



ANGAT WATER DISTRICT
RECEIVED

DATE: June 30, 2020

PY. *Milet C. Rovero*
Milet C. Rovero

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

FINANCIAL AUDIT REPORT

on the

ANGAT WATER DISTRICT Angat, Bulacan

For the Years Ended December 31, 2019 and 2018



Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

Tel. Nos. (045) 455-42-69 to 73 * Fax No. (045) 455-4273 • Website: www.coa.gov.ph

June 26, 2020

Engr. FRANCISCO DG. VICENTE
Chairperson of the Board of Directors
Angat Water District
Angat, Bulacan

Dear **Chairperson Vicente**:

We are pleased to transmit the Financial Audit Report on the audit of the Angat Water District, Angat, Bulacan for the Calendar Years 2019 and 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 an unmodified 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 22, 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 Sections 99 and 93 of the General Provisions of the General Appropriations Act for FYs 2019 and 2018, respectively.

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



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COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

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June 26, 2020

Mr. ARTURO S. TORRES

General Manager
Angat Water District
Angat, Bulacan

Dear **Manager Torres**:

We are pleased to transmit the Financial Audit Report on the audit of the Angat Water District, Angat, Bulacan for the Calendar Years 2019 and 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.

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We rendered an unmodified opinion on the fairness of presentation of the financial statements.

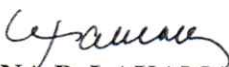
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Very truly yours,


CHONA P. LAXAMANA
Officer-in-Charge



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COMMISSION ON AUDIT

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City of San Fernando, Pampanga

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June 25, 2020

Ms. CHONA P. LAXAMANA
Officer-in-Charge
COA Regional Office No. III
City of San Fernando, Pampanga

Madam:

We are pleased to submit herewith the Financial Audit Report on the audit of the Angat Water District, Angat, Bulacan for the Calendar Years 2019 and 2018 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

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.

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 the officials concerned in the exit conference that was held on June 22, 2020.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit. We rendered a unmodified opinion on the fairness of presentation of the financial statements.

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,

PRISCILA R. ESGUERRA
OIC-Supervising Auditor



Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

Tel. Nos. (045) 455-42-69 to 73 * Fax No. (045) 455-4273 • Website: www.coa.gov.ph

June 24, 2020

Ms. PRISCILA R. ESGUERRA

OIC-Supervising Auditor
Water Districts Audit Group
This Region

Madam:

We are pleased to submit herewith the Financial Audit Report on the audit of the Angat Water District, Angat, Bulacan for the Calendar Years 2019 and 2018 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

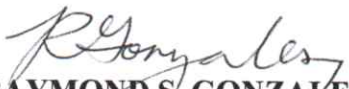
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We conducted our audit in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,


RAYMOND S. GONZALES
OIC-Audit Team Leader



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

FINANCIAL AUDIT REPORT

on the

ANGAT WATER DISTRICT Angat, Bulacan

For the Years Ended December 31, 2019 and 2018

EXECUTIVE SUMMARY

A. INTRODUCTION

Pursuant to Presidential Decree (PD) No. 198, otherwise known as the "Local Water Utilities Administration Act of 1973" as amended by PD Nos. 768 and 1479, and by virtue of the Sangguniang Bayan Resolution, the District was created on 1987. On June 11, 1987, the Conditional Certificate of Conformance No. 292 was issued by Local Water Utilities Administration (LWUA) to a newly-formed water district to operate under the standard specification.

As at December 31, 2019, the District has 11 pumping stations, 6 elevated steel tanks, 2 steel bolted tanks, and 1 concrete tank which serve 14 barangays with 10,578 total active service connections. The District is recognized as "Category C" water district pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO) on March 2012. And on June 27, 2019, the district was re-categorized as "Category B" water district.

Its mission is to develop more water sources and maintain highest level of operations; it envisioned itself to have one hundred percent coverage and full satisfaction among its consumers; and its primary goal is to provide sewage services and continuous supply of water by 2020 and beyond.

The District's Board of Directors is composed of the following:

| Name | Position/Designation | Sector |
|----------------------------|----------------------|--------------|
| Engr. Francisco G. Vicente | Chairperson | Professional |
| Ms. Mauricia T. Santiago | Vice-Chairperson | Business |
| Mrs. Priscilla P. Rigoroso | Secretary | Education |
| Mrs. Erlinda V. Carpio | Member | Women |
| Mrs. Leonor S. Sarmiento | Member | Civic |

The District has 31 permanent employees and 9 job orders, headed by General Manager Arturo S. Torres.

B. FINANCIAL HIGHLIGHTS

The comparative analysis of the District's Financial Condition and Results of Operation for CYs 2019, 2018 and 2017 are shown below:

| | 2019 | 2018 | 2017 |
|----------------------------|-----------------|-----------------|----------------|
| FINANCIAL CONDITION | | | |
| Assets | ₱108,203,514.70 | ₱101,788,267.92 | ₱95,408,064.86 |
| Liabilities | 17,712,881.29 | 17,508,320.42 | 16,889,053.49 |
| Equity | 90,490,633.41 | 84,279,947.50 | 78,519,011.37 |

| | 2019 | 2018 | 2017 |
|-----------------------------|---------------|---------------|---------------|
| RESULTS OF OPERATION | | | |
| Income | 55,405,690.21 | 53,596,201.57 | 51,192,282.45 |
| Expenses | 49,008,356.43 | 47,069,555.42 | 40,846,268.96 |
| Net Income | 6,397,333.78 | 6,526,646.15 | 10,346,013.49 |

C. SCOPE OF AUDIT

We conducted an audit of the financial transactions and operations of the District for the years ended December 31, 2019 and 2018, on a sampling basis in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated October 4, 2019, prescribing the General Audit Instructions for the conduct of CY 2020 Audit of Water Districts and for other matters. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion. 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.

D. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the District for the years ended December 31, 2019 and 2018

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The significant audit observations noted during the audit and the corresponding recommendations are the following:

I. The District still maintains deposits with two private or commercial banks in violation of DOF-Department Circular No. 001-2017 dated May 11, 2017 and LWUA Memorandum Circular No. 007-17 dated May 8, 2017. (*Observation No. 1*)

We reiterated our prior years' recommendations that the General Manager B (a) strictly implement the revised guidelines on authorized government depository banks pursuant to Section 2 of DOF-Department Circular No. 01-2017 dated May 11, 2017; and (b) make representation with the authorized depository banks such as: LBP – Baliwag or Sta. Maria Branch or PVB, Baliwag Branch for a Memorandum of Agreement for the daily pick-up of deposits of the District's collections.

Moreover, we recommended that the General Manager B follow up its letter to the PNP, *Angat Bulacan* to issue a certification that security and safety risks exist, and submit the

same to the DOF together with the other documentary requirements enumerated in Section 4 of the same Circular.

2. The District paid two allowances totaling ₱1,586,072.00 to its officials and employees in CY 2019 without authority from the Office of the President (OP) contrary to Section 5 of PD No. 1597, Section 12 of RA No. 6758, Administrative Order No. 263 dated March 28, 1996 and National Budget Circular No. 452 dated May 20, 1996. *(Observation No. 5)*

We recommended and the General Manager B thru the Senior Corporate Accountant A agreed to (a) require the concerned officials and employees to refund the unauthorized allowances of ₱1,586,072.00; (b) strictly refrain from paying fringe benefits without the prior approval from the Office of the President to avoid similar disallowances in the future.

3. The District paid water permit and penalty fee amounting to ₱71,670.20 for 19 pumping stations imposed by the National Water Resources Board (NWRB) which is not in consonance with Sections 27 and 45 of PD No. 198 and other existing laws and rules. *(Observation No. 6)*

We recommended that the General Manager B thru its Senior Corporate Accountant A (a) stop paying water permit fee; (b) make necessary representation with the NWRB for the refund of payments made; and (c) abide with the established laws and rules.

E. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Four years' audit disallowances issued for CYs 2009 to 2018 transactions totaled ₱11,441,536.45 with settlements made in the total amount of ₱672,505.00; leaving a balance of ₱10,769,031.45. There were disallowable expenditures in the amount of ₱1,657,742.20 in the audit of CY 2019 transactions.

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the 33 recommendations embodied in the CYs 2017 and 2016 Financial Audit Report, 22 were fully implemented, 11 were partially implemented and one was not implemented.

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PART I – AUDITED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Angat Water District
Angat, Bulacan

Report on the Audit of the Financial Statements

Unmodified Opinion

We have audited the financial statements of the Angat Water District, which comprise the Statement of Financial Position as at December 31, 2019 and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Angat Water District as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Unmodified Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the District in accordance with the Code of Ethics for Government Auditors together with the ethical requirements that are relevant to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:


PRISCILA R. ESGUERRA
CIC-Supervising Auditor

June 25, 2020



ANGAT WATER DISTRICT

269 M.A. Fernando St. Sta. Cruz
Angat, Bulacan, Philippines
Tel. No. (044)671-1204 Fax No. (044)769-1529

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Angat Water District is responsible for the preparation of the financial statements as at December 31, 2019 and 2018, respectively, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Angat Water District in accordance with the International Standards for Supreme Audit Institutions (ISAS) and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

ENGR. FRANCISCO G. VICENTE

Chairman

Date Signed: January 22, 2020

ROSE BLANCA S. IGNACIO

Corporate Accountant

Date Signed: January 22, 2020

ARTURO S. TORRES

General Manager

Date Signed: January 22, 2020



ANGAT WATER DISTRICT

Angat, Bulacan

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019 and 2018

(With Comparative Figures for CY 2017)

