



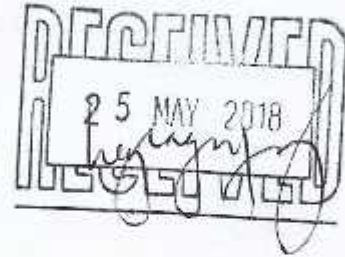
Republic of the Philippines  
**COMMISSION ON AUDIT**

Regional Office No. III  
City of San Fernando, Pampanga

Tel. Nos. (045) 455-4269 to 73 \* Fax No. (045) 455-4273 \* Website: [www.coa.gov.ph](http://www.coa.gov.ph)

May 17, 2018

**Engr. AIMER B. CRUZ**  
General Manager  
Norzagaray Water District  
Norzagaray, Bulacan



Dear **Engr. Cruz**:

We are pleased to transmit the Financial Audit Report on the audit of the Norzagaray Water District, Norzagaray, Bulacan for the Calendar Year 2017 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with Philippine Standards on Auditing and we believe that it provided a reasonable basis for the results of our audit.

The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

We rendered a qualified opinion on the fairness of presentation of the financial statements because the effect of the deviations from the prescribed procedures affected the account balances.

The audit report consists of Part I - Audited Financial Statements, Part II - Audit Observations and Recommendations and Part III - Status of Implementation of Prior Year's Unimplemented Audit Recommendations.

The audit observations and recommendations were discussed with concerned officials of the District in an exit conference held on April 23, 2018. Management's comments were incorporated in the report, where appropriate.

We request that a status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 88 of the General Provisions of the General Appropriations Act for FY 2017.

We appreciate the invaluable support and cooperation extended by the officials and staff of the District during the audit engagement.

Very truly yours,

  
LYNN S.F. SICANGCO  
Regional Director



NORZAGARAY WATER DISTRICT

Norzagaray, Bulacan

Statement of Financial Position

As at December 31, 2017

(With Comparative Figures for CY 2016 and January 1, 2016, as restated)

	Notes	2017	2016	January 1, 2016 as restated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	3.3.3, 5	₱17,360,150.11	₱16,509,859.76	₱15,351,186.32
Receivables, Net	6, 26	5,824,244.93	5,339,548.81	6,065,860.86
Inventories	7	10,369,327.85	11,894,484.14	10,155,791.52
Other Current Assets	8	736,322.18	615,672.18	601,382.18
<b>Total Current Assets</b>		<b>34,290,045.07</b>	<b>34,359,564.89</b>	<b>32,174,220.88</b>
<b>Non-Current Assets</b>				
Other Investments	9	1,000,000.00	1,000,000.00	1,000,000.00
Property, Plant and Equipment, Net	3.3.11, 10	136,630,371.54	125,900,568.06	128,972,004.71
Construction in Progress		24,056,036.44	21,133,576.71	10,368,756.98
Other Non-Current Assets	11	2,156,844.30	2,764,438.64	2,764,438.64
<b>Total Non-Current Assets</b>		<b>163,843,252.28</b>	<b>150,798,583.41</b>	<b>143,105,200.33</b>
<b>Total Assets</b>		<b>₱198,133,297.35</b>	<b>₱185,158,148.30</b>	<b>₱175,279,421.21</b>
<b>Liabilities and Equity</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Financial Liabilities	12	₱9,339,459.97	₱10,041,239.18	₱9,976,985.55
Inter-Agency Payables	13	1,490,541.40	1,014,471.63	724,865.45
Trust Liabilities	14	2,581,514.00	2,067,014.00	1,607,514.00
Other Loans Payable	15	89,152.14	89,152.14	89,152.14
<b>Total Current Liabilities</b>		<b>13,500,667.51</b>	<b>13,211,876.95</b>	<b>12,398,517.14</b>
<b>Non-Current Liabilities</b>				
Financial Liabilities	12, 26	37,197,985.17	40,899,470.45	40,899,470.45
Provisions	16	4,864,387.92	0.00	0.00
Deferred Credits	17	59,951.77	59,951.77	59,951.77
<b>Total Non Current Liabilities</b>		<b>42,122,324.86</b>	<b>40,959,422.22</b>	<b>40,959,422.22</b>
<b>Total Liabilities</b>		<b>55,622,992.37</b>	<b>54,171,299.17</b>	<b>53,357,939.36</b>
<b>Equity</b>				
Government Equity	18	61,568,818.55	61,568,818.55	61,568,818.55
Retained Earnings	19	84,732,979.35	73,119,515.86	60,352,663.30
<b>Total Equity</b>		<b>146,301,797.90</b>	<b>134,688,334.41</b>	<b>121,921,481.85</b>
<b>Total Liabilities and Equity</b>		<b>₱201,924,790.27</b>	<b>₱188,859,633.58</b>	<b>₱175,279,421.21</b>

The notes on pages 8 to 33 form part of these statements.



