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, 2019

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

June 22, 2020

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 2019 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 June 18, 2020. 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 99 of the General Provisions of the General Appropriations Act for FY 2019.

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

Very truly yours,

CHONA P. LAXAMANA
Officer-in- Charge

NORZAGARAY WATER DISTRICT
Norzagaray, Bulacan
Statement of Financial Position
As at December 31, 2019
(With Comparative Figures for CY 2018)

	Note	2019	2018
Assets			
Current Assets			
Cash and Cash Equivalents	2.3.3; 5	₱4,659,384.10	₱15,329,284.54
Receivables, Net	2.3.4; 6	7,359,417.25	8,373,252.03
Inventories	2.3.9; 7	12,233,286.11	10,586,378.15
Total Current Assets		24,252,087.46	34,288,914.72
Non-Current Assets			
Other Investments	8	1,000,000.00	1,000,000.00
Property, Plant and Equipment, Net	2.3.11; 9	198,557,271.02	182,782,163.06
Intangible Assets	2.3.12	1,117,427.01	1,133,987.99
Other Non-Current Assets	10	3,637,412.75	2,893,166.48
Total Non-Current Assets		204,312,110.78	187,809,317.53
Total Assets		**₱228,564,198.24**	**₱222,098,232.25**
Liabilities and Equity			
Liabilities			
Current Liabilities			
Financial Liabilities	2.3.4; 11	₱26,730,857.60	₱15,237,367.90
Inter-Agency Payables	12	1,505,903.42	933,658.58
Trust Liabilities	13	3,619,514.00	3,175,514.00
Total Current Liabilities		31,856,275.02	19,346,540.48
Non-Current Liabilities			
Financial Liabilities	2.3.4; 11	37,483,293.82	33,426,573.88
Provisions	2.3.21; 14	6,972,943.50	4,951,702.28
Deferred Credits	15	59,951.77	59,951.77
Total Non-Current Liabilities		44,516,189.09	38,438,227.93
Total Liabilities		**76,372,464.11**	**57,784,768.41**
Equity			
Government Equity		61,568,818.55	61,568,818.55
Retained Earnings		90,622,915.58	102,744,645.29
Total Equity		**152,191,734.13**	**164,313,463.84**
Total Liabilities and Equity		**₱228,564,198.24**	**₱222,098,232.25**

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, 2019
(With Comparative Figures for CY 2018)

	Note	2019	2018
Income			
Service and Business Income	2.3.15; 16	₱114,552,923.33	₱115,629,478.78
Shares, Grants and Donations		2,800,000.00	2,223,040.00
Total Income		**117,352,923.33**	**117,852,518.78**
Expenses			
Personnel Services	17	21,605,876.80	19,859,117.59
Maintenance and Other Operating Expenses	18	84,056,328.98	72,347,630.12
Financial Expenses	19	2,464,508.86	2,396,005.26
Non-Cash Expenses	20	6,413,792.70	5,494,327.33
Total Expenses		**114,540,507.34**	**100,097,080.30**
Net Income		**₱2,812,415.99**	**₱17,755,438.48**

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, 2019

	Note	2019	2018
Government Equity			
Government Equity		₱61,568,818.55	₱61,568,818.55
Retained Earnings			
Balance at beginning of the Year		102,744,645.29	84,732,979.35
Add (Deduct):			
Net Income for the year	2.3.14	2,812,415.99	17,755,438.48
Other Adjustments	21	(14,934,145.70)	256,227.46
Balance at the end of the Year		90,622,915.58	102,744,645.29
TOTAL EQUITY		**₱152,191,734.13**	**₱164,313,463.84**

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, 2019
(With Comparative Figures for CY 2018)

