LEYTE NORMAL UNIVERSITY
Notes to Consolidated Financial Statements
For the year ended December 31, 2016

1. General Information/Agency Profile

The consolidated financial statements of Leyte Normal University were authorized for issue on February 14, 2017 as shown in the Statement of Management Responsibility for Financial Statements signed by Dr. Jude A. Duarte, University President and Leo A. Omamalin, Accountant III. Leyte Normal University is a government institution of higher learning established on February 23, 1995 and operates under the authority of the Republic Act 7910. The mandate of Leyte Normal University is to primarily provide higher professional and special instructions for special purposes and promote research and extension services, advanced studies and progressive leadership in education and other related fields as may be relevant and offer undergraduate and graduate courses in the fields of education and other related degree courses as the Board of Regents may deem necessary to carry out its objectives. These services are grouped into the following key areas: General Administration and Supervision, Support to Operations, Higher Education Services, Advanced Education Services, Research Services and Extension Services. The Agency's registered office is located in Paterno Street, Tacloban City, Leyte.

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

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 Policies

3.1 Basis of accounting

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

3.2 Financial Instruments

a. Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit

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

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Leyte Normal University has the positive intention and ability to hold it to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Derecognition

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

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

Impairment of financial assets

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

Evidence of impairment may include the following indicators:

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

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Leyte Normal University first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Leyte Normal University determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

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

b. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. The Leyte Normal University's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit.

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.
This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PPSAS 29.

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

Loans and borrowing

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

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

Derecognition

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

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

c. Offsetting of financial instruments

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

d. Fair value of financial instruments

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

e. Derivative financial instruments

Initial recognition and subsequent measurement

The Leyte Normal University uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit. The Leyte Normal University does not apply hedge accounting.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.4 Inventory

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Leyte Normal University.

3.5 Property, Plant and Equipment

Recognition

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

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

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

Measurement at Recognition

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

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

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

Cost includes the following:

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

Measurement After Recognition

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

When significant parts of property, plant and equipment are required to be replaced at intervals, the Leyte Normal University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

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

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

Initial Recognition of Depreciation

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

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

Depreciation Method

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

Estimated Useful Life

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

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

Asset Accounts	Estimated Useful Life
Other Land Improvements	20 - 30
Water Supply System	10
School Buildings	20 - 30
Other Structures	10
Office Equipment	5
Information & Communication Technology Equipment	5
Medical Equipment	10
Sports Equipment	10
Technical & Scientifc	10
Other Machineries and Equipment	10
Motor Vehicles	7
Furniture & Fixtures	10
Other Property, Plant & Equipment	5

Impairment

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

Derecognition

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

3.6 Leases

Operating lease

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Leyte Normal University. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Operating Lease

Leases in which the Leyte Normal University does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned. The depreciation policy for PPE are applied to similar assets leased by the entity.

3.7 Intangible Assets

Recognition and Measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PPSAS 5,

Subsequent Expenditure on an Acquired In-process Research and Development Project

Subsequent expenditure on an in-process research or development project acquired separately and recognized as an intangible asset is:

- Recognized as an expense when incurred if it is research expenditure;
- Recognized as an expense when incurred if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset; and
- Added to the carrying amount of the acquired in-process research or development project if it is development expenditure that satisfies the recognition criteria for intangible assets.

Intangible Assets Acquired through Non-Exchange Transactions

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these were acquired.

Internally Generated Intangible Assets

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

Recognition of an Expense

Expenditure on an intangible item were recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent Measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life is amortized over its useful life:

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful lives was not be amortized.

Intangible assets with an indefinite useful life or an intangible asset not yet available for use were assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, were reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset were considered to modify the amortization period or method, as appropriate, and were treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset were measured as the difference between the net disposal proceeds and the carrying amount of the asset and were recognized in the surplus or deficit when the asset is derecognized.

Research and development costs

The Leyte Normal University expenses research costs as incurred. Development costs on an individual project were recognized as intangible assets when the Leyte Normal University can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition, intangible assets were carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use.

It is amortized over the period of expected future benefit.

During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

3.8 Provisions

Provisions were recognized when the Leyte Normal University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Leyte Normal University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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

Contingent liabilities

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

Contingent assets

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

Contingent assets were assessed continually to ensure that developments were appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.9 Changes in accounting policies and estimates

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

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

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

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

3.10 Foreign currency transactions

Transactions in foreign currencies were initially recognized by applying the spot exchange rate between the function currency and the foreign currency at the transaction.

At each reporting date:

- Foreign currency monetary items were translated using the closing rate;
- Nonmonetary items that were measured in terms of historical cost in a foreign currency were translated using the exchange rate at the date of the transaction; and
- Nonmonetary items that were measured at fair value in a foreign currency were translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, were recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation.