**NORZAGARAY WATER DISTRICT**  
Norzagaray, Bulacan  
**Statement of Comprehensive Income**  
For the Year Ended December 31, 2017  
*(With Comparative Figures for CY 2016)*

	Notes	2017	2016
<b>Income</b>			
Service and Business Income	21	P101,045,359.16	P92,985,492.15
Shares, Grants and Donations	22	12,500.00	800,000.00
<b>Total Income</b>		<b>101,057,859.16</b>	<b>93,785,492.15</b>
<b>Expenses</b>			
Personnel Services	23	19,386,343.47	18,073,305.55
Maintenance and Other Operating Expenses	24	57,366,020.61	54,455,090.15
Financial Expenses	25	2,544,724.61	2,779,111.02
Non-Cash Expenses	26	4,427,093.90	5,294,983.00
<b>Total Expenses</b>		<b>83,724,182.59</b>	<b>80,602,489.72</b>
<b>Net Income</b>		<b>P17,333,676.57</b>	<b>P13,183,002.43</b>

*The notes on pages 8 to 33 form part of these statements.*



**NORZAGARAY WATER DISTRICT**  
 Norzagaray, Bulacan  
**Statement of Changes in Equity**  
 For the Year Ended December 31, 2017  
*(With Comparative Figures for CY 2016)*

	Notes	Government Equity	Retained Earnings	Total Equity
<b>Balance at January 1, 2016</b>		<b>₱ 61,568,818.55</b>	<b>₱60,352,663.30</b>	<b>₱121,921,481.85</b>
<b>Adjustments:</b>				
<b>Add(Deduct):</b>				
Effects of Transition to PFRS	2.2	0.00	0.00	0.00
<b>Restated Balance at January 1, 2016</b>		<b>61,568,818.55</b>	<b>60,352,663.30</b>	<b>121,921,481.85</b>
<b>Changes in Equity</b>				
<b>Add(Deduct):</b>				
Net Income for the year		0.00	13,183,002.43	13,183,002.43
Effects of Transition to PFRS	2.2	0.00	0.00	0.00
Other Adjustments	20	0.00	(416,149.87)	(416,149.87)
<b>Balance at December 31, 2016</b>		<b>61,568,818.55</b>	<b>73,119,515.86</b>	<b>134,688,334.41</b>
<b>Changes in Equity</b>				
<b>Add(Deduct):</b>				
Net Income for the year		0.00	17,333,676.57	17,333,676.57
Other Adjustments	20	0.00	(5,720,213.08)	(5,720,213.08)
<b>Balance at December 31, 2017</b>		<b>₱61,568,818.55</b>	<b>₱84,732,979.35</b>	<b>₱146,301,797.90</b>

*The notes on pages 8 to 33 form part of these statements.*



**NORZAGARAY WATER DISTRICT**  
 Norzagaray, Bulacan  
**Statement of Cash Flows**  
 For the Year Ended December 31, 2017  
 (With Comparative Figures for CY 2016)

	Notes	2017	2016
<b>Cash Flows From Operating Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Sale of Goods and Services			
Collection of Income/Revenue		P92,209,939.74	P84,775,708.37
Other Receipts		8,782,743.81	9,077,957.54
<b>Total Cash Inflows</b>		<b>100,992,683.55</b>	<b>93,853,665.90</b>
<b>Cash Outflows</b>			
Payment of Expenses		26,298,423.43	27,916,959.10
Purchase of Inventories		63,216.30	54,900.50
Payments of Accounts Payable		45,935,924.19	47,770,722.86
Remittance of Personnel Benefits Contributions and Mandatory Deductions		4,005,075.64	5,059,668.25
Remittance of Franchise Tax/Other Taxes		6,130,558.31	4,361,330.96
<b>Total Cash Outflows</b>		<b>82,433,197.87</b>	<b>85,163,581.67</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>		<b>18,559,485.68</b>	<b>8,690,084.23</b>
<b>Cash Flows From Investing Activities</b>			
<b>Cash Outflows</b>			
Purchase/Construction of Property, Plant and Equipment		(11,462,985.43)	(1,381,095.11)
<b>Total Cash Outflows</b>		<b>(11,462,985.43)</b>	<b>(1,381,095.11)</b>
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>(11,462,985.43)</b>	<b>(1,381,095.11)</b>
<b>Cash Flows From Financing Activities</b>			
<b>Cash Outflows</b>			
Payment of Long-Term Liabilities		(3,701,485.28)	(3,370,913.66)
Payment of Interest on Loans and Other Financial Charges		(2,544,724.61)	(2,779,402.02)
<b>Total Cash Outflows</b>		<b>(6,246,209.89)</b>	<b>(6,150,315.68)</b>
<b>Net Cash Provided by/(Used in) Financing Activities</b>		<b>(6,246,209.89)</b>	<b>(6,150,315.68)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>850,290.36</b>	<b>1,158,673.44</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>16,509,859.76</b>	<b>15,351,186.32</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	3.3.3, 5	<b>P17,360,150.11</b>	<b>P16,509,859.76</b>

