



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

# FINANCIAL AUDIT REPORT

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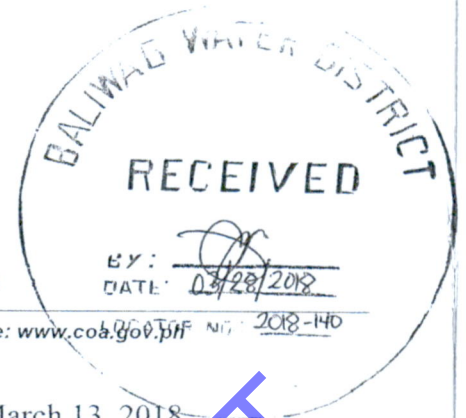
BALIWAG WATER DISTRICT  
Baliwag, Bulacan

For the Year Ended December 31, 2017

BALIWAG WATER DISTRICT



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. III  
City of San Fernando, Pampanga



Tel No. (045) 455-4274 • Telefax No. (045) 455-4273 • Website: [www.coa.gov.ph](http://www.coa.gov.ph) NO: 2018-140

March 13, 2018

**MR. ARTEMIO F. BAYLOSIS**

General Manager  
Baliwag Water District  
Baliwag, Bulacan

Dear **Manager Baylosis**:

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

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

We rendered an unqualified 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 held on February 22, 2018. Management's comments were incorporated in the report, where appropriate.

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

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

Very truly yours,

  
**LYNNS F. SICANGCO**  
Regional Director

BALIWAG WATER DISTRICT

## EXECUTIVE SUMMARY

### A. Introduction

Pursuant to Presidential Decree No. 198, otherwise known as the “Local Water Utilities Act of 1973”, as amended by PD Nos. 768 and 1479, and by virtue of the Local Sangguniang Bayan Resolution No. 011, series of 1988, the Baliwag Water District was created. On July 6, 1989, the Conditional Certificate of Conformance (CCC) No. 407 was issued by Local Water Utilities Administration (LWUA) to formalize its establishment. This CCC is the accreditation of LWUA to a newly-formed water district to operate under the standard specification.

Since 1992, by virtue of the Supreme Court En Banc Decision, GR No. 95237-38 (Davao City Water District, et al. vs. CSC et al.), water districts were declared government owned and/or controlled corporations (GOCCs) with original charter, and as such, they are placed under the jurisdiction of the Civil Service Commission and Commission on Audit.

As of December 31, 2017, the District has 22 pumping stations which serve 27 barangays with 30,843 total active service connections. The District is categorized as Category “A” water district pursuant to the Local Water District Manual on Re-categorization in March 2017.

The District was formed for the purpose of acquiring, installing, improving, maintaining and operating water supply and distribution system for the residents of Baliwag, Bulacan.

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

Name	Position/Designation	Sector
Ms. Maria Lourdes C. Sablan	Chairman	Professional
Mr. Florido S. Santos	Vice-Chairman	Business
Ms. Maria Manolita C. Cruz	Secretary	Civic
Ms. Zenaida R. Salao	Member	Women
Mr. Conrado E. Evangelista	Member	Education

The District has 136 personnel and headed by its General Manager, Mr. Artemio F. Baylosis.

## B. Financial Highlights

The comparative analysis of the District's Financial Position and Results of Operation for CYs 2017 and 2016 are shown below.

	2017	2016 as restated
<b>Financial Position</b>		
Assets	₱418,440,864.43	₱421,266,373.52
Liabilities	214,643,852.47	219,593,788.07
Equity	203,797,011.96	201,672,585.45
	<b>2017</b>	<b>2016</b>
<b>Results of Operations</b>		
Income	200,292,467.77	174,097,799.13
Expenses	187,691,908.33	155,727,048.55
<b>Net Income</b>	₱ 12,600,559.44	₱ 18,370,750.58

## C. Scope of Audit

We conducted an audit of the financial transactions and operations of the Baliwag Water District for the year ended December 31, 2017 on a sampling basis in accordance with the Philippine Standards on Auditing and Corporate Government Sector (CGS) Memorandum dated October 3, 2017 prescribing for the General Audit Instructions on the 2017 Audit of Water Districts and Preparation of the Annual Audit Reports. 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 unqualified opinion on the fairness of presentation of the financial statements of the District for the year ended December 31, 2017.