3.11 Revenue from non-exchange transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

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

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

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

Recognition Revenue from Non-Exchange Transactions

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

As Leyte Normal University satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

Measurement of Revenue from Non-Exchange Transactions

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

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

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

Taxes

Taxes and the related fines and penalties were recognized when collected or when these were measurable and legally collectible. The related refunds, including those that were measurable and legally collectible, were deducted from the recognized tax revenue.

Fees and fines not related to taxes

The Leyte Normal University recognizes revenues from fees and fines, except those related to taxes, when earned and the asset recognition criteria were met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.
Other non-exchange revenues were recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Gifts and Donations

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

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

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

Transfers

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

Services in-Kind

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets were measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Leyte Normal University and can be measured reliably.

3.12 Revenue from Exchange transactions

Measurement of Revenue

Revenue was measured at the fair value of the consideration received or receivable.

Rendering of Services

The Leyte Normal University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred were recoverable.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Leyte Normal University.

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Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions were recognized when the [Name of Entity]'s right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Royalties

Royalties were recognized as they were earned in accordance with the substance of the relevant agreement.

3.13 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.

Particulars	GAA & GARO 2016	Not Yet Due and Demandable Obligations	Approved Budget	Continuing Appropriations	Transfers, Realignments, Withdrawals, Additional Releases	Final Budget
	a	b	c=a+b	d	e	f=c+d+e
Personnel Services (PS)	100,682,000.00	7,927,124.58	108,609,124.58	-	24,769,163.00	133,378,287.58
Maintenance and Other Operating Expenses (MOOE)	60,217,000.00	10,357,135.24	70,574,135.24	2,218,575.31	(5,325,000.00)	67,467,710.55
Capital Outlay (CO)	61,316,000.00	1,657,169.25	62,973,169.25	34,981,919.54		97,955,088.79
TOTAL	**222,215,000.00**	**19,941,429.07**	**242,156,429.07**	**37,200,494.85**	**19,444,163.00**	**298,801,086.92**

- The Original Budget includes approved appropriations and prior year's not yet due and demandable obligations per Section 26, Chapter 3 of the Government Accounting Manual Volume I. Approved Appropriations were taken from the General Appropriations Act of FY 2016 and the General Allotment Release

Order (GARO) for the Retirement and Life Insurance Premiums (RLIP). Prior Year's Not Yet Due and Demandable Obligations were taken from the Financial Accountability Report (FAR) No. 1, Fourth Quarter of FY 2015.

- The Final Budget includes the original budget and continuing appropriation and effecting the effects of transfers, realignments and withdrawals per Section 26, Chapter 3 of the Government Accounting Manual Volume I. Continuing Appropriations are taken from the Financial Accountability Report (FAR) No. 1-Continuing Appropriation, Fourth Quarter of FY 2016.

- During the year, an allotment amounting to ₱5,325,000.00 was realigned from MOOE to PS for the grant of Collective Negotiation Agreement (CNA) Incentive.

3.14 Employee benefits

The employees of Leyte Normal University are member of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. The Leyte Normal University recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

The Leyte Normal University recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). Unused entitlements that has accumulated at the reporting date were not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

3.15 Measurement uncertainty

The preparation of consolidated financial statements in conformity with PPSAS, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Estimates were based on the best information available at the time of preparation of the consolidated financial statements and were reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

4. Changes in Accounting Policies

On fiscal year 2016, Leyte Normal University adopted Section 10, Chapter 8, *Inventories of* Government Accounting Manual Volume I to wit:

Sec. 10. Semi-expendable Property. Tangible items below the capitalization threshold of P15,000 shall be accounted as semi-expendable property. The following policies apply as follows:

a. Semi-expendable property which were recognized as PPE shall be reclassified to the affected accounts.
b. These tangible items shall be recognized as expenses upon issue to the end-user.

5. Prior Period Adjustments

The effect of Prior Period Adjustments will be reflected on the Accumulated Surplus/Deficit account.

6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Funds	Cash-Collecting Officer	Cash in Bank-LCCA	Cash in Bank-LCCA (online collection)	Cash in Bank LCSA	Cash in Bank-LCTD	TOTAL
Regular Agency	**90,495.01**	**-**	**-**	**-**	**-**	**90,495.01**
Internally Generated	**24.50**	**34,682,921.37**	**6,767,919.52**	**75,378,182.39**	**23,141,792.69**	**139,970,840.47**
Trust Receipts	**73,179.37**	**98,972,925.70**	**-**	**-**	**-**	**99,046,105.07**
Trust Fund	73,179.37	88,688,364.40				88,761,543.77
CHED		9,829,631.12				9,829,631.12
DOST		454,930.18				454,930.18
Business Related	**161,816.95**	**11,266,729.14**	**-**	**-**	**-**	**11,428,546.09**
IGP	161,816.95	4,702,006.53				4,863,823.48
LNU House		4,423,056.16				4,423,056.16
LNU Cafeteria		2,141,666.45				2,141,666.45
TOTAL	**325,515.83**	**144,922,576.21**	**6,767,919.52**	**75,378,182.39**	**23,141,792.69**	**250,535,986.64**