The notes on pages 8 to 33 form part of these statements.

## NOTES TO FINANCIAL STATEMENTS

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### 1. Agency Information and Authorization for issue of the Financial Statements

#### 1.1 Agency Information

The Norzagaray Water District is a government-owned and/or controlled corporation created pursuant to Sangguniang Bayan Resolution No. 86-10-48 dated October 1, 1986. The Local Water Utilities Administration (LWUA) issued the District's Certificate of Conditional Conformance No. 261 on October 24, 1986 and commenced operations on the said date.

The District is chartered under Presidential Decree No. 198, known as the "Provincial Water Utilities Act of 1973". It is mandated to deliver safe, potable and quality water to the people of Norzagaray.

At present, the District has 16,534 service connections and nine pumping stations operating 24/7 covering ten barangays of Norzagaray, Bulacan.

The District is under the leadership of Engr. Aimer B. Cruz and the Board of Directors is the policy-making body which is composed of the following:

<u>Name</u>	<u>Position</u>
Dir. Rosalie N. Legaspi	Chairperson
Engr. Arsenio DM. Legaspi	Vicc-Chairperson
Mr. Danilo S. Leonardo	Member
Eng. Noli E. Palad	Member
Ms. Marissa C. Tolentino	Member

The District has a total of 70 personnel consisting of 34 regular and 36 job order/contract of services employees.

#### 1.2 Authorization for Issue of the 2017 Financial Statements

The financial statements of the District for the year ended December 31, 2017 were authorized for issue by the Board of Directors on February 14, 2018 thru Board Resolution No. 20 dated February 5, 2018.

### 2. Changes in Accounting Policies

#### 2.1 First-time adoption of Philippine Financial Reporting Standards (PFRS)

These financial statements, for the year ended December 31, 2017, are the first the District has prepared in accordance with PFRS. For periods up to and including the year

ended December 31, 2016, the District prepared its financial statements in accordance with generally accepted accounting principle in the Philippines and New Government Accounting System (NGAS).

Accordingly, the District has prepared financial statements that comply with PFRS applicable as at December 31, 2017, together with the comparative period data for the year ended December 31, 2016. In preparing the financial statements, the District's opening statement of financial position was prepared as at January 1, 2016, the District's date of transition to PFRS. This note explains the principal adjustments made by the District in restating its GAAP and NGAS financial statements, including the statement of financial position as at January 1, 2016 and the financial statements for the year ended December 31, 2016.

## 2.2 Effects of transition from GAAP to PFRS

On December 31, 2017, the District prepared its first PFRS compliant financial statements as per COA Circular No. 2015-003 dated April 16, 2015 (classification of Government Corporations (GCs) and COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for GCs) to GBEs and Non-GBEs).

*PAS 1, Presentation of Financial Statements*, provides framework of financial statements presentation. It requires more specific statement of financial position line items as applicable to the entity. The standard requires presentation of comparative financial statements and information.

*PAS 2, Inventories*, Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the FIFO method. Per COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for GCs), property, plant and equipment with cost below ₱15,000.00 are reclassified as Semi Expendable Inventory.

*PAS 7, Statement of Cash Flows*, prescribes the provision of information about historical changes in cash equivalents of an entity by means of a cash flow statement which classifies cash flow during the period from operating, investing and financing.

*PAS 10, Events after the Reporting Period*, prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the standard were included in the financial statements, principally the date of authorization for release of the financial statements.

*PAS 16, Property, Plant and Equipment*, provides additional guidelines and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item, property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Property, and Equipment with cost of below ₱15,000.00 per COA Circular No. 2015-010



dated December 1, 2015 (adoption of the Revised Chart of Accounts for GCs) are reclassified as Semi Expendable Inventory.

*PAS 18, Revenue*, prescribe the accounting treatment for revenue arising from certain types of transaction and events and the criteria to recognize revenue.

