription Expenses	2,990.00	
<b>TOTAL</b>	<b>55,984.25</b>	<b>24,795.08</b>

## Note 9 – NON CASH EXPENSES

### 9.1 Depreciation

Particulars	CY 2017	CY 2016
Depreciation - Other Land Improvements	-	18,818.61
Depreciation - Buildings and Other Structures	195,942.69	94,850.58
Depreciation - Machinery and Equipment	540,634.38	69,456.63
Depreciation - Furniture, Fixtures & Books	9,524.76	31,013.52
<b>TOTAL</b>	<b>746,101.83</b>	<b>214,139.34</b>

## Note 10 – SUBSIDY

### 10.1.a Subsidy from National Government

This account consists of the following:

Particulars	CY 2017	CY 2016
Receipt of NCA from DBM	20,623,027.00	24,547,482.68
Remittance of taxes thru TRA	2,016,976.57	1,647,508.66
Less:		
Unutilized NCA and NTA reverted to BTr	(301,080.54)	(461,567.76)
<b>TOTAL</b>	<b>22,338,923.03</b>	<b>25,733,423.58</b>

### NOTE TO USERS:

*Although efforts were exerted to provide this basic model, this cannot be expected to address every type of transactions or disclosure requirements and it is not comprehensive enough in all respects to meet the needs of every user. Further, this model is not intended to cover all aspects of standards with regard to disclosures. Applying the PPSAs requires professional judgment.*