## E. Summary of Significant Audit Observations And Recommendations

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

1. There were no Transfer Certificate of Titles (TCTs) on two lots acquired by the District through purchase totaling ₱2,606,348.00 contrary to Section 39(2) of PD No. 1445; thus, the ownership over this property is uncertain. (*Observation No. 3*)

We recommended that the General Manager (a) secure decision whether the complaint filed on the lot purchase at Barangay San Jose has been resolved/closed; (b) exert utmost efforts to locate the Deed of Absolute Sale for lot purchase at Barangay Tibag as well as the Transfer Certificate of Title from the previous owner, and if found futile, secure copy of the Deed of Absolute Sale from the Executive Judge of the Regional Trial Court of the Province of Bulacan; and (c) obtain the TCTs for the land acquired through purchase to protect the District's interest and as evidence of absolute ownership thereof in accordance with Section 39(2) of PD No. 1445.

2. The accumulated leave credits of the officials and employees of the District as of December 31, 2017 amounting to ₱13,094,535.47 was recognized in the books of accounts pursuant to paragraph 11 of PAS 19. However, the reserve funds set aside of ₱5,321,362.11 for the purpose was insufficient which may result in the non-payment of the monetary value of accumulated leave credits earned of the officials and employees who will avail of the monetization of leave credits or eventually retire from the service. **(Observation No. 5)**

We recommended that the General Manager (a) set aside sufficient reserve funds for the accumulated compensated leave credits as of December 31, 2017; and (b) henceforth, ensure the adequacy of the funds provided for the leave credits earned through inclusion in the annual budget.

3. The officials and employees of the District were paid rice allowance totaling ₱777,500.00 for CY 2017 contrary to RA No. 6758, COA Resolution No. 2004-006 dated September 14, 2004 and related DBM issuances; thus, constituting irregular and unauthorized disbursement of funds. **(Observation No. 7)**

We recommended that the General Manager (a) stop the granting of rice allowance to all officials and employees; (b) request post facto approval from the Office of the President for the granting of rice allowance, otherwise, cause the settlement/refund of the rice allowance granted to officials and employees in CY 2017 totaling ₱777,500.00; and (c) abide strictly with the existing laws, rules and issuances as regards the payment of personnel benefits, bonuses, and allowances to avoid audit disallowances in the future.

4. Representation Allowance and Transportation Allowance (RATA) paid to the General Manager exceeded the authorized rate provided in Section 54 of the General Appropriations Act (GAA) for FY 2017 by ₱277,836.00, thus deemed irregular disbursement of government funds pursuant to COA Circular No. 2012-003 dated October 29, 2012. **(Observation No. 8)**

We recommended that the General Manager (a) refund the excess RATA amounting to ₱277,836.00; and (b) henceforth, pay the RATA pursuant to rules and regulations.

5. The District paid employer's share contributions totaling ₱2,075,303.50 in CY 2017 to the District's Employees' Provident Fund Association, Inc. contrary to Item 5.3

of DBM Circular No. 2008-3 dated June 20, 2008, PD No. 1597 and Executive Order No.7, thus, payment thereof has no legal basis. (*Observation No. 9*)

We recommended that the General Manager instruct the OIC Department Manager - Finance to (a) comply with the DBM requirement to secure the authority for the District's monetary contribution to the Provident Fund, otherwise, cause the refund of ₱2,075,303.50 representing the District's share for the period August 2016 to April 2017; and (b) henceforth, ensure that all payments are covered with legal basis or proper authorization as required by pertinent rules and regulations.

