

### 2.3.12 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their EUL and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least 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 are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

The EUL and amortization method are reviewed periodically to ensure that the period and method of amortization are consistent with the expected pattern of economic benefits from items of intangible assets.

When an intangible asset is retired or otherwise be disposed of, the cost and the related accumulated amortization and accumulated impairment, if any, are removed from the accounts.

As at December 31, 2018 the District's intangible assets are amortized over their EUL.

### 2.3.13 Impairment of Non-financial Assets

The District assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs

of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### 2.3.14 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the District and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### 2.3.15 Income from Waterworks System

Water revenue are recognized when the related water services are billed to customers. Water is billed every month according to the bill cycles of the customers.

#### 2.3.16 Fines and Penalties not related to taxes

The District recognizes revenue for fines and penalties charge to customers when there is a delay in the payment of water bill. A penalty of 10% of the water bill is automatically charged by the Billing and Collection System the day following grace period.

### 2.3.17 Other Business Income

Other customer related fees such as connection, reconnection and disconnection fees are recognized when these services have been rendered.

### 2.3.18 Interest Income

Interest income is recognized as it accrues, taking into account the effective yield of the assets.

### 2.3.19 Cost of Services and Operating Expenses

Cost of services and operating expenses are recognized as they are incurred. Cost and expenses are recognized in the profit and loss when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen other than distributions to equity participants that can be measured reliably. Cost and expenses are recognized in the profit and loss on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the statement of financial position as an asset.

As of December 31, 2018, cost of services and operating expenses includes personnel services, maintenance and other operating expenses, financial expenses and non-cash expenses.

### 2.3.20 Tax

#### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

#### *Deferred tax*

Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset shall be recognized for all deductible temporary differences and operating loss carryforward when it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. (PAS12.24)

Pursuant to Presidential Decree No. 198, under section 14 - Department of Justice ruling under case no. OSJ-2005-03 states that the Water Districts are exempted from Income tax and only liable to two percent (2%) Franchise Tax on its gross receipts. Recognition of deferred tax is not applicable as stated above.

#### 2.3.21 Provisions and Contingencies

##### *Provisions*

A provision is recognized when the District has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the District expects a provision to be reimbursed, the reimbursement is not recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

##### *Contingencies*

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

#### 2.3.22 Employee Benefits

The employees of the District are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. Employee entitlements to annual earned leave are recognized as a liability when they are accrued to the employees.

The District 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.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the District's financial statements in compliance with PFRS requires Management to make judgments, estimates and assumptions that affect the amounts reported and disclosure in the financial statements and the related notes. Judgments,

estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results could differ from those estimates, and such, will be adjusted accordingly.

The District believes the following represent a summary of these significant judgments, estimates and assumptions, and the related impact and associated risks in the financial statements.

### 3.1 Judgments

In the process of applying the District's accounting policies, Management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

#### *Determination of impairment of non-financial asset*

The District assesses the impairment of non-financial assets (PPE, other current assets, and other noncurrent assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the District considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the District's overall business; and
- significant negative industry or economic trends.

In 2018 and 2017, the District has not identified any impairment indicator, thus, no impairment was recognized.

### 3.2 Estimates and Assumptions

Key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

#### *Determination of impairment of receivables*

The District considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the District compares the risk of default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. The following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor; and
- Significant increases in credit risk on other financial instruments of the same debtor.

As at December 31, 2018, the District has not yet adopted the ELC method in computing the amount of allowance for impairment. The following is the basis used by the District in computing the Allowance for Impairment-Accounts Receivable, to wit:

Age of Accounts	Percentage
Active: 61-90 days	2%
Active: 91-120 days	3%
Active: Over 120 days	3%
Inactive accounts	50%

*Determination of estimated useful lives of PPE*

The useful life of each of the District's item of PPE is estimated based on the period over which the asset is expected to provide economic benefits. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of PPE would increase the recorded depreciation expense and decrease the carrying value of PPE.

**4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

**4.1 Effective beginning January 1, 2018**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years, except for the PFRS, amended PFRS and improvements to PFRS which were adopted as of January 1, 2018. Unless otherwise stated, the new standards and amendments did not have any material impact to the District.