*PAS 19, Employees Benefits*, the objective of this standard is to prescribe the accounting and disclosure of employee benefits (that is all forms of consideration given by an entity in exchange for service rendered by employees). This standard requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

*PAS 36, Impairment of Assets*, provides that an asset is impaired when its carrying amount exceeds its recoverable amount. Indications of impairments are the following: obsolescence or physical damage; asset is held for disposal and there is evidence that the economic performance of an asset is, or will be, worse than expected.

*PAS 38, Intangible Assets*, Intangible assets are measured initially at cost. After initial recognition, an entity usually measures an intangible asset at cost less accumulated amortization. It may choose to measure the asset at fair value in rare cases when fair value can be determined by reference to an active market. An intangible asset with a finite useful life is amortized and is subject to impairment testing. An intangible asset with an indefinite useful life is not amortized, but is tested annually for impairment. When an intangible asset is disposed of, the gain or loss on disposal is included in profit or loss.

The District's first-time adoption of the PFRS has no material effect on the District's equity as at January 1, 2016 (date of transition) and December 31, 2016.

### **3. Summary of Significant Accounting Policies**

#### **3.1 Basis of Financial Statements Preparation**

The financial statements of the District have been prepared using historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the District's functional and presentation currency. All values are rounded off to two decimal places, except when otherwise indicated.

For all periods up to and including the year ended December 31, 2016, the District prepared its financial statements in accordance with generally accepted accounting principle in the Philippines and New Government Accounting System (NGAS) prescribed by the Commission on Audit on January 1, 2005. These financial statements for the year ended December 31, 2017 are the first the District has prepared in accordance

with Philippine Financial Reporting Standards (PFRS). Refer to Note 3 on First-time adoption of PFRS for information on how the District adopted PFRS.

### 3.2 Statement of Compliance

The financial statements were prepared in compliance with Philippine Financial Reporting Standards (PFRS), which includes statements named PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council and Revised Chart of Accounts (RCA) for Government Corporations prescribed in COA Circular Nos. 2015-010 and 2016-006.

### 3.3 Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the District's financial statements are summarized below.

#### 3.3.1 Current versus Noncurrent Classification

The District presents assets and liabilities in the statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The District classifies all other liabilities as noncurrent.

#### 3.3.2 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the District. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The District uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the District determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the District has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

### 3.3.3 Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or

less from dates of acquisition and that are subject to an insignificant risk of change in value.

### 3.3.4 Financial Instruments

#### *Date of recognition*

The District recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

#### *Initial recognition of financial instruments*

Financial instruments are initially recognized at fair value, which is the fair value of the consideration given (in case of a financial asset) or received (in case of a financial liability). Except for securities at Fair Value through Profit or Loss (FVPL), the initial measurement of financial instruments includes transaction costs.

The District classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, Available for Sale (AFS) financial assets and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

As at December 31, 2017 and 2016, the District does not have financial assets and financial liabilities at FVPL, HTM investments, and AFS financial assets.

#### *Loans and Receivables*

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in "Interest income" in profit or loss. The losses arising from impairment of such loans and receivables are recognized as "Provision for probable losses and doubtful accounts" in profit or loss.

### *Other financial liabilities*

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the District having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies to the District's long-term debt, accounts and other payables except statutory liabilities.

### 3.3.5 Derecognition of Financial Assets and Financial Liabilities

#### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the District retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the District has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the District has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the District's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the District could be required to repay.

#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

Where an existing financial liability is replaced by another financial liability 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 profit or loss.

### 3.3.6 Impairment of Financial Assets

The District assesses at each reporting date whether there is objective evidence that a financial asset or 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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with default. For the District's receivables from customers, evidence of impairment may include non-collection of water bills.

#### *Loans and receivables*

For loans and receivables carried at amortized cost, the District 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 District 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 assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for 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 the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

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 reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

### 3.3.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 asset and settle the liability simultaneously.

### 3.3.8 Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the District; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the District does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

### 3.3.9 Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using First-in, First-out method.

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

### 3.3.10 Prepaid expenses

Prepaid expenses are carried at cost less the amortized portion. These typically include prepayments for business taxes, insurance, and rental.

### 3.3.11 Property, Plant and Equipment (PPE)

#### *Recognition*

An item is recognized as 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;
- the cost or fair value of the item can be measured reliably; and
- the cost is at least ₱15,000.00.

PPE, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of PPE comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the PPE to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period.

Expenditures incurred after the PPE have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related property, plant and equipment.