**F. Summary of Audit Suspensions, Disallowances and Charges**

The balance of prior years' audit disallowances pertaining to CYs 2012-2015 transactions that were reported in the Status of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2016 amounted to ₱19,524,064.47. The amount of ₱26,800.00 was settled under NSSDC No. 2017-001-BalWD dated March 31, 2017, thereby, showing an unsettled amount of ₱19,497,264.47 as of December 31, 2017. In the audit of 2017 transactions, the total amount of ₱3,130,639.50 pertaining to unauthorized rice allowance, excessive representation and traveling allowance and unauthorized employer's share to the District's provident fund association will be disallowed in audit and these were discussed thoroughly in Part II of this report.

**G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations**

Of the 11 audit recommendations embodied in the 2016 Financial Audit Report (FAR), six were fully implemented, four were partially implemented and one was not implemented.

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BALIWAG WATER DISTRICT



**BALIWAG WATER DISTRICT**

**PART I – AUDITED FINANCIAL STATEMENTS**



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

## INDEPENDENT AUDITOR'S REPORT

### **The Board of Directors**

Baliwag Water District  
Baliwag, Bulacan

We have audited the accompanying financial statements of Baliwag Water District, which comprise the Statement of Financial Position as at December 31, 2017, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Likewise, we were guided by Philippine Standards on Auditing and Corporate Government Sector Memorandum dated October 3, 2017, prescribing for the General

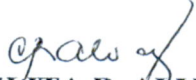
Audit Instructions on the 2017 Audit of Water Districts and the Preparation of the Annual Audit Reports. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Unqualified Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Baliwag Water District as at December 31, 2017, and its financial performance, changes in its equity and its cash flows for the year then ended in accordance with State accounting principles.

**COMMISSION ON AUDIT**

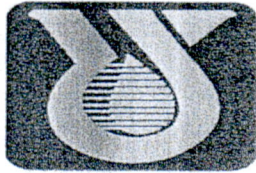
**By:**



**CARMELITA R. ALVAREZ**  
Supervising Auditor

28 February 2018

**BALIWAG WATER DISTRICT**



## Baliwag Water District

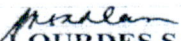
Tomaacruz St., Poblacion, Baliwag, Bulacan 3006  
Tel. Nos. : (044) 766-2618 / (044) 798-0370 / (044) 798-0372  
Fax No. : (044) 766-3737  
[www.baliwagwd.com](http://www.baliwagwd.com)


### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The Management of Baliwag Water District is responsible for the preparation of the financial statements as at December 31, 2017, including the additional components attached thereto in accordance with 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 statement 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 regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Baliwag Water District in accordance with the Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