*PFRS 9 Financial Instruments*

PFRS 9 was issued in July 2014 and has an effective date of January 1, 2018. It replaces PAS 39 Financial Instruments: Recognition and Measurement, introducing new

requirements for the classification and measurement of financial instruments, the recognition and measurement of credit impairment provisions, and providing for a simplified approach to hedge accounting.

In 2018, there were no material changes to the classification and measurement of the District's financial instruments. No transactions qualify for hedge accounting.

#### *PFRS 15, Revenue from Contract with Customers*

The new standard replaces PAS 11, Construction Contracts, PAS 18, Revenue, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.). Further, the standard was subsequently amended to provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts. Based on the District's assessment, the adoption of PFRS 15 has no significant impact in the timing of the District's revenue recognition.

#### 4.2 Effective beginning January 1, 2019

##### *PFRS 16 Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of “low-value” assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than

under PAS 17. PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The District will perform an assessment of the potential impact of PFRS 16.

#### 4.3 Interpretation with Deferred Effective Date

##### *Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

## 5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2018	2017
Cash - Collecting Officers	₱ 228,971.04	₱ 137,036.24
Cash in Bank - Current Account - Land Bank of the Philippines (LBP)	8,805,892.53	14,205,686.16
Cash in Bank - Current Account - Farmer Savings and Loan Bank (FSLB)	20,000.00	20,000.00
Cash in Bank - Savings Account (FSLB)	338,189.38	322,806.65
Cash in Bank - Savings Account - Country Rural Bank of Taguig (CRBT)	126,335.39	184,916.77
Cash in Bank - Savings Account (LBP)	2,808,144.74	2,489,704.29
Cash in Bank LBP Savings - Reserves	3,001,751.46	0.00
<b>Total Cash and Cash Equivalents</b>	<b>₱15,329,284.54</b>	<b>₱17,360,150.11</b>

Cash - Collecting Officers pertains to collections of collecting officers not yet deposited in the District's current account as of the end of the reporting period.



Cash in banks earn interest at the respective bank deposit rates, 1% for LBP accounts, 0.25% for CRBT based on average daily balance. The District maintains bank account with private banks due to unavailability of government banks in the area.

## 6. RECEIVABLES, Net

This account consists of the following:

	2018	2017
<i>Current</i>		
Accounts Receivable	₱5,831,114.32	₱4,697,977.84
Allowance for Impairment	1,434,383.21	1,353,334.61
Receivables, Net - Current	4,396,731.11	3,344,643.23
Other Receivables	3,976,520.92	2,479,601.70
<b>Receivables, Net</b>	<b>₱8,373,252.03</b>	<b>₱5,824,244.93</b>

Accounts Receivable represents balances of amount due from consumers for water service, which has been billed to the concessionaires. It also includes penalty charges imposed on delinquent accounts. The breakdown is as follows:

	2018
Accounts Receivable-Active	₱3,034,226.46
Accounts Receivable-Inactive	2,830,574.71
<b>Total Accounts Receivable</b>	<b>₱5,864,801.17</b>

Accounts Receivable includes all amounts due on open accounts arising from services rendered to the customers for waters sales.

The aging/analysis of receivables is shown below.

Accounts Receivable	2018	2017
Past due		
1-30 days	₱2,077,115.82	₱1,842,786.51
31 to 60 days	510,849.68	485,086.67
61 to 90 days	92,636.07	91,292.18
91 to 120 days	137,397.56	187,832.67
Over 120 days	3,046,802.04	2,986,046.53
Unreconciled Amount vs GL	(33,686.85)	(895,066.72)
<b>Total Accounts Receivable</b>	<b>₱5,831,114.32</b>	<b>₱4,697,977.84</b>

As at December 31, 2018, through continuous checking and reconciliation, the prior years' discrepancy between the general ledger and subsidiary ledger has decreased to ₱33,686.85.

The assessed impairment of the District is for Accounts Receivable based on Management prescribed policy on Allowance for Impairment-Accounts Receivable.

Other Receivables pertains to the amount due from customers for new service connection's fee and claims for royalty fee coming from Philhydro, Inc.