Depreciation of PPE commences once the PPE are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the PPE after deducting 5% salvage value applied prospectively, as follows:

<b>Category</b>	<b>Number of years</b>
Infrastructure Assets	6-50 years
Office furniture and fixtures	2-10 years
Transportation equipment	6-12 years
Machinery and equipment	2-5 years
Building and other structures	10-50 years
Leased Assets Improvement	50 years

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

Unserviceable assets no longer used in operation shall be classified as Other Assets and shall not be subject to depreciation.



When PPE is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated impairment, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

### 3.3.12 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 useful economic lives 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.

Intangible assets are amortized using the straight line method without any salvage value, for computer software 5 years or per estimate of MIS.

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, 2017 and 2016, the District does not have intangible assets recognized in its books.

### 3.3.13 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 is 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.

### 3.3.14 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.

### 3.3.15 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.

### 3.3.16 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.

### 3.3.17 Other Business Income

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

### 3.3.18 Interest Income

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

### 3.3.19 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.

### 3.3.20 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.

### 3.3.21 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.

### 3.3.22 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.

#### 4. 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.

##### 4.1 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 2017 and 2016, the District has not identified any impairment indicator, thus, no impairment was recognized.

##### 4.2 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 reviews its receivables quarterly to assess whether provision for doubtful accounts should be recorded in profit or loss. The District maintains an allowance for impairment - accounts receivable based on the results of the individual and collective

impairment assessments under PAS 39. Allowance for impairment - accounts receivable is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. These factors include, but not limited to, age and status of receivables, the concessionaire's payment behavior and known market factors. An evaluation of receivables, designed to identify potential charges to the allowance is performed on a continuous basis throughout the year.

The following is the basis of 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.

**5. Cash and Cash Equivalents**

This account consists of the following:

	2017	2016	Jan 1 2016 as restated
Cash - Collecting Officers	₱137,036.24	₱127,478.50	₱142,178.58
Cash in Bank - Current Account - Land Bank of the Philippines (LBP)	14,205,686.16	14,341,393.57	13,440,337.12
Cash in Bank - Current Account - Farmer Savings and Loan Bank (FSLB)	20,000.00	20,000.00	20,000.00

	2017	2016	Jan 1 2016 as restated
Cash in Bank - Savings Account - FSLB	322,806.65	252,460.80	610,415.04
Cash in Bank - Savings Account - Country Rural Bank of Taguig (CRBT)	184,916.77	38,357.61	11,123.50
Cash in Bank - Savings Account - LBP	2,489,704.29	1,730,169.28	1,127,132.08
<b>Total Cash and Cash Equivalents</b>	<b>₱17,360,150.11</b>	<b>₱16,509,859.76</b>	<b>₱15,351,186.32</b>

Cash - Collecting Officer pertains to collections of collecting officer 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:

	2017	2016	Jan 1 2016 as restated
Accounts Receivable	₱4,697,977.84	₱4,607,098.78	₱4,366,767.38
Due from Officers and Employees	0.00	0.00	31,400.00
Other Receivables	2,479,601.70	1,938,740.73	1,768,534.45
Total	7,177,579.54	6,545,839.51	6,166,701.83
Less: Allowance for Impairment	1,353,334.61	1,206,290.70	100,840.97
<b>Receivables, Net</b>	<b>₱5,824,244.93</b>	<b>₱5,339,548.81</b>	<b>₱6,065,860.86</b>

Accounts Receivable represents balances of amount due from consumers for water service, which has been billed to the concessionaires, net of Allowance for Impairment. It also includes penalty charges imposed on delinquent accounts.

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

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

The aging/analysis of receivables is shown below.

Age of Accounts Receivable	2017	2016	January 1, 2016 as restated
<b>Active Accounts</b>			
1 to 30 days	P1,726,407.29	P1,846,465.42	P1,378,481.37
31 to 60 days	355,284.34	323,994.90	301,278.72
61 to 90 days	26,187.50	31,308.91	35,689.48
91 to 120 days	132,448.34	128,222.11	68,285.00
Over 120 days	696,853.48	601,075.53	460,125.26
Sub-total	2,937,180.95	2,931,066.87	2,243,859.83
<b>Inactive Accounts</b>			
1 to 30 days	P116,379.22	P0.00	P0.00
31 to 60 days	129,802.33	26,599.61	30,306.27
61 to 90 days	65,104.68	35,963.32	43,947.34
91 to 120 days	55,384.33	46,262.23	78,055.80
Over 120 days	2,289,193.05	2,258,746.03	2,131,786.40
Sub-total	2,655,863.61	2,367,571.19	2,284,095.81
Total	5,593,044.56	5,298,638.06	4,527,955.64
Unreconciled Amount vs. GL	(895,066.72)	(691,539.28)	(161,188.26)
<b>Total Accounts Receivable</b>	<b>P4,697,977.84</b>	<b>P4,607,098.78</b>	<b>P4,366,767.38</b>

An unreconciled amount between GL and aging of accounts receivable amounting to P895,066.72 for 2017 needs further analysis on a per customer account basis.

