



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

# **FINANCIAL AUDIT REPORT**

on the

## **NORZAGARAY WATER DISTRICT Norzagaray, Bulacan**

For the Year Ended December 31, 2018





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

May 21, 2019

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

**NORZAGARAY WATER DISTRICT  
RECEIVED**

BY: [Signature]  
DATE: 5/27/2019 TIME: 1:10

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 2018 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

The financial 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.


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 the exit conference that was held on April 30, 2019. 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 93 of the General Provisions of the General Appropriations Act for FY 2018.

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, 2018

*(With Comparative Figures for CY 2017)*

	Note	2018	2017
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	2.3.3; 5	₱15,329,284.54	₱17,360,150.11
Receivables, Net	2.3.4; 6	8,373,252.03	5,824,244.93
Inventories	2.3.9; 7	10,586,378.15	10,369,327.85
<b>Total Current Assets</b>		<b>34,288,914.72</b>	<b>33,553,722.89</b>
<b>Non-Current Assets</b>			
Other Investments	8	1,000,000.00	1,000,000.00
Property, Plant and Equipment, Net	2.3.11; 9	182,782,163.06	160,686,407.98
Intangible Assets	2.3.12	1,133,987.99	0.00
Other Non-Current Assets	10	2,893,166.48	2,893,166.48
<b>Total Non-Current Assets</b>		<b>187,809,317.53</b>	<b>164,579,574.46</b>
<b>Total Assets</b>		<b>₱222,098,232.25</b>	<b>₱198,133,297.35</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Financial Liabilities	2.3.4; 11	₱15,237,367.90	₱5,637,119.19
Inter-Agency Payables	12	933,658.58	1,490,541.40
Trust Liabilities	13	3,175,514.00	2,581,514.00
<b>Total Current Liabilities</b>		<b>19,346,540.48</b>	<b>9,709,174.59</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	2.3.4; 11	33,426,573.88	37,197,985.17
Provisions	2.3.21; 14	4,951,702.28	4,864,387.92
Deferred Credits	15	59,951.77	59,951.77
<b>Total Non-Current Liabilities</b>		<b>38,438,227.93</b>	<b>42,122,324.86</b>
<b>Total Liabilities</b>		<b>57,784,768.41</b>	<b>51,831,499.45</b>
<b>Equity</b>			
Government Equity	16	61,568,818.55	61,568,818.55
Retained Earnings	17	102,744,645.29	84,732,979.35
<b>Total Equity</b>		<b>164,313,463.84</b>	<b>146,301,797.90</b>
<b>Total Liabilities and Equity</b>		<b>₱222,098,232.25</b>	<b>₱198,133,297.35</b>

*The notes on pages 8 to 32 form part of these statements.*





**NORZAGARAY WATER DISTRICT**  
Norzagaray, Bulacan  
**Statement of Comprehensive Income**  
For the Year Ended December 31, 2018  
*(With Comparative Figures for CY 2017)*

	Note	2018	2017
<b>Income</b>			
Service and Business Income	2.3.15; 18	₱115,629,478.78	₱101,045,359.16
Shares, Grants and Donations	19	2,223,040.00	12,500.00
<b>Total Income</b>		<b>117,852,518.78</b>	<b>101,057,859.16</b>
<b>Expenses</b>			
Personnel Services	20	19,859,117.59	19,386,343.47
Maintenance and Other Operating Expenses	21	72,347,630.12	57,366,020.61
Financial Expenses	22	2,396,005.26	2,544,724.61
Non-Cash Expenses	23	5,494,327.33	4,427,093.90
<b>Total Expenses</b>		<b>100,097,080.30</b>	<b>83,724,182.59</b>
<b>Net Income</b>		<b>₱17,755,438.48</b>	<b>₱17,333,676.57</b>

*The notes on pages 8 to 32 form part of these statements.*





**NORZAGARAY WATER DISTRICT**  
Norzagaray, Bulacan  
**Statement of Changes in Equity**  
For the Year Ended December 31, 2018

	Note	Government Equity	Retained Earnings	Total Equity
<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>
<b>Changes in Equity</b>				
<b>Add(Deduct):</b>				
Net Income for the year		0.00	17,755,438.48	17,755,438.48
Prior Period Adjustments	24	0.00	256,227.46	256,227.46
<b>Balance at December 31, 2018</b>		<b>₱61,568,818.55</b>	<b>₱102,744,645.29</b>	<b>₱164,313,463.84</b>

*The notes on pages 8 to 32 form part of these statements.*





**NORZAGARAY WATER DISTRICT**

Norzagaray, Bulacan

**Statement of Cash Flows**

For the Year Ended December 31, 2018

(With Comparative Figures for CY 2017)