  
**MARIA LOURDES SABLAN**  
Chairman of the Board  
February 13, 2018

  
**ANALIZA BULAON**  
Manager, General Accounting Division  
February 13, 2018

  
**ARTEMIO F. BAYLOSIS**  
General Manager  
February 13, 2018



**ISO 9001: 2008 Certified**  
Cert. Reg. No. 01 100 1432628

**BALIWAG WATER DISTRICT**  
**Baliwag, Bulacan**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2017

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

	Note	2017	2016	January 1, 2016 as Restated
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	5	P 6,644,426.03	P 9,371,764.96	P 7,329,824.04
Receivables, Net	6, 26	20,325,503.96	20,684,599.82	20,557,122.62
Inventories	7	7,141,889.15	8,727,958.70	8,694,915.15
Other Current Assets	8	556,197.29	544,197.19	1,034,247.19
<b>Total Current Assets</b>		<b>34,668,016.43</b>	<b>39,328,520.67</b>	<b>37,616,109.00</b>
<b>Non-Current Assets</b>				
Other Investments	9	707,602.27	703,210.37	2,427,227.98
Property, Plant and Equipment, Net	10	383,065,245.73	381,234,642.48	331,217,854.53
<b>Total Non-Current Assets</b>		<b>383,772,848.00</b>	<b>381,937,852.85</b>	<b>333,645,082.51</b>
<b>TOTAL ASSETS</b>		<b>P 418,440,864.43</b>	<b>P 421,266,373.52</b>	<b>P 371,261,191.51</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Financial Liabilities		P 6,441,358.82	P 2,615,740.93	P 2,827,767.14
Inter-Agency Payables	11	8,975,620.04	6,045,342.09	2,922,266.63
<b>Total Current Liabilities</b>		<b>15,416,978.86</b>	<b>8,661,083.02</b>	<b>5,750,033.77</b>
<b>Non-Current Liabilities</b>				
Financial Liabilities	12, 26	170,104,772.25	193,645,524.07	164,559,864.72
Inter-Agency Payables	13	3,420,845.00	0.00	0.00
Trust Liabilities	14	4,304,666.87	4,149,242.11	4,185,313.30
Deferred Credits/Unearned Income	15	875,629.29	859,139.29	865,179.29
Provisions	16	13,094,535.47	10,597,440.65	6,184,722.99
Other Payables	17	7,426,424.73	1,681,358.93	609,975.34
<b>Total Non-Current Liabilities</b>		<b>199,226,873.61</b>	<b>210,932,705.05</b>	<b>176,405,055.64</b>
<b>TOTAL LIABILITIES</b>		<b>214,643,852.47</b>	<b>219,593,788.07</b>	<b>182,155,089.41</b>
<b>EQUITY</b>				
Government Equity	18	20,883,551.52	24,304,396.52	24,304,396.52
Retained Earnings		182,913,460.44	177,368,188.93	164,801,705.58
<b>TOTAL EQUITY</b>		<b>203,797,011.96</b>	<b>201,672,585.45</b>	<b>189,106,102.10</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 418,440,864.43</b>	<b>P 421,266,373.52</b>	<b>P 371,261,191.51</b>

See accompanying Notes to Financial Statements.

**BALIWAG WATER DISTRICT**  
**Baliwag, Bulacan**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the Year Ended December 31, 2017  
*(With Comparative Figures for CY 2016)*

	Note	2017	2016
<b>INCOME</b>			
Service and Business Income	19	P 199,465,713.26	P 173,795,153.77
Gains	20	140,162.31	83,316.56
Other Non-Operating Income	21	686,592.00	219,328.80
<b>TOTAL INCOME</b>		<b>200,292,467.77</b>	<b>174,097,799.13</b>
<b>EXPENSES</b>			
Personnel Services	22	62,603,984.87	54,080,933.60
Maintenance and Other Operating Expenses	23	84,166,227.97	64,512,930.66
Financial Expenses	24	10,269,715.31	10,668,629.38
Non-Cash Expenses	25	30,651,980.18	26,464,554.91
<b>TOTAL EXPENSES</b>		<b>187,691,908.33</b>	<b>155,727,048.55</b>
<b>NET INCOME</b>		<b>P 12,600,559.44</b>	<b>P 18,370,750.58</b>

*See accompanying Notes to Financial Statements.*

**BALIWAG WATER DISTRICT**  
**Baliwag, Bulacan**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended December 31, 2017  
*(With Comparative Figures for CY 2016)*

	GOVERNMENT EQUITY	RETAINED EARNINGS	TOTAL
<b>BALANCE AT JANUARY 1, 2016</b>	<b>₱ 24,304,396.52</b>	<b>₱ 165,731,132.76</b>	<b>₱ 190,035,529.28</b>
<b>ADJUSTMENTS:</b>			
Add(Deduct):			
Effects of Transition to PFRS		(929,427.18)	(929,427.18)
<b>RESTATED BALANCE AT JANUARY 1, 2016</b>	<b>24,304,396.52</b>	<b>164,801,705.58</b>	<b>189,106,102.10</b>
Add(Deduct):			
Net Income for the year		18,370,750.58	18,370,750.58
Effects of Transition to PFRS		(153,025.42)	(153,025.42)
Other Adjustments		(5,651,241.81)	(5,651,241.81)
<b>BALANCE AT DECEMBER 31, 2016</b>	<b>24,304,396.52</b>	<b>177,368,188.93</b>	<b>201,672,585.45</b>
Add(Deduct):			
Net Income for the year		12,600,559.44	12,600,559.44
Effects of Transition to PFRS		45,996.80	45,996.80
Other Adjustments	(3,420,845.00)	(7,101,284.73)	(10,522,129.73)
<b>BALANCE AT DECEMBER 31, 2017</b>	<b>₱ 20,883,551.52</b>	<b>₱ 182,913,460.44</b>	<b>₱ 203,797,011.96</b>