- In compliance with Pag-IBIG Fund Circular No. 355, which mandates all government and private employers with at least ten (10) employees to remit membership savings (MS) and loan amortizations through electronic payment and collection facilities (EPCF) accredited by HDMF, the University opened an E-Government Account at the Development Bank of the Philippines (DBP), Tacloban City bearing with Savings Account No. 5-37490-775-80. The said account is used solely for the remittance of HDMF Premiums and Loan Amortizations except for the Housing Loan Amortization since it was still not supported by the system of DBP. As of December 31, 2016, the said account showed zero balance.

- The High Yield Deposit of the University bearing with Account No. 0775-017433-160 was already terminated and redeemed per Manager's Check No. 545812 dated July 8, 2016 issued by DBP, Tacloban City Branch amounting to P14,369,678.72 and was receipted by the University per OR No. 665030 dated July 20, 2016.

- The University received total cash allocations for CY 2016 of P244,968,006.00 through Notice of Cash Allocation from the Department of Budget and Management. Out of the total cash allocations received, the amount of 10,223,702.29 was reverted to the National Treasury General fund. Moreover, the University remitted through Electronic-Tax Remittance Advice totaling to P19,523,137.01 for taxes withheld from

Regular Agency Fund. The cash allocations received from DBM and the remittances of taxes withheld from transactions paid under Regular Agency Fund were recorded as credit to account Subsidy from National Government. Details of the cash allocations received, tax remittances made and reverted cash allocation are as follows:

Details of the Notice of Cash Allocation

Notice of Cash Allocation Number	Particulars	Amount
NCA-ROVIII-16-0000206 dated January 4, 2016	January 2016-Comprehensive Release	15,349,000.00
NCA-ROVIII-16-0000206 dated January 4, 2016	February 2016-Comprehensive Release	15,349,000.00
NCA-ROVIII-16-0000206 dated January 4, 2016	March 2016-Comprehensive Release	15,349,000.00
NCA-ROVIII-16-0003326 dated March 4, 2016	Compensation Adjustments	1,236,000.00
NCA-ROVIII-16-0000206 dated January 4, 2016	April 2016-Comprehensive Release	16,434,000.00
NCA-ROVIII-16-0003326 dated March 4, 2016	Compensation Adjustments	412,000.00
NCA-ROVIII-16-0000206 dated January 4, 2016	May 2016-Comprehensive Release	18,648,000.00
NCA-ROVIII-16-0003326 dated March 4, 2016	Compensation Adjustments	609,000.00
NCA-ROVIII-16-0007015 dated May 4, 2016	Midyear Bonus	2,646,628.00
NCA-ROVIII-16-0003326 dated March 4, 2016	Compensation Adjustments	412,000.00
NCA-ROVIII-16-0000206 dated January 4, 2016	June 2016-Comprehensive Release	16,434,000.00
NCA-ROVIII-16-0009990 dated June 10, 2016	July 2016-Comprehensive Release	20,239,000.00
NCA-ROVIII-16-0012776 dated July 14, 2016	August 2016-Comprehensive Release	19,294,000.00
NCA-ROVIII-16-0012776 dated July 14, 2016	September 2016-Comprehensive Release	16,105,000.00
NCA-ROVIII-16-0012776 dated July 14, 2016	October 2016-Comprehensive Release	23,911,000.00
NCA-ROVIII-16-0018968 dated October 13, 2016	PS requirements newly-filled positions	404,608.00
NCA-ROVIII-16-0012776 dated July 14, 2016	November 2016-Comprehensive Release	26,906,000.00
NCA-ROVIII-16-0018968 dated October 13, 2016	PS requirements newly-filled positions	160,510.00
NCA-ROVIII-16-0012776 dated July 14, 2016	December 2016-Comprehensive Release	19,217,000.00
NCA-ROVIII-16-0018968 dated October 13, 2016	PS requirements newly-filled positions	90,380.00
NCA-ROVIII-16-0022496 dated November 25, 2016	Scholaship and "For Later Release" Infrastructures	10,077,000.00
NCA-ROVIII-16-0023625 dated December 12, 2016	PS requirements newly-filled positions	59,356.00
NCA-ROVIII-16-0023844 dated December 15, 2016	PS requirements for 1 administrative and 7 faculty positions	3,388,849.00
NCA-ROVIII-16-0022510 dated November 25, 2016	Monetization of leave credits	2,094,719.00
NCA-ROVIII-16-0023607 dated December 12, 2016	Monetization of leave credits	141,956.00
Total Cash Allocations Received		244,968,006.00
Total Cash Utilization		234,744,303.71
Reverted Cash Allocations for the Year		**10,223,702.29**
Constructive Receipt of NCA thru Tax Remittance Advice		**19,523,137.01**
		-