| | Note | 2019 | 2018 | 2017 |
|--------------------------------------|--------|-------------------------|-------------------------|------------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | 4 | ₱ 7,953,515.55 | ₱ 11,855,922.40 | ₱ 12,189,115.49 |
| Receivables, Net | 5,19 | 4,058,428.73 | 4,484,989.35 | 4,215,399.24 |
| Inventories | 6 | 2,240,380.03 | 3,486,739.70 | 3,439,908.93 |
| TOTAL CURRENT ASSETS | | 14,252,324.31 | 19,827,651.45 | 19,844,423.66 |
| NON-CURRENT ASSETS | | | | |
| Property, Plant and Equipment, Net | 7 | 89,475,528.19 | 77,409,454.27 | 70,739,419.11 |
| Intangible Assets, Net | 8 | 288,750.00 | 334,250.00 | 637,309.89 |
| Other Non-Current Assets | 9 | 4,186,912.20 | 4,216,912.20 | 4,186,912.20 |
| TOTAL NON-CURRENT ASSETS | | 93,951,190.39 | 81,960,616.47 | 75,563,641.20 |
| TOTAL ASSETS | | ₱ 108,203,514.70 | ₱ 101,788,267.92 | ₱ 95,408,064.86 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Financial Liabilities | 10, 19 | ₱ 3,937,616.24 | ₱ 5,736,803.32 | ₱ 4,461,757.11 |
| Inter-Agency Payables | 11 | 674,318.10 | 442,973.97 | 212,033.97 |
| TOTAL CURRENT LIABILITIES | | 4,611,934.34 | 6,179,777.29 | 4,673,791.08 |
| NON-CURRENT LIABILITIES | | | | |
| Financial Liabilities | 10, 19 | 6,781,191.41 | 6,168,537.41 | 8,051,940.98 |
| Trust Liabilities | 12 | 57,410.00 | 57,410.00 | 57,410.00 |
| Provisions | 13 | 6,262,145.54 | 5,102,595.72 | 4,105,911.43 |
| Other Payables | | 200.00 | 0.00 | 0.00 |
| TOTAL NON-CURRENT LIABILITIES | | 13,100,946.95 | 11,328,543.13 | 12,215,262.41 |
| TOTAL LIABILITIES | | 17,712,881.29 | 17,508,320.42 | 16,889,053.49 |
| EQUITY | | | | |
| Government Equity | | 217,052.24 | 217,052.24 | 217,052.24 |
| Reserved Earnings | | 90,273,581.17 | 84,062,895.26 | 78,301,959.13 |
| TOTAL EQUITY | | 90,490,633.41 | 84,279,947.50 | 78,519,011.37 |
| TOTAL LIABILITIES AND EQUITY | | ₱ 108,203,514.70 | ₱ 101,788,267.92 | ₱ 95,408,064.86 |

Notes on pages 8 to 30 form part of these statements.



ANGAT WATER DISTRICT

Angat, Bulacan

STATEMENT COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018

(With Comparative Figures for CY 2017)

| | Note | 2019 | 2018 | 2017 |
|--|------|----------------------|-----------------------|-----------------------|
| INCOME | | | | |
| Service and Business Income | 14 | ₱55,405,690.21 | ₱53,338,094.68 | ₱51,026,702.50 |
| Other Non-Operating Income | | 0.00 | 258,106.89 | 165,579.95 |
| TOTAL INCOME | | 55,405,690.21 | ₱53,596,201.57 | 51,192,282.45 |
| EXPENSES | | | | |
| Personnel Services | 15 | 21,337,316.52 | 18,192,851.89 | 15,991,631.54 |
| Maintenance and Other Operating Expenses | 16 | 22,447,653.19 | 23,375,927.10 | 19,845,600.54 |
| Financial Expenses | 17 | 609,236.22 | 808,021.32 | 1,025,069.18 |
| Non-Cash Expenses | 18 | 4,614,150.50 | 4,692,755.11 | 3,983,967.70 |
| TOTAL EXPENSES | | 49,008,356.43 | 47,069,555.42 | 40,846,268.96 |
| NET INCOME | | ₱6,397,333.78 | ₱6,526,646.15 | ₱10,346,013.49 |

Notes on pages 8 to 30 form part of these statements.



ANGAT WATER DISTRICT
Angat, Bulacan
STATEMENT OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018

| Note | GOVERNMENT EQUITY | RETAINED EARNINGS | TOTAL |
|-------------------------------------|----------------------|------------------------|------------------------|
| BALANCE AT DECEMBER 31, 2017 | P 217,052.24 | P 78,301,959.13 | P 78,519,011.37 |
| Add/Deduct: | | | |
| Net Income for the year | 0.00 | 6,526,646.15 | 6,526,646.15 |
| Other Adjustments | 0.00 | (765,710.02) | (765,710.02) |
| BALANCE AT DECEMBER 31, 2018 | 217,052.24 | 84,062,895.26 | 84,279,947.50 |
| Add/Deduct: | | | |
| Net Income for the year | 0.00 | 6,397,333.78 | 6,397,333.78 |
| Other Adjustments | 0.00 | (186,647.87) | (186,647.87) |
| BALANCE AT DECEMBER 31, 2019 | P 217,052.24 | P 90,273,581.17 | P 90,490,633.41 |

Annexes on pages 8 to 30 form part of these statements.



ANGAT WATER DISTRICT

Angat, Bulacan

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2018 and 2019

(With Comparative Figures for CY 2017)