*See accompanying Notes to Financial Statements.*

**BALIWAG WATER DISTRICT**  
**Baliwag, Bulacan**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2017  
*(With Comparative Figures for CY 2016)*

	Note	2017	2016
<b>Cash Flows from Operating Activities</b>			
<b>Cash Inflows</b>			
Collection of Account Receivables		P 183,694,980.22	P 164,456,618.48
Collection of Service Fees and Charges		8,715,299.00	3,808,008.25
Collection of Other Receivables		4,326,046.37	4,944,949.00
Proceeds from Sale of Materials		448,980.00	354,514.00
Refund of Cash Advances		522,858.46	334,116.01
Miscellaneous Receipts		1,427,685.60	2,688,843.72
Cancellation of Stale Check		408,250.47	1,418,184.99
Restoration of Unreleased Check		9,345,835.84	1,445,558.93
<b>Total Cash Inflows</b>		<b>208,889,935.96</b>	<b>179,450,793.38</b>
<b>Cash Outflows</b>			
Payment of Personnel Services		29,416,013.34	28,559,302.79
Payment of MOOE		72,930,904.29	56,767,829.02
Payment of Accounts Payable		11,128,326.26	14,721,232.49
Payment of Cash Advances		2,352,105.00	1,664,277.83
Replenishment of Working Fund		160,451.45	207,788.44
Remittances - GSIS, BIR, Philhealth		20,890,371.18	19,538,092.22
Contribution to Provident Fund		7,752,118.29	7,044,238.63
Miscellaneous Disbursements		2,255,205.11	2,383,340.52
Returned Checks issued by concessionaires		81,076.88	55,039.51
Reversal of Unreleased Check		10,230,713.65	0.00
<b>Total Cash Outflows</b>		<b>157,197,285.45</b>	<b>130,941,141.45</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>		<b>51,692,650.51</b>	<b>48,509,651.93</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash Inflows</b>			
Interest on Savings Deposits		11,387.84	19,357.35
<b>Total Cash Inflows</b>		<b>11,387.84</b>	<b>19,357.35</b>
<b>Cash Outflows</b>			
Purchase/Construction of PPE		19,190,570.73	63,008,799.74
<b>Total Cash Outflows</b>		<b>19,190,570.73</b>	<b>63,008,799.74</b>
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>(19,179,182.89)</b>	<b>(62,989,442.39)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Borrowings		0.00	50,562,114.90
<b>Total Cash Inflows</b>		<b>0.00</b>	<b>50,562,114.90</b>
<b>Cash Outflows</b>			
Finance Charges		32,366.54	54,189.40
Payment of Principal/Interest		35,208,440.01	33,986,194.12
<b>Total Cash Outflows</b>		<b>35,240,806.55</b>	<b>34,040,383.52</b>
<b>Net Cash Provided by/(Used in) Financing Activities</b>		<b>(35,240,806.55)</b>	<b>16,521,731.38</b>
<b>CASH PROVIDED BY (USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES</b>		<b>(2,727,338.93)</b>	<b>2,041,940.92</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>9,371,764.96</b>	<b>7,329,824.04</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>5</b>	<b>P 6,644,426.03</b>	<b>P 9,371,764.96</b>

*See accompanying Notes to Financial Statements.*



## NOTES TO FINANCIAL STATEMENTS

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

Pursuant to Presidential Decree No. 198, otherwise known as the "Local Water Utilities Act of 1973", as amended by PD Nos. 768 and 1479, and by virtue of the Local Sangguniang Bayan Resolution No. 011 series of 1988, the Baliwag Water District was created. On July 6, 1989, the Conditional Certificate of Conformance No. 407 was issued by Local Water Utilities Administration to formalize its establishment. This CCC is the accreditation of LWUA to a newly-formed water district to operate under the standard specification.