	Note	2019	2018
Cash Flows From Operating Activities			
Cash Inflows			
Proceeds from Sale of Goods and Services			
Collection of Income/Revenue		₱106,384,351.75	₱104,341,023.89
Other Receipts		12,801,561.73	12,474,004.37
Total Cash Inflows		119,185,913.48	116,815,028.26
Cash Outflows			
Payment of Expenses		21,376,743.06	17,682,411.60
Purchase of Inventories		5,175,611.29	4,672,592.83
Payments of Accounts Payable		66,242,862.84	54,012,014.50
Advances for Operating Expenses		1,435,484.92	2,717,711.00
Advances for special purpose/time-bound undertaking		3,595,911.56	4,441,354.97
Advances to Officers and Employees		362,871.04	245,000.00
Remittance of Personnel Benefits Contributions and Mandatory Deductions		5,160,382.36	4,615,409.78
Remittance of Franchise Tax/Other Taxes		7,478,738.60	7,656,233.88
Other Disbursement/Refund of Performance Bond		84,847.46	359,044.57
Total Cash Outflows		110,913,453.13	96,401,773.13
Net Cash Provided by/(Used in) Operating Activities		**8,272,460.35**	**20,413,255.13**
Cash Flows From Investing Activities			
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		(12,828,058.65)	(16,277,254.15)
Total Cash Outflows		(12,828,058.65)	(16,277,254.15)
Net Cash Provided by/(Used in) Investing Activities		**(12,828,058.65)**	**(16,277,254.15)**
Cash Flows From Financing Activities			
Cash Outflows			
Payment of Long-Term Liabilities		(3,649,943.28)	(3,771,411.29)
Payment of Interest on Loans and Other Financial Charges		(2,464,358.86)	(2,395,455.26)
Total Cash Outflows		(6,114,302.14)	(6,166,866.55)
Net Cash Provided by/(Used in) Financing Activities		**(6,114,302.14)**	**(6,166,866.55)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(10,669,900.44)	(2,030,865.57)
CASH AND CASH EQUIVALENTS, JANUARY 1		15,329,284.54	17,360,150.11
CASH AND CASH EQUIVALENTS, DECEMBER 31	2.3.3; 5	**₱4,659,384.10**	**₱15,329,284.54**

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

NOTES TO FINANCIAL STATEMENTS

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 18,308 service connections and nine pumping stations operating 24/7 covering nine barangays of Norzagaray, Bulacan.

As of December 31, 2019, the District is under the management of Engr. Aimer B. Cruz and the Board of Directors is the policy-making body of the District which is currently composed of the following:

Name	Position
Engr. Noli E. Palad	Chairperson
Dir. Marissa C. Tolentino	Vice-Chairperson
Dir. Danilo S. Leonardo	Member
Engr. Tarcilla S. Cruz	Member
Engr. Rodelio C. Dela Merced	Member

The District has a total of 79 personnel consisting of 50 permanent and 29 job order/contract of services employees.

1.2 Authorization for Issue of the 2019 Financial Statements

The financial statements of Water District for the year ended December 31, 2019 were authorized for issue by the Board of Directors on February 14, 2020 thru Board Resolution No. 23 dated February 11, 2020.

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, 2019, 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, 2019, 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, 2019, 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, 2019, 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, 2019, 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, 2019, 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:

Category	Number of years
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.

2.3.12 Intangible Assets

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

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

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

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

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

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

As at December 31, 2019 the District's intangible assets are amortized over their EUL.

2.3.13 Impairment of Non-financial Assets

The District assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

2.3.14 Revenue Recognition

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

2.3.15 Income from Waterworks System

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

2.3.16 Fines and Penalties not related to taxes

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

2.3.17 Other Business Income

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

2.3.18 Interest Income

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

2.3.19 Cost of Services and Operating Expenses

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

As of December 31, 2019, cost of services and operating expenses includes personnel services, maintenance and other operating expenses, financial expenses and non-cash expenses.

2.3.20 Tax

Current tax

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

Deferred tax

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

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

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

2.3.21 Provisions and Contingencies

Provisions

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

Contingencies

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

2.3.22 Employee Benefits

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

The District recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the District's financial statements in compliance with PFRS requires Management to make judgments, estimates and assumptions that affect the amounts reported and disclosure in the financial statements and the related notes. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results could differ from those estimates, and such, will be adjusted accordingly.

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

3.1 Judgments

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

Determination of impairment of non-financial asset

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

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

In 2019 and 2018, the District has not identified any impairment indicator, thus, no impairment was recognized.

3.2 Estimates and Assumptions

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

Determination of impairment of receivables

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

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

As at December 31, 2019, the District has not yet adopted the ELC method in computing the amount of allowance for impairment. The following is the basis used by the District in computing the Allowance for Impairment-Accounts Receivable, to wit:

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

Determination of estimated useful lives of PPE

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

Amendments to PFRS 9, Prepayment Features with Negative Compensation

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. Earlier application of these amendments is permitted.

The amendments are not expected to have any significant impact on the District's financial statements.