| | Note | 2019 | 2018 | 2017 |
|---|----------|-----------------------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| <i>Cash Inflows</i> | | | | |
| Proceeds from Sale of Goods and Services | P | 646,854.70 | P 904,939.50 | P 445,620.50 |
| Collection of Income/Revenue | | 1,942,013.03 | 1,375,336.00 | 2,056,046.75 |
| Collection of Receivables | | 52,393,815.68 | 50,678,161.78 | 49,040,673.14 |
| Other Receipts | | 32,901.60 | 85,838.68 | 63,376.91 |
| Other Adjustments | | 827,519.93 | 2,801,147.77 | 668,401.43 |
| Total Cash Inflows | | 55,843,104.94 | 55,845,423.73 | 52,274,118.73 |
| <i>Cash Outflows</i> | | | | |
| Payment of Expenses | | 32,307,704.94 | 31,953,633.51 | 25,193,625.43 |
| Purchase of Inventories | | 1,028,853.61 | 1,055,860.55 | 454,986.68 |
| Grant of Cash Advance | | 345,306.86 | 522,978.62 | 664,400.00 |
| Payments of Accounts Payable | | 7,362,309.54 | 5,145,550.11 | 9,724,596.59 |
| Remittance of Personnel Benefits | | | | |
| Contributions and Mandatory Deductions | | 6,172,423.56 | 4,480,793.47 | 4,633,268.70 |
| Other Disbursements | | 1,668,740.43 | 1,150,247.21 | 1,656,928.92 |
| Other Adjustments | | 2,743,054.51 | 672,619.80 | 24,897.91 |
| Total Cash Outflows | | 51,628,393.45 | 44,981,683.27 | 42,352,704.23 |
| NET CASH PROVIDED BY (USED IN) | | | | |
| OPERATING ACTIVITIES | | 4,214,711.49 | 10,863,740.46 | 9,921,414.50 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| <i>Cash Inflows</i> | | | | |
| Receipts of Interest Earned | | 20,947.84 | 21,760.62 | 20,596.59 |
| Other Adjustments | | 1,054,803.17 | 157,256.89 | 0.00 |
| Total Cash Inflows | | 1,075,751.01 | 179,017.51 | 20,596.59 |
| <i>Cash Outflows</i> | | | | |
| Purchase of Property, Plant and Equipment | | 9,528,762.78 | 8,029,971.92 | 6,045,183.31 |
| Total Cash Outflows | | 9,528,762.78 | 8,029,971.92 | 6,045,183.31 |
| NET CASH PROVIDED BY (USED IN) | | | | |
| INVESTING ACTIVITIES | | (8,453,011.77) | (7,850,954.41) | (6,024,586.72) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| <i>Cash Inflows</i> | | | | |
| Proceeds from Loans | | 2,550,000.00 | 200.00 | 0.00 |
| Payments | | 58,435.00 | 209,900.86 | 72,386.00 |
| Total Cash Inflows | | 2,608,435.00 | 210,100.86 | 72,386.00 |
| <i>Cash Outflows</i> | | | | |
| Payment of Long-Term Liabilities | | 2,272,541.57 | 3,556,080.00 | 3,556,080.00 |
| Total Cash Outflows | | 2,272,541.57 | 3,556,080.00 | 3,556,080.00 |
| NET CASH PROVIDED BY (USED IN) | | | | |
| FINANCING ACTIVITIES | | 335,893.43 | (3,345,979.14) | (3,483,694.00) |
| INCREASE (DECREASE) IN CASH AND | | | | |
| INVESTMENTS | | (3,902,406.85) | (333,193.09) | 413,133.78 |
| CASH AND CASH EQUIVALENTS - | | 11,855,922.40 | 12,189,115.49 | 11,775,981.71 |
| COMPARABLE | 4 | P 7,953,515.55 | P 11,855,922.40 | P 12,189,115.49 |

See page 30 for part of these statements.

NOTES TO FINANCIAL STATEMENTS

I. GENERAL INFORMATION

1.1 Agency Background

Pursuant to Presidential Decree (PD) No. 198, otherwise known as the "Local Water Utilities Administration Act of 1973" as amended by PD Nos. 768 and 1479, and by virtue of the Sangguniang Bayan Resolution, the District was created on 1987. On June 30, 1987, the Conditional Certificate of Conformance No. 292 was issued by Local Water Utilities Administration (LWUA) to a newly-formed water district to operate under the standard specification.

As at December 31, 2019 and 2018, the District has 11 pumping stations, 6 elevated steel tanks, 2 steel bolted tanks, and 1 concrete tank which serve 14 barangays with 10,578 total active service connections. The District is recognized as "Category C" water district pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO) on March 2012. And on June 27, 2019, the district was re-categorized as "Category B" water district.

The mission is to develop more water sources and maintain highest level of operations; it committed itself to have one hundred percent coverage and full satisfaction among its consumers; and its primary goal is to provide sewage services and continuous supply of water by 2020 and beyond.

The District's Board of Directors is composed of the following:

| Name | Position/Designation | Sector |
|----------------------------|-----------------------------|---------------|
| Engr. Francisco G. Vicente | Chairperson | Professional |
| Mrs. Mauricia T. Santiago | Vice-Chairperson | Business |
| Mrs. Priscilla P. Rigoroso | Secretary | Education |
| Mrs. Erlinda V. Carpio | Member | Women |
| Mrs. Leonor S. Sarmiento | Member | Civic |

The District has 31 permanent employees and 9 job orders, headed by General Manager ~~Jose M. Torres~~.

1.2 Authorization for Issue of the 2019 and 2018 Financial Statements

The financial statements of the District for the years ended December 31, 2019 and 2018 were authorized for issue by the Board of Directors on January 22, 2020 as reflected in the Statement of Management's Responsibility for Financial Statements signed by the ~~General Chairperson~~.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Financial Statements Presentation

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 years ended December 31, 2019 and 2018, respectively, District prepared its financial statements (FS) in accordance with Philippine Financial and Reporting Standards (PFRS) and New Government Accounting System (NGAS) prescribed by the Commission on Audit on January 1, 2005.

2.2 Statement of Compliance

The financial statements were prepared in compliance with PFRS, which includes standards 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 equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Whether assets are classified as noncurrent.

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 Instrument

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 each reporting date.

As at December 31, 2019 and 2018, the District does not have financial assets and financial liabilities at FVPL, HTM investments, and AFS.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed resources 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.

As at December 31, 2019 and 2018, this category includes the District's Receivables account.

Financial Liabilities Measured at Amortized Cost

These are the financial liabilities which are not designated at FVPL. Financial liabilities not designated as FVPL are measured at amortized cost after initial measurement 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.