## 7. Inventories

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

	2017	2016
<i>Cost</i>		
Balance, January 1	P11,894,484.15	P10,155,791.52
Acquisitions during the year	8,256,074.62	11,693,898.59
Expensed during the year except write-down	(9,781,230.92)	9,955,205.97
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>P10,369,327.85</b>	<b>P11,894,484.14</b>



## 8. Other Current Assets

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

## 9. Other Investments

This account consists of sinking fund which pertains to cash or others asset 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.

## 10. 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:

	2017			
	Land	Infrastructure Assets	Buildings and Other Structures	Leased Assets Improvements, Land
<i>Cost</i>				
Balance at beginning of year	₱6,374,871.00	₱147,097,156.17	₱7,053,004.31	₱823,234.00
Additions	1,900,000.00	9,039,353.48	0.00	0.00
Disposals/ reclassification	0.00	0.00	0.00	0.00
Adjustments	0.00	0.00	0.00	0.00
Balance, Dec. 31	8,274,871.00	156,136,509.65	7,053,004.31	823,234.00
<i>Accumulated depreciation</i>				
Balance at beginning of year	0.00	36,916,253.40	2,282,372.21	37,698.72
Depreciation	0.00	3,294,316.95	188,535.84	28,274.04
Impairment Loss	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00
Other Adjustments	0.00	0.00	0.00	0.00
Balance, Dec. 31	0.00	40,210,570.35	2,470,908.05	65,972.76
<b>PPE, Net</b>	<b>₱8,274,871.00</b>	<b>₱115,925,939.30</b>	<b>₱4,582,096.26</b>	<b>₱757,261.24</b>

	2017			
	Machinery and Equipment	Furniture, Fixtures and Books	Transportation Equipment	Total
<i>Cost</i>				
Balance at beginning of year	₱2,465,240.36	₱1,360,000.85	₱3,230,274.55	₱168,403,781.24
Additions	578,407.15	67,297.00	3,398,000.00	14,983,057.63
Disposals/ reclassification	(33,549.15)	0.00	0.00	(33,549.15)
Adjustments	0.00	0.00	0.00	0.00
Balance, Dec. 31	3,010,098.36	1,427,297.85	6,628,274.55	183,353,289.72
<i>Accumulated depreciation</i>				
Balance at beginning of year	1,286,452.26	616,855.12	1,363,581.48	42,503,213.19
Depreciation	294,890.03	158,190.95	315,842.18	4,280,049.99

2017				
	Machinery and Equipment	Furniture, Fixtures and Books	Transportation Equipment	Total
Impairment Loss	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00
Other Adjustments	0.00	(60,345.00)	0.00	(60,345.00)
Balance, Dec. 31	1,581,342.29	714,701.07	1,679,423.66	46,722,918.18
<b>PPE, Net</b>	<b>P1,428,756.07</b>	<b>P712,596.78</b>	<b>P4,948,850.89</b>	<b>P136,630,371.54</b>

2016				
	Land	Infrastructure Assets	Buildings and Other Structures	Leased Assets Improvements, Land
<i>Cost</i>				
Balance at Jan. 1	P6,374,871.00	P146,937,156.17	P7,856,548.31	P 0.00
Effects of transition to PFRS	0.00	0.00	0.00	0.00
Restated balance, Jan. 1	6,374,871.00	146,937,156.17	7,856,548.31	0.00
Additions	0.00	655,000.00	19,690.00	0.00
Disposals/ reclassification	0.00	(495,000.00)	(823,234.00)	823,234.00
Effects of transition to PFRS	0.00	0.00	0.00	0.00
Balance, Dec. 31	6,374,871.00	147,097,156.17	7,053,004.31	823,234.00
<i>Accumulated depreciation</i>				
Balance at beginning of year	0.00	33,654,480.45	2,111,063.21	0.00
Effects of transition to PFRS	0.00	0.00	0.00	0.00
Restated balance, Jan. 1	0.00	33,654,480.45	2,111,063.21	0.00
Depreciation	0.00	3,261,772.95	180,733.68	28,274.04
Impairment Loss	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00
Other Adjustments	0.00	0.00	(9,424.68)	9,424.68
Effects of transition to PFRS	0.00	0.00	0.00	0.00
Balance, Dec. 31	0.00	36,916,253.40	2,282,372.21	37,698.72
<b>PPE, Net</b>	<b>P6,374,871.00</b>	<b>P110,180,902.77</b>	<b>P4,770,632.10</b>	<b>P785,535.28</b>