7. Loans and Receivables

During the year, the University booked up receivables arising from disallowances and charges which have become final and executory to wit:

Payment of Professional Growth Monetary Assistance	3,163,725.80
Date of Notice of Disallowance: November 24, 2008	
Date of COA Order of Execution: March 1, 2016	
Payment of Professional Enhancement	2,884,475.00
Date of Notice of Disallowance: November 25, 2008	
Date of COA Order of Execution: March 1, 2016	
Payment of Agency Performance Based Bonus for FY 2004	3,621,000.00
Date of Notice of Disallowance: November 25, 2008	
Date of COA Order of Execution: May 10, 2016	
TOTAL	**9,669,200.80**

The University also booked up receivables arising from school fees for the first and second semester of School Year 2016-2017 amounting to P18,763,595.25 and P20,688,834.84 respectively based on the final assessment of the students. A reversing entry debiting "School Fees" and crediting "Accounts Receivable" accounts was prepared to effect the adjustment to school fees account which was previously recognized using the cash basis of accounting.

The University have not set up Other Deferred Credits account due to the limitation of the system and its impracticability considering that the University is using the actual collection of school fees in setting and preparing its Special Budget for the year.

8. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Leyte Normal University.

Accounts	2016 (in thousand
	Inventories carried at the lower of cost and net realizable value
Inventory Held for Sale	
Carrying amount, January 1, 2016	1,458,802.52
Additions/Acquisitions during the year	2,051,967.50
Expensed during the year except write-down	(1,673,383.06)
Write-down during the year	-
Reversal of Write-down during the year	-
Carrying amount, December 31, 2016	**1,837,386.96**
Inventory Held for Distribution	
Carrying amount, January 1, 2016	13,653.46
Additions/Acquisitions during the year	105,621.10
Expensed during the year except write-down	(105,621.10)
Write-down during the year	
Reversal of Write-down during the year	
Carrying amount, December 31, 2016	**13,653.46**
Inventory Held for Consumption	
Carrying amount, January 1, 2016	9,105,591.19
Additions/Acquisitions during the year	10,347,167.67
Expensed during the year except write-down	(7,198,976.76)
Write-down during the year	-
Reversal of Write-down during the year	-
Carrying amount, December 31, 2016	**12,253,782.10**
TOTAL CARRYING AMOUNT, DECEMBER 31, 2016	**14,104,822.52**

9. Property, Plant and Equipment

	Land	Land Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Other Property, Plant and Equipment	TOTAL
Carrying Amount, January 1, 2016	32,988,060.00	2,501,081.91	-	147,354,176.78	33,412,828.48	4,788,251.81	11,193,695.98	4,198,246.18	**236,436,341.14**
Additions/Acquisitions	-	-	410,529.60	25,156,636.03	35,710,797.52	-	3,113,164.72	6,179,235.86	70,570,363.73
Total	**32,988,060.00**	**2,501,081.91**	**410,529.60**	**172,510,812.81**	**69,123,626.00**	**4,788,251.81**	**14,306,860.70**	**10,377,482.04**	**307,006,704.87**
Disposals	-	-	-	- 453,776.35	- 3,808,091.25	- 87,816.68	- 7,428,537.64	- 500,065.27	(12,278,287.19)
Depreciation (as per Statement of Financial Performance)	-	(181,006.83)	(32,500.26)	(8,535,264.37)	(8,474,524.82)	(1,105,620.13)	(1,080,578.89)	(1,810,367.80)	(21,219,863.10)
Impairment Loss (as per Statement of Financial Performance)	-	-	-	-	-	-	-	-	-
Carrying amount, December 31, 2016 (As per Statement of Fianancial Position)	**32,988,060.00**	**2,320,075.08**	**378,029.34**	**163,521,772.09**	**56,841,009.93**	**3,594,815.00**	**5,797,744.17**	**8,067,048.97**	**273,508,554.58**

- Property, Plant and Equipment damaged by Super Typhoon *Yolanda* was still not dropped from the books since the Application for Relief from Accountability is still in progress.

- Assets previously recognized as Property, Plant and Equipment (PPE) but did not meet the P15,000.00 capitalization threshold were dropped with the remaining carrying value debited to "Accumulated Surplus/Deficit" per Section 10.a, Chapter 8 of the Government Accounting Manual Volume I which states that *"Semi-expendable property which were recognized as PPE shall be reclassified to the affected accounts*".

- The An Lantawan/SSC Office was dropped from the books since it was totally and absolutely demolished to give way the construction of ICT Building Annex. The demolition totally precludes the said building from providing future economic benefits or service potential.