## 7. INVENTORIES

This account consists of unissued materials and supplies which are kept in stock for future use by the District in its operations. Details of the account is as follows:

<b>Inventory Held for Consumption</b>	<b>2018</b>	<b>2017</b>
<i>Cost</i>		
Balance, Jan. 1	P10,369,327.86	P11,894,484.15
Additions/Acquisitions during the year	12,007,647.79	8,256,074.62
Expensed during the year except write-down	(11,790,597.50)	(9,781,230.92)
Write-down during the year	0.00	0.00
Reversal of Write-down during the year	0.00	0.00
<b>Balance, December 31</b>	<b>P10,586,378.15</b>	<b>P10,369,327.85</b>

## 8. OTHER INVESTMENTS

This account consists of sinking fund which pertains to cash or other assets, set apart in reserve for specific long term purposes. It includes among others, a debt service reserve which will be used for loan repayments, an operation and maintenance reserve for repairs of damage District's facilities due to natural calamities, public disorders, and the like and a capital reserve for expansion of the District's facilities.

## 9. PROPERTY, PLANT AND EQUIPMENT (PPE), Net

This account includes properties of relatively permanent character that are used in normal utility operations.

The breakdown of this account is as follows:

PPE Account	2018				
	Balance at January 1	Additions/ Acquisitions	Deductions/ Disposals	Accumulated Depreciation	PPE, Net
Land	P 8,274,871.00	P 7,500,000.00	P 0.00	P 0.00	P 15,774,871.00
Infrastructure Assets	156,136,509.64	36,712,772.90	33,071.00	44,232,039.79	148,584,171.75
Building and Other Structures	7,053,004.31	1,808,138.85	1,508,522.63	2,569,562.34	4,783,058.19
Other Land Improvements	0.00	2,052,451.03	0.00	1,933.77	2,050,517.26
Leased Assets					
Improvements	823,234.00	22,000.00	0.00	97,381.78	747,852.22
Machinery and Equipment	1,242,813.25	779,696.04	729,387.00	609,739.86	683,382.43
Furniture, Fixtures and Books	3,194,582.96	1,310,164.00	801,150.00	1,522,455.93	2,181,141.03

2018					
Transportation Equipment	6,628,274.55	573,465.00	7,820.00	2,260,372.16	4,933,547.39
Construction in Progress	24,056,036.44	12,012,374.09	33,024,788.74	0.00	3,043,621.79
<b>Total</b>	<b>₱207,409,326.15</b>	<b>₱62,771,061.91</b>	<b>₱36,104,739.37</b>	<b>₱51,293,485.63</b>	<b>₱182,782,163.06</b>

2017					
PPE Account	Balance at January 1	Additions/ Acquisitions	Deductions/ Disposals	Accumulated Depreciation	PPE, Net
Land	₱ 6,374,871.00	₱ 1,900,000.00	₱ 0.00	₱ 0.00	₱ 8,274,871.00
Infrastructure Assets	147,097,156.17	9,039,353.47	0.00	40,210,570.35	115,925,939.29
Building and Other Structures	7,053,004.31	0.00	0.00	2,470,908.05	4,582,096.26
Other Land Improvements	823,234.00	0.00	0.00	65,972.76	757,261.24
Leased Assets Improvements	2,465,240.36	578,407.15	33,549.15	1,581,342.28	1,428,756.08
Machinery and Equipment	1,360,000.85	67,297.00	0.00	714,701.07	712,596.78
Furniture, Fixtures and Books	3,230,274.55	3,398,000.00	0.00	1,679,423.66	4,948,850.89
Transportation Equipment	21,133,576.71	11,877,692.20	8,955,232.47	0.00	24,056,036.44
<b>Total</b>	<b>₱189,537,357.95</b>	<b>₱26,860,749.82</b>	<b>₱8,988,781.62</b>	<b>₱46,722,918.17</b>	<b>₱160,686,407.98</b>

## 10. OTHER NON-CURRENT ASSETS

This account includes the Guaranty Deposits for meter deposits of concessionaires in compliance with the requirements of service connection which is subject to refund upon termination of contract.