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The District was formed for the purpose of acquiring, installing, improving, maintaining and operating water supply and distribution system for the residents of Baliwag, Bulacan.

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

Name	Position/Designation	Sector
Ms. Maria Lourdes C. Sablan	Chairman	Professional
Mr. Florido S. Santos	Vice-Chairman	Business
Ms. Maria Manolita C. Cruz	Secretary	Civic
Ms. Zenaida R. Salao	Member	Women
Mr. Conrado E. Evangelista	Member	Education

The District has 136 personnel and headed by its General Manager, Mr. Artemio F. Baylosis.

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

The financial statements of the District for the year ended December 31, 2017 were authorized for issue by the Board of Directors on February 13, 2018 as reflected in the Statement of Management's Responsibility for Financial Statements signed by the BOD Chairman.

## 2. Changes in Accounting Policies

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

These financial statements, for the year ended December 31, 2017, are the first time the District prepared the FS in accordance with PFRS. For periods up to and including the year ended December 31, 2016, the District prepared its financial statements in accordance with generally accepted accounting principles in the Philippines and New Government Accounting System (NGAS).

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

### 2.2 Effects of transition from GAAP to PFRS

On December 31, 2017, the District prepared its first PFRS compliant financial statements as per COA Circular No. 2015-003 dated April 16, 2015 on which Water Districts is classified as Government Business Entities (GBEs) and adoption of PFRS as financial reporting framework in the preparation of FS and COA Circular No. 2015-010 dated December 1, 2015 prescribing the Revised Chart of Accounts for Government Corporations including Water Districts.

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

*PAS 2, Inventories*, Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the moving average method. Per COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for GCs), property and equipment with cost below P15,000.00 are classified as Semi Expendable Inventory.

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

*PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and prospective restatement to correct prior

period errors. It defines material omissions or misstatements, and describes how to apply the concepts of materiality when applying accounting policies and correcting errors.

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

*PAS 16, Property, Plant and Equipment*, provides additional guidelines and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item, property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Book values of properties and equipment that were issued before December 31, 2017 with cost of below ₱15,000.00 per COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for GCs) were charged to Retained Earnings account. The change affected property and equipment accounts with an acquisition cost of ₱2,490,800.82, with the related accumulated depreciation of ₱1,454,345.02 and book values of ₱1,036,455.80 were charged to Retained Earnings account.

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

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

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

The District's reconciliation of equity as at January 1, 2016 (date of transition), is as follows:

	Philippine GAAP	Remeasurements	PFRS as at Jan. 1, 2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	₱7,329,824.04	₱ 0.00	₱7,329,824.04
Receivables	20,557,122.62	0.00	20,557,122.62
Inventories	8,694,915.15	0.00	8,694,915.15
Other Current Assets	1,034,247.19	0.00	1,034,247.19
<b>Total Current Assets</b>	<b>37,616,109.00</b>	<b>0.00</b>	<b>37,616,109.00</b>