PFRS 16 Leases

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

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

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

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

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

Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Earlier application of these amendments is permitted.

The amendments are not expected to have any significant impact on the District's financial statements.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

4.1 Interpretation with Deferred Effective Date

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

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

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

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2019	2018
Cash - Collecting Officers	**₱ 239,189.11**	**₱ 228,971.04**
Cash in Bank - Current Account - Land Bank of the Philippines (LBP)	664,800.28	8,805,892.53
Cash in Bank - Current Account - Farmer Savings and Loan Bank (FSLB)	20,000.00	20,000.00
Cash in Bank - Savings Account (FSLB)	335,863.96	338,189.38
Cash in Bank - Savings Account - Country Rural Bank of Taguig (CRBT)	112,235.13	126,335.39
Cash in Bank - Savings Account (LBP)	283,108.67	2,808,144.74
Cash in Bank LBP Savings - Reserves	3,004,186.95	3,001,751.46
Total Cash and Cash Equivalents	**₱ 4,659,384.10**	**₱15,329,284.54**

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

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

6. RECEIVABLES, Net

This account consists of the following:

	2019	2018
Current		
Accounts Receivable	₱4,837,450.78	₱5,831,114.32
Allowance for Impairment	1,575,693.77	1,434,383.21
Receivables, Net - Current	3,261,757.01	4,396,731.11
Other Receivables	4,097,660.24	3,976,520.92
Receivables, Net	**₱7,359,417.25**	**₱8,373,252.03**

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

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

The aging/analysis of receivables is shown below.

Accounts Receivable	**2019**	**2018**
Past due		
1-30 days	₱ 2,209,188.18	₱2,077,115.82
31 to 60 days	481,828.36	510,849.68
61 to 90 days	105,742.63	92,636.07
91 to 120 days	217,827.28	137,397.56
Over 120 days	3,678,574.15	3,046,802.04
Unreconciled Amount vs GL	(165,518.28)	(33,686.85)
JEV Adjustment	(1,690,191.54)	0.00
Total Accounts Receivable	**₱ 4,837,450.78**	**₱5,831,114.32**

As at December 31, 2019, the prior years' discrepancy between the general ledger and subsidiary ledger has amounted to ₱165,518.28.

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

7. INVENTORIES

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

2019				
	Inventory Held for Consumption	Inventory Held for Manufacturing	Semi-Expendable Furniture, Fixtures and Books	Total
Cost				
Balance, Jan. 1	₱ 10,586,378.1	₱ 0.00	₱ 0.00	₱ 10,586,378.15
Additions/ Acquisitions during the year	15,663,488.62	0.00	24,754.00	15,688,242.62
Expensed during the year except write-down	(14,041,334.66)	0.00	0.00	(14,041,334.66)
Write-down during the year	0.00	0.00	0.00	0.00
Reversal of write-down during the year	0.00	0.00	0.00	0.00
Balance, Dec. 31	**₱12,208,532.11**	**₱ 0.00**	**₱ 24,754.00**	**₱12,233,286.11**

2018				
	Inventory Held for Consumption	Inventory Held for Manufacturing	Semi-Expendable Furniture, Fixtures and Books	Total
Cost				
Balance, Jan. 1	₱10,369,327.8	₱ 0.00	₱ 0.00	₱10,369,327.8
Additions/ Acquisitions during the year	12,007,647.79	0.00	0.00	12,007,647.79
Expensed during the year except write-down	(11,790,597.50)	0.00	0.00	(11,790,597.50)
Write-down during the year	0.00	0.00	0.00	0.00
Reversal of write-down during the year	0.00	0.00	0.00	0.00
Balance, Dec. 31	**₱10,586,378.15**	**₱ 0.00**	**₱ 0.00**	**₱10,586,378.15**

8. OTHER INVESTMENTS

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

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

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

The breakdown of this account is as follows:

	2019				
PPE Account	**Balance at January 1**	**Additions/ Acquisitions**	**Deductions/ Disposals**	**Accumulated Depreciation**	**PPE, Net**
Land	₱15,774,871.00	₱7,500,000.00	₱ 0.00	₱ 0.00	₱23,274,871.00
Infrastructure Assets	192,816,211.54	11,142,048.27	11,800.01	48,735,804.87	155,210,654.93
Building and Other Structures	7,352,620.53	1,241,718.21	0.00	2,781,407.19	5,812,931.55
Other Land Improvements	2,052,451.03	342,881.50	0.00	29,638.28	2,365,694.25
Leased Assets Improvements	845,234.00	0.00	0.00	129,835.82	715,398.18
Machinery and Equipment	1,293,122.29	672,384.20	0.00	868,646.75	1,096,859.74
Furniture, Fixtures and Books	3,703,596.96	518,019.52	87,471.92	2,075,452.84	2,058,691.72
Transportation Equipment	7,193,919.55	90,000.00	0.00	2,899,388.96	4,384,530.59
Construction in Progress	3,043,621.79	11,032,514.08	10,438,496.81	0.00	3,637,639.06
Total	**₱234,075,648.69**	**₱32,539,565.78**	**₱10,537,768.74**	**₱57,520,174.71**	**₱198,557,271.02**

	2018				
PPE Account	**Balance at January 1**	**Additions/ Acquisitions**	**Deductions/ Disposals**	**Accumulated Depreciation**	**PPE, Net**
Land	₱ 8,274,871.00	₱ 7,500,000.00	₱ 0.00	₱ 0.00	₱ 15,774,871.00
Infrastructure Assets	156,136,509.64	36,712,772.90	33,071.00	44,232,039.79	148,584,171.75
Building and Other Structures	7,053,004.31	1,808,138.85	1,508,522.63	2,569,562.34	4,783,058.19
Other Land Improvements	0.00	2,052,451.03	0.00	1,933.77	2,050,517.26
Leased Assets Improvements	823,234.00	22,000.00	0.00	97,381.78	747,852.22
Machinery and Equipment	1,242,813.25	779,696.04	729,387.00	609,739.86	683,382.43
Furniture, Fixtures and Books	3,194,582.96	1,310,164.00	801,150.00	1,522,455.93	2,181,141.03
Transportation Equipment	6,628,274.55	573,465.00	7,820.00	2,260,372.16	4,933,547.39
Construction in Progress	24,056,036.44	12,012,374.09	33,024,788.74	0.00	3,043,621.79
Total	**₱207,409,326.15**	**₱62,771,061.91**	**₱36,104,739.37**	**₱51,293,485.63**	**₱182,782,163.06**

10. OTHER NON-CURRENT ASSETS

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

11. FINANCIAL LIABILITIES

The details of this account are shown below:

	2019	2018
Current		
Accounts Payable	₱22,963,806.08	₱15,129,061.37
Due to Officer and Employees	66,765.10	19,154.39
Long Term Loans Payable	3,611,134.28	
Other Loans Payable	89,152.14	89,152.14
Financial Liabilities - Current	26,730,857.60	15,237,367.90
Non-current		
Long Term Loans Payable	37,483,293.82	33,426,573.88
Total Financial Liabilities	**₱64,214,151.42**	**₱48,663,941.78**

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.

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

12. INTER-AGENCY PAYABLES

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

	2019	2018
Due to BIR	₱ 997,946.10	₱565,375.23
Due to GSIS	401,953.38	285,169.07
Due to Pag-IBIG	74,457.73	59,165.76
Due to Philhealth	31,546.21	23,948.52
Total Inter-Agency Payables	**₱1,505,903.42**	**₱933,658.58**

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

13. TRUST LIABILITIES

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

14. PROVISIONS

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

15. DEFERRED CREDITS

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

16. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2019	2018
Service Income		
Waterworks System Fees	₱105,888,862.24	₱106,024,677.70
Sales Discounts	(183,781.81)	(167,883.40)
Net - Waterworks System Fees	105,705,080.43	105,856,794.30
Other Business Income	4,614,555.51	5,743,356.04
Fines and Penalties – Service Income	3,540,243.43	3,296,793.67
Total Service Income	113,859,879.37	114,896,944.01
Business Income		
Royalty Fees	680,184.40	711,055.40
Interest Income	12,859.56	21,479.37
Total Business Income	693,043.96	732,534.77
Total Service and Business Income	**₱114,552,923.33**	**₱115,629,478.78**

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

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

17. PERSONNEL SERVICES

The details of this account are shown below:

	2019	2018
Salaries and Wages	₱13,197,137.61	₱13,669,041.98
Other Compensation	5,019,853.31	4,449,712.27
Personnel Benefits Contributions	3,388,885.88	1,297,699.88
Other Personnel Benefits	0.00	442,663.46
Total Personnel Services	**₱21,605,876.80**	**₱19,859,117.59**

18. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following:

	2019	2018
Travelling Expenses	₱ 138,635.45	₱ 314,437.20
Training Expenses	854,579.02	507,316.92
Supplies and Materials Expenses	6,315,303.23	5,641,211.31
Generation, Transmission and Distribution Expenses	55,222,769.71	48,029,460.06
Utility Expenses	5,372,517.72	5,988,418.91
Communications Expenses	309,479.84	298,547.30
Membership Dues and Contributions to Organizations	66,733.00	54,942.00
Advertising Expenses	507,006.75	306,822.50
Printing and Publication Expenses	5,630.00	4,220.00
Rent/Lease Expenses	266,410.00	151,000.00
Representation Expenses	1,400,506.47	1,784,268.09
Donations	113,003.00	9,355.00
Directors and Committee Members Fees	1,002,685.50	846,154.00
Awards/Rewards Expenses	0.00	1,000.00
Professional Services	586,132.97	696,076.45
General Services	5,444,480.43	1,566,141.22
Repairs and Maintenance Expenses	4,098,402.98	3,639,677.62
Extraordinary and Miscellaneous Expenses	108,242.78	117,709.54
Taxes, Insurance Premiums and Other Fees	2,243,810.13	2,390,872.00
Total MOOE	**₱84,056,328.98**	**₱72,347,630.12**

19. FINANCIAL EXPENSES

Details of this account are shown below:

	2019	2018
Bank Charges	₱ 96,214.60	₱ 108,264.00
Interest Expenses	2,368,294.26	2,287,741.26
Total Financial Expenses	**₱2,464,508.86**	**₱2,396,005.26**

20. NON-CASH EXPENSES

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

	2019	2018
Impairment Loss - Accounts Receivable	₱ 141,310.56	₱ 81,048.60
Depreciation Expenses	6,226,689.08	5,393,715.92
Amortization for Intangible Assets	16,560.98	19,562.81
Loss of Assets	29,232.08	0.00
Total Non-Cash Expenses	**₱6,413,792.70**	**₱5,494,327.33**

21. PRIOR PERIOD ADJUSTMENTS

Details of the prior period adjustments are as follows:

2019	
Prior year expenses for repair and maintenance of service vehicle	(₱ 30,335.00)
Correcting entry to reflect correct computation of leave benefits payable using new salary rate as of Dec 2018	(610,038.20)
Payment for Website hosting subscription 2018	(12,887.72)
Conversion from Grant to Loan from LWUA NLIF-9-0246. NLIF-PSF to LWUA ICG Soft Loan Payable in 25 yrs. @ 2% int p.a.	(11,317,797.50)
Reconciliation of various prior period adjustments in AP as of Dec 2017	(3,377,232.76)
Over-accrual of expenses in 2018 not used in 2019	414,145.48
Total Prior Period Adjustments	**(₱14,934,145.70)**

2018	
Adjustment for the recorded expense for Philhydro and MWSS	₱ 74,954.17
Various salary adjustment for 2017	33,958.04
Short/over accrual of expense for various materials purchased from suppliers	(18,524.00)
Correcting entry from Customer's Deposits to Other Receivables	3,500.00

2018	
Adjusting entry for Other Receivables pertaining to NSC	257,326.51
Reclassification of Billing and Collection Software from expense to intangibles	133,520.80
Reclassification of PPE below 15 thousand to semi-expendable expense	(272,025.31)
Reclassification from CIP to repair expenses	(56,210.00)
Correcting entry for the accrual of audit fee	99,727.25
Total Prior Period Adjustments	**₱256,227.46**

22. FAIR VALUE MEASUREMENT

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

	2019		2017	
	Carrying Value	**Fair Value Significant unobservable inputs (Level 3)**	**Carrying Value**	**Fair Value Significant unobservable inputs (Level 3)**
Financial Assets				
Accounts Receivable	**₱3,261,757.01**	**₱3,261,757.01**	**₱4,396,731.11**	**₱4,396,731.11**
Financial Liabilities				
Loans Payable	**₱41,094,428.10**	**₱41,094,428.10**	**₱33,426,573.88**	**₱33,426,573.88**

Fair Value Hierarchy

There were no financial assets measured at fair value as of December 31, 2019 and 2018. During the periods ended December 31, 2019 and 2018, 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.