## 11. FINANCIAL LIABILITIES

The details of this account are shown below:

	2018	2017
<i>Current</i>		
Accounts Payable	₱15,129,061.37	₱ 5,496,993.43
Due to Officer and Employees	19,154.39	50,973.62
Other Loans Payable	89,152.14	89,152.14
<b>Financial Liabilities - Current</b>	<b>15,237,367.90</b>	<b>5,637,119.19</b>
<i>Non-current</i>		
Long Term Loans Payable	33,426,573.88	37,197,985.17
<b>Total Financial Liabilities</b>	<b>₱48,663,941.78</b>	<b>₱42,835,104.36</b>

Accounts Payable consists of all unpaid obligation on open account of the District's payable within one year from the balance sheet date.

Due to Officers and Employees account consists of liabilities to officers and employees of the District.

Long-Term Loans Payable consists of loans contracted by the District, including advances from the Government and/or its agencies, to finance the various long-term projects of the District or to meet fund shortfalls in its operations. Out of the total amount of Long-Term Loans Payable, ₱3,423,587.29 pertains to the current portion of the account.

Other Loans Payable represents the balance of the account on the transfer of water system at barangay FVR by San Jose Water District to the District per memorandum of agreement executed on March 10, 2010.

## 12. INTER-AGENCY PAYABLES

This account consists of taxes and mandatory personnel deductions to be remitted to the government. Such dues would be remitted in accordance with the prescribed periods set by those agencies. Breakdown is as follows:

	2018	2017
Due to BIR	₱565,375.23	₱1,109,069.12
Due to GSIS	285,169.07	271,039.48
Due to Pag-IBIG	59,165.76	88,659.07
Due to Philhealth	23,948.52	21,773.73
<b>Total Inter-Agency Payables</b>	<b>₱933,658.58</b>	<b>₱1,490,541.40</b>

Due to BIR refers to the withheld taxes on compensation of employees, expanded taxes on suppliers and franchise tax, which are due for remittance while Due to GSIS, Pag-IBIG and Philhealth are the premiums and loans withheld for remittance.

## 13. TRUST LIABILITIES

This account is composed of Guaranty/Security Deposits Payable which is used to recognize the incurrence of liability arising from the receipt of cash from customers as deposit for possible future obligations. The amount is subject for refund to customer upon permanent termination of service connection.

## 14. PROVISIONS

This account consists of Leave Benefits Payable which is used to recognize accrual of money value of the earned leave credits of government personnel. Debit this account for monetization of earned leave and payment of terminal leave benefits.

## 15. DEFERRED CREDITS

This account includes deferred credits not covered by other liability accounts, including advance billings and the amounts that cannot be entirely liquidated or classified until additional information is received.

## 16. GOVERNMENT EQUITY

Government Equity account pertains to the difference between the District's assets and liabilities at the time the District assumed control over its operations.

## 17. RETAINED EARNINGS

This account consists of the cumulative results of normal and continuous operations of the District, including prior period adjustments, effects of changes in accounting policy and other capital adjustments. This may also include funds set aside for various purposes in accordance with existing laws, rules and regulations.

## 18. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2018	2017
Service Income		
Waterworks System Fees	₱106,024,677.70	₱92,821,410.35
Sales Discounts	(167,883.40)	(149,773.08)
Net - Waterworks System Fees	105,856,794.30	92,671,637.27
Other Business Income	5,743,356.04	4,004,600.81
Fines and Penalties – Service Income	3,296,793.67	2,957,978.40
Total Service Income	114,896,944.01	99,634,216.48
Business Income		
Royalty Fees	711,055.40	1,379,866.53
Interest Income	21,479.37	31,276.15
Total Business Income	732,534.77	1,411,142.68
<b>Total Service and Business Income</b>	<b>₱115,629,478.78</b>	<b>₱101,045,359.16</b>

Service Income includes metered sales to general concessionaires such as the billings for water deliveries to residential and commercial customers, net of senior citizen discount. Also included are the penalty on billing for delinquent consumers, reconnection fee, installation of meters, and other services rendered by the District to its consumers.

Business Income includes royalty fee for giving rights to Philhydro, Inc. for utilizing the District's water resources. The account also includes Interest Income on bank deposits.

## 19. SHARES, GRANTS, DONATIONS

This account is used to recognize all grants and donations in cash received from other levels of government, private sectors or international institutions with or without restrictions or conditions.