2016				
	Machinery and Equipment	Furniture, Fixtures and Books	Transportation Equipment	Total
<i>Cost</i>				
Balance at Jan. 1	P1,713,493.76	P1,220,240.85	P3,183,374.55	P167,285,684.64
Effects of transition to PFRS	0.00	0.00	0.00	0.00
Restated balance, Jan. 1	1,713,493.76	1,220,240.85	3,183,374.55	167,285,684.64
Additions	755,349.74	139,760.00	46,900.00	1,616,699.74
Disposals/ reclassification	(3,603.14)	0.00	0.00	(498,603.14)
Effects of transition to PFRS	0.00	0.00	0.00	0.00
Balance, Dec. 31	2,465,240.36	1,360,000.85	3,230,274.55	168,403,781.24
<i>Accumulated depreciation</i>				
Balance at beginning of year	1,005,023.74	458,657.35	1,084,455.18	38,313,679.93
Effects of transition to PFRS	0.00	0.00	0.00	0.00
Restated balance, Jan. 1	1,005,023.74	458,657.35	1,084,455.18	38,313,679.93
Depreciation	281,428.52	158,197.77	279,126.30	4,189,533.26
Impairment Loss	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00
Other Adjustments	0.00	0.00	0.00	0.00
Effects of transition to PFRS	0.00	0.00	0.00	0.00
Balance, Dec. 31	1,286,452.26	616,855.12	1,363,581.48	42,503,213.19
<b>PPE, Net</b>	<b>P1,178,788.10</b>	<b>P743,145.73</b>	<b>P1,866,693.07</b>	<b>P125,900,568.05</b>

## 11. Other Non-Current Assets

This account represents the unserviceable assets and fully depreciated serviceable equipment. There was disposal of unserviceable assets pertaining to properties and equipment acquired in CY 2015 and below with book value of ₱305,762.68.

## 12. Financial Liabilities

The details of this account are shown below:

	2017	2016	Jan 1 2016 as restated
<b>Current Financial Liabilities</b>			
Accounts Payable	₱5,496,993.43	₱6,321,924.23	₱6,590,896.92
Due to Officer and Employees	50,973.62	17,829.67	14,733.97
Long-term Loans Payable	3,791,492.92	3,701,485.28	3,371,354.66
<b>Total Current Financial Liabilities</b>	<b>9,339,459.97</b>	<b>10,041,239.18</b>	<b>9,976,985.55</b>
<b>Non-Current Financial Liabilities</b>			
Long-Term Loans Payable			
LWUA LA 3-801 (8.2%, Mar 2027)	3,745,170.35	4,005,354.35	4,005,354.35
LWUA LA 4-2407 (7.5%, May 2019)	954,376.00	1,569,726.00	1,569,726.00
LBP #499979 (6%, June 2029)	4,688,461.52	5,096,153.84	5,096,153.84
LBP #462937 (6%, June 2029)	26,394,592.68	28,689,774.72	28,689,774.72
LBP #460300 (6%, June 2029)	1,415,384.62	1,538,461.54	1,538,461.54
<b>Total Non-Current Financial Liabilities</b>	<b>37,197,985.17</b>	<b>40,899,470.45</b>	<b>40,899,470.45</b>
<b>Total Financial Liabilities</b>	<b>₱46,537,445.14</b>	<b>₱50,940,709.63</b>	<b>₱50,876,456.00</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.

## 13. 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:

	2017	2016	Jan 1 2016 as restated
Due to BIR	₱1,109,069.12	₱676,320.26	₱420,201.59

	2017	2016	Jan 1 2016 as restated
Due to GSIS	271,039.48	249,519.87	224,864.35
Due to Pag-IBIG	88,659.07	66,036.52	57,135.78
Due to Philhealth	21,773.73	22,594.98	22,663.73
<b>Total Inter-Agency Payables</b>	<b>₱1,490,541.40</b>	<b>₱1,014,471.63</b>	<b>₱724,865.45</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.

#### 14. 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.

#### 15. Other Loans Payable

This account 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 in March 10, 2010.

#### 16. Provisions

This is 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.