Included in this category are the District's accounts payable, accrued expenses, interest-bearing payables, loans payable, other payables and guarantee deposits payable to customers.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. The amortization is recorded in the interest expense in the District's Statement of Comprehensive Income.

3.3.1 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 assets 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;
- The District has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risk and rewards of the asset, or (b) has neither transferred nor retained the risk 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

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 despite of sending series of demand letters to delinquent concessionaires.

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.

The District's Allowance for impairment of its Accounts Receivable amounted to ₱909,936.92 and ₱909,927.54 as of December 31, 2019 and 2018, respectively. This was determined as the likely amount that will not be collected from delinquent customers.

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; 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.

2.3.9 Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the moving average 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 Property, Plant and Equipment

PPE, except land, are stated at cost less accumulated depreciation. A residual value equivalent to ten percent (10%) of the purchase cost is being set up.

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 and amortization 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 as follows:

| <u>Category</u> | <u>Number of years</u> |
|--------------------------------------|------------------------|
| Furniture and Fixtures | 10 years |
| Transportation equipment | 8 years |
| Machinery and equipment | 10 years |
| <i>Building and other structures</i> | 30 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.

Fully depreciated PPE are retained in the accounts until they are no longer in use and no further depreciation are charged to current operations.

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.

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.

Measurement at recognition

An item recognized as PPE is measured at cost. Cost includes the following:

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

Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

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

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

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use.

Depreciation method

Depreciation is computed on a straight-line method less 10% residual value over the estimated useful lives of the property, and commences on the month subsequent to acquisition

Estimated useful life

The District uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

Residual value

The District uses a residual value equivalent to at least ten percent (10%) of the cost of the PPE.

Impairment

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

Derecognition

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

2.3.11 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.

The District intangible asset as at December 31, 2019 and 2018 amounted to ₱663,750.00 and ₱593,750.00, respectively.

2.3.12 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.

As at December 31, 2019 and 2018, The District has no reported impaired non-financial assets.

2.3.13 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.

2.3.14 Income from Waterworks System

Water revenue are recognized when the related water services are rendered. Water is billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month are estimated and accrued. These estimates are based on historical consumption of the customers.

2.3.15 Fines and Penalties not related to taxes

The District recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

The District charges fines and penalties to customers when there is a delay in the payment of water bill. A penalty of 20% of the water bill is automatically charged by the Billing and Collection System the day following the due date.

2.3.16 Other Business Income

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

2.3.17 Interest Income

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

2.3.18 Cost of Services and Operating Expenses

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

As of December 31, 2019 and 2018, cost of services and operating expenses includes personnel services, maintenance and other operating expenses, financial expenses and non-cash expenses.

2.3.19 Income 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)

Relative thereto, Section 14 of PD No. 198 and Department of Justice ruling under case No. OSJ-2005-03 provides that the Water Districts are exempted from imposition of Income tax and liable only to two percent (2%) Franchise Tax based on its gross receipts. Recognition of deferred tax is not applicable as stated above.

2.3.20 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.

2.3.21 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.

3.2 *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, respectively, the District has not identified any impairment indicator, thus, no impairment was recognized.

3.3 *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 at each reporting date 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 District computes the Allowance for Impairment-Accounts Receivable based on the aging of receivables.

Determination of estimated useful lives of PPE

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

4. CASH AND CASH EQUIVALENTS

This account pertains to cash collecting officer, and cash in bank readily available in the payment of current obligations of the District and not subject to any restriction, contractual or otherwise. This consists of the following balances:

| | 2019 | 2018 | 2017 |
|--|----------------------|-----------------------|-----------------------|
| Cash Collecting Officers | ₱ 2,859.50 | ₱ 0.00 | ₱ (30,773.55) |
| Petty Cash Fund | 10,000.00 | 10,000.00 | 10,000.00 |
| Cash in Bank-Local Currency, Current Account | 7,091,558.33 | 7,910,696.41 | 8,284,769.07 |
| Cash in Bank-Local Currency, Time Deposit | 849,097.72 | 3,935,225.99 | 3,925,119.97 |
| Total Cash and Cash Equivalents | ₱7,953,515.55 | ₱11,855,922.40 | ₱12,189,115.49 |

5. RECEIVABLES, NET

This includes all amounts due on open accounts arising from services rendered to the customers for water sales and incidental services.

| | 2019 | 2018 | 2017 |
|--|----------------------|-----------------------|-----------------------|
| Accounts Receivable-Customer | ₱ 3,840,013.55 | ₱ 4,111,593.00 | ₱ 3,665,313.70 |
| Due From Officers and Employees | 1,110,162.10 | 1,282,443.89 | 0.00 |
| Other Receivables | 18,190.00 | 880.00 | 1,452,169.63 |
| Total | 4,968,365.65 | 5,394,916.89 | 5,117,483.33 |
| Allowance for Impairment - Accounts Receivable | (909,936.92) | (909,927.54) | (902,084.09) |
| Receivables, Net | ₱4,058,428.73 | ₱ 4,484,989.35 | ₱ 4,215,399.24 |

Other Receivables account pertains to the balance of materials purchased by concessionaires.