## 20. PERSONNEL SERVICES

The details of this account are shown below:

	2018	2017
Salaries and Wages	₱13,669,041.98	₱13,422,170.56
Other Compensation	4,449,712.27	4,095,191.20
Personnel Benefits Contributions	1,297,699.88	1,278,808.58
Other Personnel Benefits	442,663.46	590,173.13
<b>Total Personnel Services</b>	<b>₱19,859,117.59</b>	<b>₱19,386,343.47</b>

## 21. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following:

	2018	2017
Travelling Expenses	₱ 314,437.20	₱ 137,470.00
Training Expenses	507,316.92	830,471.61
Supplies and Materials Expenses	5,641,211.31	4,154,344.81
Generation, Transmission and Distribution Expenses	48,029,460.06	37,793,647.11
Utility Expenses	5,988,418.91	5,018,049.41
Communications Expenses	298,547.30	327,796.29
Membership Dues and Contributions to Organizations	54,942.00	75,699.00
Advertising Expenses	306,822.50	410,546.00
Printing and Publication Expenses	4,220.00	37,428.60
Rent/Lease Expenses	151,000.00	149,400.00
Representation Expenses	1,784,268.09	1,286,524.93
Donations	9,355.00	7,759.00
Directors and Committee Members Fees	846,154.00	0.00
Awards/Rewards Expenses	1,000.00	31,260.00
Professional Services	696,076.45	336,000.00
General Services	1,566,141.22	820,250.66
Repairs and Maintenance Expenses	3,639,677.62	3,887,153.53
Extraordinary and Miscellaneous Expenses	117,709.54	111,663.17
Taxes, Insurance Premiums and Other Fees	2,390,872.00	1,950,556.49
<b>Total MOOE</b>	<b>₱72,347,630.12</b>	<b>₱57,366,020.61</b>

## 22. FINANCIAL EXPENSES

Details of this account are shown below:

	2018	2017
Bank Charges	₱ 108,264.00	₱ 88,421.40
Interest Expenses	2,287,741.26	2,456,303.21
<b>Total Financial Expenses</b>	<b>₱2,396,005.26</b>	<b>₱2,544,724.61</b>

## 23. NON-CASH EXPENSES

This account pertains to allowance for impairment of uncollectible accounts and depreciation of District's property, plant and equipment.

	2018	2017
Impairment Loss - Accounts Receivable	₱ 81,048.60	₱ 147,043.91
Depreciation Expenses	5,393,715.92	4,280,049.99
Amortization for Intangible Assets	19,562.81	0.00
<b>Total Non-Cash Expenses</b>	<b>₱5,494,327.33</b>	<b>₱4,427,093.90</b>

## 24. PRIOR PERIOD ADJUSTMENTS

Details of the prior period adjustments are as follows:

	2018
Adjustment for the recorded expense for Philhydro and MWSS	₱ 74,954.17
Various salary adjustment for 2017	33,958.04
Short/over accrual of expense for various materials purchased from suppliers	(18,524.00)
Correcting entry from Customer's Deposits to Other Receivables	3,500.00
Adjusting entry for Other Receivables pertaining to NSC	257,326.51
Reclassification of Billing and Collection Software from expense to intangibles	133,520.80
Reclassification of PPE below 15 thousand to semi-expendable expense	(272,025.31)
Reclassification from CIP to repair expenses	(56,210.00)
Correcting entry for the accrual of audit fee	99,727.25
<b>Total Prior Period Adjustments</b>	<b>₱256,227.46</b>

## 25. FAIR VALUE MEASUREMENT

The carrying amounts approximate fair values for the District's financial assets and liabilities are shown below.

	2018		2017	
	Carrying Value	Fair Value Significant unobservable inputs (Level 3)	Carrying Value	Fair Value Significant unobservable inputs (Level 3)
<i>Financial Assets</i>				
<b>Accounts Receivable</b>	<b>P4,396,731.11</b>	<b>P4,396,731.11</b>	<b>P3,344,643.23</b>	<b>P3,344,643.23</b>
<i>Financial Liabilities</i>				
<b>Loans Payable</b>	<b>P33,426,573.88</b>	<b>P33,426,573.88</b>	<b>P37,197,985.17</b>	<b>P37,197,985.17</b>

### Fair Value Hierarchy

There were no financial assets measured at fair value as of December 31, 2018 and 2017. During the periods ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.