	Philippine GAAP	Remeasurements	PFRS as at Jan. 1, 2016
<b>Non-Current Assets</b>			
Other Investments	2,427,227.98	0.00	2,427,227.98
Property, Plant and Equipment	494,521,854.59	(1,899,644.71)	492,622,209.88
Accumulated Depreciation	(162,374,572.88)	970,217.53	(161,404,355.35)
<b>Total Non-Current Assets</b>	<b>334,574,509.69</b>	<b>(929,427.18)</b>	<b>333,645,082.51</b>
<b>TOTAL ASSETS</b>	<b>₱372,190,618.69</b>	<b>(₱929,427.18)</b>	<b>₱371,261,191.51</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	₱2,827,767.14	₱ 0.00	₱2,827,767.14
Inter-Agency Payables	2,922,266.63	0.00	2,922,266.63
<b>Total Current Liabilities</b>	<b>5,750,033.77</b>	<b>0.00</b>	<b>5,750,033.77</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	164,559,864.72	0.00	164,559,864.72
Inter-Agency Payables	0.00	0.00	0.00
Trust Liabilities	4,185,313.30	0.00	4,185,313.30
Deferred Credits/Unearned Income	865,179.29	0.00	865,179.29
Provisions	6,184,722.99	0.00	6,184,722.99
Other Payables	609,975.34	0.00	609,975.34
<b>Total Non-Current Liabilities</b>	<b>176,405,055.64</b>	<b>0.00</b>	<b>176,405,055.64</b>
<b>TOTAL LIABILITIES</b>	<b>182,155,089.41</b>	<b>0.00</b>	<b>182,155,089.41</b>
<b>EQUITY</b>			
Government Equity	24,304,396.52	0.00	24,304,396.52
Retained Earnings	165,731,132.76	(929,427.18)	164,801,705.58
<b>TOTAL EQUITY</b>	<b>190,035,529.28</b>	<b>(929,427.18)</b>	<b>189,106,102.10</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱372,190,618.69</b>	<b>(₱929,427.18)</b>	<b>₱371,261,191.51</b>

The District's reconciliation of equity as at December 31, 2016 is as follows:

	Philippine GAAP	Remeasurements	Philippine Dec. 31, 2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	₱9,371,764.96	₱ 0.00	₱9,371,764.96
Receivables	20,684,599.82	0.00	20,684,599.82
Inventories	8,727,958.70	0.00	8,727,958.70
Other Current Assets	544,197.19	0.00	544,197.19
<b>Total Current Assets</b>	<b>39,328,520.67</b>	<b>0.00</b>	<b>39,328,520.67</b>
<b>Non-Current Assets</b>			
Other Investments	703,210.37	0.00	703,210.37
Property, Plant and Equipment	571,065,465.71	(2,284,441.47)	568,781,024.24
Accumulated Depreciation	(188,748,370.63)	1,201,988.87	(187,546,381.76)
<b>Total Non-Current Assets</b>	<b>383,020,305.45</b>	<b>(1,082,452.60)</b>	<b>381,937,852.85</b>
<b>TOTAL ASSETS</b>	<b>₱422,348,826.12</b>	<b>(₱1,082,452.60)</b>	<b>₱421,266,373.52</b>

	Philippine GAAP	Remeasurements	Dec. 31, 2016
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	₱2,615,740.93	₱ 0.00	₱2,615,740.93
Inter-Agency Payables	6,045,342.09	0.00	6,045,342.09
<b>Total Current Liabilities</b>	<b>8,661,083.02</b>	<b>0.00</b>	<b>8,661,083.02</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	193,645,524.07	0.00	193,645,524.07
Inter-Agency Payables	0.00	0.00	0.00
Trust Liabilities	4,149,242.11	0.00	4,149,242.11
Deferred Credits/Unearned Income	859,139.29	0.00	859,139.29
Provisions	10,597,440.65	0.00	10,597,440.65
Other Payables	1,681,358.93	0.00	1,681,358.93
<b>Total Non-Current Liabilities</b>	<b>210,932,705.05</b>	<b>0.00</b>	<b>210,932,705.05</b>
<b>TOTAL LIABILITIES</b>	<b>219,593,788.07</b>	<b>0.00</b>	<b>219,593,788.07</b>
<b>EQUITY</b>			
Government Equity	24,304,396.52	0.00	24,304,396.52
Retained Earnings	178,450,641.53	(1,082,452.60)	177,368,188.93
<b>TOTAL EQUITY</b>	<b>202,755,038.05</b>	<b>(1,082,452.60)</b>	<b>201,672,585.45</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱422,348,826.12</b>	<b>(₱1,082,452.60)</b>	<b>₱421,266,373.52</b>