Below is the aging/analysis of Accounts Receivable (AR):

| Status of AR | 2019 | 2018 | 2017 |
|-----------------------|----------------------|----------------------|----------------------|
| Non Past Due Accounts | ₱1,246,841.65 | ₱1,230,999.65 | ₱1,120,968.35 |
| Past Due Accounts | | | |
| 31 - 60 days | 319,888.40 | 538,047.10 | 370,193.95 |
| 61 - 90 days | 46281.75 | 153,602.35 | 88,784.70 |
| 91 - 120 days | 48,423.55 | 124,625.70 | 52,773.00 |
| 121 - 180 days | 2,178,578.20 | 2,064,318.20 | 2,032,593.70 |
| Total AR | ₱3,840,013.55 | ₱4,111,593.00 | ₱3,665,313.70 |

6. INVENTORIES

This account pertains to unissued materials and supplies, which are kept in stock and held for future use.

| | 2019 | 2018 | 2017 |
|--|----------------------|----------------------|----------------------|
| Chemicals and Filtering Supplies Inventory | ₱157,200.00 | ₱263,300.00 | ₱365,950.00 |
| Other Supplies and Maintenance Inventory | 1,068,369.16 | 1,120,224.71 | 878,446.98 |
| Construction Materials Inventory | 1,014,810.87 | 1,365,214.11 | 1,482,971.95 |
| Semi Expendable Equipment Inventory | 0.00 | 738,000.88 | 712,540.00 |
| Total Inventories | ₱2,240,380.03 | ₱3,486,739.70 | ₱3,439,908.93 |

7. PROPERTY, PLANT AND EQUIPMENT (PPE), NET

PPE include properties of a relatively permanent character that are used in normal operations. The details of these PPE are presented below:

| CY 2019 | | | | | |
|---|------------------------|-------------------------|-----------------------|--------------------------|-----------------------|
| PPE Account | Balance at January 1 | Additions/ Acquisitions | Deductions/ Disposals | Accumulated Depreciation | PPE, Net |
| Land | ₱2,113,125.00 | ₱ 165,000.00 | ₱ 0.00 | ₱ 0.00 | ₱2,278,125.00 |
| Land and Other Improvements | 815,195.50 | 976,057.20 | 0.00 | 358,998.25 | 1,432,254.45 |
| Infrastructure Assets Building and Other Structures | 64,365,200.04 | 4,947,988.23 | 0.00 | 24,205,588.69 | 45,107,599.58 |
| Machinery and Equipment | 10,305,322.07 | 572,368.12 | 0.00 | 3,540,148.56 | 7,337,541.63 |
| Land Transportation Equipment | 27,060,045.91 | 4,515,358.69 | 135,795.00 | 14,385,627.64 | 17,053,981.96 |
| Furniture and Fixture | 5,412,310.94 | 191,675.62 | 0.00 | 3,942,865.52 | 1,661,121.04 |
| Other PPE | 358,792.50 | 609,650.62 | 0.00 | 335,522.41 | 632,920.71 |
| Construction in Progress | 21,578.00 | 0.00 | 0.00 | 0.00 | 21,578.00 |
| Total | ₱119,699,309.23 | ₱20,189,091.42 | ₱3,644,121.39 | ₱46,768,751.07 | ₱89,475,528.19 |

| CY 2018 | | | | | |
|---|------------------------|-------------------------|-----------------------|--------------------------|-----------------------|
| PPE Account | Balance at January 1 | Additions/ Acquisitions | Deductions/ Disposals | Accumulated Depreciation | PPE, Net |
| Land | ₱2,008,390.00 | ₱ 196,000.00 | ₱ 91,265.00 | ₱ 0.00 | ₱2,113,125.00 |
| Land and Other Improvements | 815,195.50 | 0.00 | 0.00 | 233,440.09 | 581,755.41 |
| Infrastructure Assets Building and Other Structures | 63,236,919.97 | 1,138,280.07 | 10,000.00 | 22,592,775.45 | 41,772,424.59 |
| Machinery and Equipment | 10,305,322.07 | 0.00 | 0.00 | 3,314,776.92 | 6,990,545.15 |
| Land Transportation Equipment | 26,253,607.91 | 2,139,205.00 | 1,332,767.00 | 12,495,248.26 | 14,564,797.35 |
| Furniture and Fixture | 5,014,147.12 | 398,163.82 | 0.00 | 3,364,112.71 | 2,048,198.23 |
| Other PPE | 384,792.50 | 0.00 | 26,000.00 | 289,501.53 | 69,290.97 |
| Construction in Progress | 21,578.00 | 0.00 | 0.00 | 0.00 | 21,578.00 |
| Total | ₱109,021,071.05 | ₱13,979,810.88 | ₱3,301,572.70 | ₱42,289,854.96 | ₱77,409,454.27 |

| CY 2017 | | | | | |
|---|----------------------|-------------------------|-----------------------|--------------------------|---------------|
| PPE Account | Balance at January 1 | Additions/ Acquisitions | Deductions/ Disposals | Accumulated Depreciation | PPE, Net |
| Land | ₱2,008,390.00 | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 | ₱2,008,390.00 |
| Land and Other Improvements | 729,095.50 | 86,100.00 | 0.00 | 161,913.37 | 653,282.13 |
| Infrastructure Assets Building and Other Structures | 53,439,173.06 | 9,797,746.91 | 0.00 | 21,052,295.79 | 42,184,624.18 |
| Machinery and Equipment | 9,313,980.28 | 991,341.79 | 0.00 | 3,096,451.08 | 7,208,870.99 |
| Land Transportation Equipment | 24,053,616.91 | 2,128,496.75 | 242,970.75 | 10,636,577.84 | 15,302,565.07 |
| Furniture and Fixture | 5,014,147.12 | 0.00 | 0.00 | 2,743,628.61 | 2,270,518.51 |
| Other PPE | 384,792.50 | 0.00 | 0.00 | 276,320.25 | 108,472.25 |
| | 21,578.00 | 0.00 | 0.00 | 0.00 | 21,578.00 |

| CY 2017 | | | | | |
|--------------------------|----------------------|-------------------------|-----------------------|--------------------------|-----------------------|
| PPE Account | Balance at January 1 | Additions/ Acquisitions | Deductions/ Disposals | Accumulated Depreciation | PPE, Net |
| Construction in Progress | 1,610,317.03 | 841,117.98 | 1,470,317.03 | 0.00 | 981,117.98 |
| Total | ₱6,575,090.40 | ₱13,844,803.43 | ₱1,713,287.78 | ₱37,967,186.94 | ₱70,739,419.11 |