#### 17. 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.

#### 18. 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.

## 19. 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.

## 20. Other Adjustments

This account consists of the details of prior period adjustments as follows:

2017	
Understatement/Overstatement in MOOE account	P(192,240.63)
Double booking of Inspection Fee in Other Income in prior years	(379,000.00)
Reclassification of minor repairs from PPE to expense account	(569,657.37)
Provision for leave credits of prior years	(4,579,315.08)
<b>Total Other Adjustments</b>	<b>P(5,720,213.08)</b>

2016	
Reduction of income pertaining to Senior Citizen discounts for prior years	P(416,149.87)
<b>Total Other Adjustments</b>	<b>P(416,149.87)</b>

## 21. Service and Business Income

This account consists of the following:

	2017	2016
Service Income		
Waterworks System Fees	P92,821,410.35	P86,422,839.37
Sales Discounts	(149,773.08)	(120,529.90)
Net - Waterworks System Fees	92,671,637.27	86,302,309.47
Other Business Income	4,004,600.81	3,679,496.32
Fines and Penalties - Bus Income	2,957,978.40	2,963,237.28
<b>Total Service Income</b>	<b>99,634,216.48</b>	<b>92,945,043.07</b>
Business Income		
Royalty Fees	1,379,866.53	0.00
Interest Income	31,276.15	40,449.08
<b>Total Business Income</b>	<b>1,411,142.68</b>	<b>40,449.08</b>
<b>Total Service and Business Income</b>	<b>P101,045,359.16</b>	<b>P92,985,492.15</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 District's water resources. The account also includes Interest Income on bank deposits.

## 22. 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.

## 23. Personnel Services

The details of this account are shown below:

	2017	2016
Salaries and Wages	₱13,422,170.56	₱12,198,874.94
Other Compensation	4,095,191.20	4,212,528.46
Personnel Benefit Contributions	1,278,808.58	1,182,105.52
Other Personnel Benefits	590,173.13	479,796.63
<b>Total Personnel Services</b>	<b>₱19,386,343.47</b>	<b>₱18,073,305.55</b>

## 24. Maintenance and Other Operating Expenses (MOOE)

This account consists of the following:

	2017	2016
Travelling Expenses	₱ 137,470.00	₱ 163,473.00
Training Expenses	830,471.61	1,167,435.99
Supplies and Materials Expenses	4,154,344.81	3,391,916.31
Generation, Transmission and Distribution Expenses	37,793,647.11	35,901,162.48
Utility Expenses	5,018,049.41	5,109,013.91
Communications Expenses	327,796.29	296,989.39
Membership Dues and Contributions to Organizations	75,699.00	55,018.00
Advertising Expenses	410,546.00	170,828.85
Printing and Publication Expenses	37,428.60	57,851.40
Rent/Lease Expenses	149,400.00	133,800.00
Representation Expenses	1,286,524.93	892,442.53
Donations	7,759.00	15,595.00
Awards/Rewards Expenses	31,260.00	27,000.00
Professional Services	336,000.00	931,000.00
General Services	820,250.66	669,188.00
Repairs and Maintenance Expenses	3,887,153.53	3,582,883.47
Extraordinary and Miscellaneous Expenses	111,663.17	117,730.56

	2017	2016
Taxes, Insurance Premiums and Other Fees	1,950,556.49	1,771,761.26
<b>Total MOOE</b>	<b>P57,366,020.61</b>	<b>P54,455,090.15</b>

## 25. Financial Expenses

Details of this account are shown below:

	2017	2016
Bank Charges	P88,421.40	P88,580.00
Interest Expenses	2,456,303.21	2,690,531.02
<b>Total Financial Expenses</b>	<b>P2,544,724.61</b>	<b>P2,779,111.02</b>

## 26. Non-Cash Expenses

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

	2017	2016
Impairment Loss - Accounts Receivable	P147,043.91	P1,105,449.74
Depreciation	4,280,049.99	4,189,533.26
<b>Total Non-Cash Expenses</b>	<b>P4,427,093.90</b>	<b>P5,294,983.00</b>

## 27. Fair Value Measurement

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

	2017		2016	
	Carrying Value	Fair Value Significant unobservable inputs (Level 3)	Carrying Value	Fair Value Significant unobservable inputs (Level 3)
<i>Loans and Receivables</i>				
Accounts Receivable	P3,344,643.23	P3,344,643.23	P3,400,808.08	P3,400,808.08
<i>Financial liabilities</i>				
Loans Payable	P37,197,985.17	P37,197,985.17	P40,899,470.45	P40,899,470.45

### Fair Value Hierarchy

There were no financial assets measured at fair value as of December 31, 2017 and 2016. During the periods ended December 31, 2017, 2016 and 2015, 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.