	Note	2018	2017
<b>Cash Flows From Operating Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Sale of Goods and Services			
Collection of Income/Revenue		₱104,341,023.89	₱92,209,939.74
Other Receipts		12,474,004.37	8,782,743.81
<b>Total Cash Inflows</b>		<b>116,815,028.26</b>	<b>100,992,683.55</b>
<b>Cash Outflows</b>			
Payment of Expenses		17,682,411.60	26,298,423.43
Purchase of Inventories		4,672,592.83	63,216.30
Payments of Accounts Payable		54,012,014.50	45,935,924.19
Advances for Operating Expenses		2,717,711.00	0.00
Advances for special purpose/time-bound undertaking		4,441,354.97	0.00
Advances to Officers and Employees		245,000.00	0.00
Remittance of Personnel Benefits Contributions and Mandatory Deductions		4,615,409.78	4,005,075.64
Remittance of Franchise Tax/Other Taxes		7,656,233.88	6,130,558.31
Other Disbursement/Refund of Performance Bond		359,044.57	0.00
<b>Total Cash Outflows</b>		<b>96,401,773.13</b>	<b>82,433,197.87</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>		<b>20,413,255.13</b>	<b>18,559,485.68</b>
<b>Cash Flows From Investing Activities</b>			
<b>Cash Outflows</b>			
Purchase/Construction of Property, Plant and Equipment		(16,277,254.15)	(11,462,985.43)
<b>Total Cash Outflows</b>		<b>(16,277,254.15)</b>	<b>(11,462,985.43)</b>
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>(16,277,254.15)</b>	<b>(11,462,985.43)</b>
<b>Cash Flows From Financing Activities</b>			
<b>Cash Outflows</b>			
Payment of Long-Term Liabilities		(3,771,411.29)	(3,701,485.28)
Payment of Interest on Loans and Other Financial Charges		(2,395,455.26)	(2,544,724.61)
<b>Total Cash Outflows</b>		<b>(6,166,866.55)</b>	<b>(6,246,209.89)</b>
<b>Net Cash Provided by/(Used in) Financing Activities</b>		<b>(6,166,866.55)</b>	<b>(6,246,209.89)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(2,030,865.57)</b>	<b>850,290.36</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>17,360,150.11</b>	<b>16,509,859.76</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	2.3.3; 5	<b>₱15,329,284.54</b>	<b>₱17,360,150.11</b>

The notes on pages 8 to 32 form part of these statements.



## NOTES TO FINANCIAL STATEMENTS

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### 1. GENERAL INFORMATION

#### 1.1 Agency Background

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 the latter commenced its 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 17,456 service connections and nine pumping stations operating 24/7 covering nine barangays of Norzagaray, Bulacan.

As of December 31, 2018, 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
Mr. Danilo S. Leonardo	Vice-Chairperson
Engr. Arsenio DM. Legaspi	Member
Engr. Noli E. Palad	Member
Ms. Marissa C. Tolentino	Member

The District has a total of 71 personnel consisting of 33 regular and 38 job order/contract of services employees.

#### 1.2 Authorization for Issue of the 2018 Financial Statements

The financial statements of Water District for the year ended December 31, 2018 were authorized for issue by the Board of Directors on February 7, 2019 thru Board Resolution No. 17 series of 2019.



## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 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 the year ended December 31, 2018, the District prepared its financial statements (FS) in accordance with generally accepted accounting principle in the Philippines and Philippine Financial Reporting Standards (PFRS).

### 2.2 Statement of Compliance

The financial statements were prepared in compliance with 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 dated December 1, 2015 and December 29, 2016, respectively.

### 2.3 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.

#### 2.3.1 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.

### 2.3.2 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.

### 2.3.3 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.

### 2.3.4 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.

#### *Classification*

The District classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at Fair Value through Other Comprehensive Income (FVOCI), and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the District's business model for managing the asset and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of Held to Maturity, Loans and Receivables and Available for Sale. Conversely, PFRS 9 retains the PAS 39 requirements for the classification and measurement of financial liabilities.

#### *Financial Assets at Amortized Cost*

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and



- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any 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. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018, this category includes cash and cash equivalents and receivables.

#### *Debt Instruments at FVOCI*

For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2018, the District does not have debt instruments at FVOCI.

#### *Equity Instruments at FVOCI*

For equity instruments that are not held for trading, the District may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, Financial Instruments: Presentation. This option is available and made on an instrument by instrument basis. Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings.



As at December 31, 2018, the District does not have equity instruments at FVOCI.

*Financial Assets at FVPL*

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not “solely for payment of principal and interest”, and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The District may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets. This category also includes equity instruments which the District had not irrevocably elected to classify at FVOCI at initial recognition. After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2018, the District does not have financial assets at FVPL.

*Financial Liabilities at Amortized Cost*

Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest 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. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2018, the District classifies its long-term debt, accounts and other payables except statutory liabilities under this category.



### 2.3.5 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.

### 2.3.6 Impairment of Financial Assets

PFRS 9 replaces the “incurred loss” model in PAS 39 with an “expected credit loss” (ELC) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under PFRS 9, credit losses are recognized earlier than under PAS 39.



### 2.3.7 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.

### 2.3.8 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;
- 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.

### 2.3.9 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.

### 2.3.10 Prepaid expenses

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

### 2.3.11 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 PPE beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related PPE.

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 Non-Current 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.