The Land account as of CYs 2019 and 2018, respectively, under the possession of the District pertained to the following:

| Land | Qty. | Lot Area | Acquisition Cost | | Total |
|--|-----------|--------------|----------------------|------------------|----------------------|
| | | | Through Purchase | Through Donation | |
| Acquired through Purchase: | | | | | |
| With Transfer Certificate of Title (TCT) | 8 | 1,983 | ₱ 753,790.00 | ₱ 0.00 | ₱ 753,790.00 |
| Without TCT | 12 | 2,419 | 1,524,335.00 | 0.00 | ₱1,524,335.00 |
| Total Land | 20 | 4,402 | ₱2,278,125.00 | ₱ 0.00 | ₱2,278,125.00 |

The following information pertains to the eleven parcels of land which have no Transfer Certificate of Title yet:

- Tugatog Lot – the owner is still looking for the original mother title
- Office Lot, Laog, Paltoc and Illescas lot were under Presidential Decree 705 otherwise known as Forestry Reform Code of the Philippines only Tax Declaration for these lots were available but is already under the name of Angat Water District.
- Marungko P.S. 1 – the district had been looking for another lot that can be a source of water with a better quality so we can abandon the area because the water quality produced by the well is not that good anymore.
- All untitled lots have a Tax Declaration Certificate named after the district as proof of ownership.

The Management exerts effort to secure the covering TCTs on the above parcels of land to protect the District's interest and in order to document the absolute ownership thereon.

8. INTANGIBLE ASSETS, NET

This account consists of the following:

| | 2019 | 2018 | 2017 |
|-------------------------------|---------------------|---------------------|--------------------|
| Computer Software | ₱663,750.00 | ₱ 593,750.00 | ₱1,127,422.00 |
| Accumulated Amortization | (375,000.00) | (259,500.00) | (490,112.11) |
| Intangible Assets, Net | ₱ 288,750.00 | ₱ 334,250.00 | ₱637,309.89 |

9. OTHER NON-CURRENT ASSETS

This represents amount of meter and bill deposits to Meralco and unserviceable properties.

10. FINANCIAL LIABILITIES (FL)

Current Portion

It comprises of accounts payables which pertains to the unpaid credit and accrued expenses payable to suppliers of materials for expansion project, advances to officers and employees and other service providers. Loans payable pertains to current portion of long term loans which is due in one year after the reporting period.

Non-current Portion

This represents Loan Payable - Non Current portion or long term obligations of the District under loan agreement with/and funded by the Local Water Utilities Administration (LWUA). Repayments are made monthly based on the agreed terms and schedule provided in the loan agreement.

This account consists of the following:

| | 2019 | 2018 | 2017 |
|-------------------------------|-----------------------|-----------------------|-----------------------|
| <i>Current</i> | | | |
| Accounts Payable | ₱ 1,993,819.78 | ₱3,850,315.04 | ₱1,684,608.80 |
| Due to Officers and Employees | 6,450.46 | 3,084.71 | 5,951.31 |
| Loans Payable – Domestic | 1,937,346.00 | 1,883,403.57 | 2,771,197.00 |
| Total Current FL | 3,937,616.24 | 5,736,803.32 | 4,461,757.11 |
| <i>Non Current</i> | | | |
| Loans Payable-Domestic | 6,781,191.41 | 6,168,537.41 | 8,051,940.98 |
| Total Non-Current FL | 6,781,191.41 | 6,168,537.41 | 8,051,940.98 |
| Total FL | ₱10,718,807.65 | ₱11,905,340.73 | ₱12,513,698.09 |

11. INTER-AGENCY PAYABLES

This account consists of the following:

| | 2019 | 2018 | 2017 |
|------------------------------------|---------------------|---------------------|---------------------|
| Due to BIR | ₱ 401,939.09 | ₱ 224,217.86 | ₱ 101,242.57 |
| Due to GSIS | 213,559.55 | 191,521.93 | 93,534.89 |
| Due to Pag-IBIG | 48,302.33 | 18,458.92 | 10,369.01 |
| Due to Philhealth | 10,517.13 | 8,775.26 | 6,887.50 |
| Total Inter-Agency Payables | ₱ 674,318.10 | ₱ 442,973.97 | ₱ 212,033.97 |

12. TRUST LIABILITIES

These are meter deposits and payment of service connection materials from concessionaires.

13. PROVISIONS

This account pertains to the terminal leave benefits payable based on the cost of accumulating compensated absences of employees.

14. SERVICE AND BUSINESS INCOME

This account consists of the following:

| | 2019 | 2018 | 2017 |
|---|-----------------------|-----------------------|-----------------------|
| Service and Business Income | | | |
| Fines and Penalties-Service Income | ₱ 8,000.00 | ₱ 2,000.00 | ₱ 0.00 |
| Net Sales | 50,665,927.63 | 49,988,065.91 | 47,558,192.95 |
| Interest Income | 52,094.12 | 54,614.96 | 50,378.99 |
| Fines and Penalties-Business Income | 1,703,102.30 | 1,672,490.75 | 1,451,740.95 |
| Other Business Income | 2,976,566.16 | 1,620,923.06 | 1,966,389.61 |
| Total Services and Business Income | ₱55,405,690.21 | ₱53,338,094.68 | ₱51,026,702.50 |

15. PERSONNEL SERVICES

This account is composed of:

| | 2019 | 2018 | 2017 |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| Salaries and Wages | ₱9,905,867.92 | ₱8,634,758.00 | ₱ 7,558,969.48 |
| Other Compensation | 8,145,262.67 | 6,928,806.58 | 6,495,828.18 |
| Personnel Benefits Contributions | 1,316,934.78 | 1,255,381.58 | 1,004,495.27 |
| Other Personnel Benefits | 1,969,251.15 | 1,373,905.73 | 932,338.61 |
| Total Personnel Services | ₱21,337,316.52 | ₱18,192,851.89 | ₱15,991,631.54 |

16. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account is composed of:

| | 2019 | 2018 | 2017 |
|-----------------------------------|---------------|---------------|--------------|
| Travelling Expenses | ₱ 83,483.80 | ₱ 188,501.32 | ₱ 407,606.41 |
| Training and Scholarship Expenses | 193,800.00 | 280,750.00 | 610,480.00 |
| Supplies and Materials Expenses | 1,946,002.67 | 1,438,771.83 | 1,175,736.88 |
| Utility Expenses | 11,054,048.55 | 10,943,106.01 | 7,912,126.85 |
| Communication Expenses | 112,969.85 | 104,843.66 | 113,552.24 |

| | 2019 | 2018 | 2017 |
|---|------------------------|------------------------|------------------------|
| Awards/Rewards | 151,000.00 | 151,000.00 | 132,000.00 |
| Generation, Transmission and Distribution | 4,940,751.47 | 6,546,717.89 | 6,409,863.26 |
| Confidential, Intelligence, Extraordinary | 93,996.45 | 94,006.91 | 94,000.00 |
| Professional Services | 291,850.00 | 310,847.50 | 49,143.05 |
| General Services | 210,000.00 | 0.00 | 0.00 |
| Repairs and Maintenance Expenses | 480,162.73 | 673,636.63 | 537,041.07 |
| Financial Assistance/Subsidy | 15,307.63 | 20,886.50 | 0.00 |
| Taxes, Insurance Premiums and Other Fees | 1,181,769.26 | 926,339.61 | 758,270.32 |
| Other Operation and Maintenance Expenses | 1,692,510.78 | 1,696,519.24 | 1,645,780.46 |
| Total MOOE | ₱ 22,447,653.19 | ₱ 23,375,927.10 | ₱ 19,845,600.54 |

17. FINANCIAL EXPENSES

This account is composed of:

| | 2019 | 2018 | 2017 |
|---------------------------------|---------------------|---------------------|-----------------------|
| Interest Expenses | ₱ 586,777.00 | ₱ 784,883.00 | ₱ 1,002,339.00 |
| Bank Charges | 22,459.22 | 23,138.32 | 22,730.18 |
| Total Financial Expenses | ₱ 609,236.22 | ₱ 808,021.32 | ₱ 1,025,069.18 |

18. NON-CASH EXPENSES

This account is composed of:

| | 2019 | 2018 | 2017 |
|--|----------------------|----------------------|----------------------|
| Depreciation Expenses | | | |
| Depreciation Expenses - Land Improvements | ₱ 125,558.16 | ₱ 71,526.72 | ₱64,423.47 |
| Depreciation Expenses - Infrastructure Assets | 1,612,813.24 | 1,540,554.66 | 1,292,283.04 |
| Depreciation Expenses - Buildings and Other Structures | 225,371.64 | 218,325.84 | 194,543.61 |
| Depreciation Expenses - Office Equipment | 75,854.49 | 24,486.54 | 27,530.32 |
| Depreciation Expenses - Machinery and Equipment | 1,797,935.70 | 1,737,043.32 | 1,719,836.43 |
| Depreciation Expenses- Land Transport Equipment | 578,752.81 | 620,484.10 | 594,464.40 |
| Depreciation Expenses - Furniture and Fixtures | 46,020.88 | 32,291.28 | 34,631.28 |
| Amortization Expense - Intangible Assets | 115,500.00 | 43,873.07 | 0.00 |
| Impairment Loss | 9.38 | 7,843.45 | (388.60) |
| Losses | 36,334.20 | 396,326.13 | 56,643.75 |
| Total Non-Cash Expenses | ₱4,614,150.50 | ₱4,692,755.11 | ₱3,983,967.70 |

19. FAIR VALUE MEASUREMENT

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

| | 2019 | | 2018 | | 2017 | |
|------------------------------------|----------------------|--|----------------------|--|-----------------------|--|
| | Carrying Value | Fair Value Significant unobservable inputs (Level 3) | 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 | ₱2,930,076.63 | ₱2,930,076.63 | ₱3,201,665.46 | ₱3,201,665.46 | ₱2,763,229.61 | ₱2,763,229.61 |
| <i>Other financial liabilities</i> | | | | | | |
| Loans Payable | ₱8,718,537.41 | ₱8,718,537.41 | ₱8,051,940.98 | ₱8,051,940.98 | ₱10,823,137.98 | ₱10,823,137.98 |

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.