### 3. Summary of Significant Accounting Systems and Policies

#### 3.1 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 (2) decimal places, except when otherwise indicated.

For the year ended December 31, 2017, District prepared its financial statements (FS) in accordance with generally accepted accounting principle in the Philippines and New Government Accounting System (NGAS) prescribed by the Commission on Audit on January 1, 2005 and prepared as first-time adopter of Philippine Financial Reporting Standards (PFRS).

#### 3.2 Statement of Compliance

The financial statements were prepared in compliance with Philippine Financial Reporting Standards (PFRS), which includes statements named PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council and Revised Chart of Accounts (RCA) for Government Corporations

prescribed in COA Circular Nos. 2015-010 and 2016-006 dated December 1, 2015 and December 29, 2016, respectively.

### 3.3 Summary of Significant Accounting Policies

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

#### 3.3.1 Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

The District classifies all other liabilities as noncurrent.

#### 3.3.2 Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the District. The fair value of an asset or a liability is measured using the assumptions that market

participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

### 3.3.3 Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

### 3.3.4 Financial Instruments

#### *Date of recognition*

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

#### *Initial recognition of financial instruments*

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

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

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

#### *Loans and Receivables*

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

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

As at December 31, 2017 and 2016, 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 Water District's accounts payable, accrued expenses, inter-agency 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 included in the interest expense in the District's Statement of Comprehensive Income.

### 3.3.5 Derecognition of Financial Assets and Financial Liabilities

#### *Financial assets*

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

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

When 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.

When 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.

#### *Loans and receivables*

For loans and receivables carried at amortized cost, the District first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the District determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### 3.3.6 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.

As at December 31, 2017 and 2016, the District has no impaired financial assets.

### 3.3.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

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

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

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

### 3.3.9 Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using 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.

### 3.3.10 Property, Plant and Equipment

Property and equipment, 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 property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to

its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period.

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

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the property and equipment as follows:

<u>Category</u>	<u>Number of years</u>
Office furniture and equipment	5
Transportation equipment	7
Machinery and equipment	10
Building and other structures	30

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 property and equipment.

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

When property and equipment 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 property, plant, and equipment (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 property, plant, and equipment 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 on or before the 15th of the month.

However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

*Depreciation method*

The straight line method of depreciation is adopted unless another method is more appropriate for Entity operation.

*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.

3.3.11 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.

### 3.3.12 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 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.

As at December 31, 2017, and 2016, the District has no reported impaired non-financial assets.

### 3.3.13 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.

### 3.3.14 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.

For the period ending December 31, 2017 and 2016, Income from Waterworks System was classified under Business Income in the Statement of Profit or Loss and Other Comprehensive Income.

### 3.3.15 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 10% of the water bill is automatically charged by the Billing and Collection System the day following the due date.

For the period ending December 31, 2017 and 2016, Fines and Penalties was classified under Business Income in the Statement of Profit or Loss and Other Comprehensive Income.

### 3.3.16 Other Business Income

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



### 3.3.17 Interest Income

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

### 3.3.18 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 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.

For the period ending December 31, 2017 and 2016, cost of services and operating expenses includes personnel services, maintenance and other operating expenses, financial expenses and non-cash expenses.

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

### 3.3.20 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. When the District expects a provision to be reimbursed, the reimbursement is not recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### *Contingencies*

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

### 3.3.21 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 leave are recognized as a liability when they are accrued to the employees.

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

## **4. Significant Accounting Judgments, Estimates and Assumptions**

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

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

#### 4.1 Judgments

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

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

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

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

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

#### 4.2 Estimates and Assumptions

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

##### *Determination of impairment of receivables*

The District reviews its receivables 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 property, plant and equipment*

The useful life of each of the District's item of property, plant and equipment 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 property and equipment would increase the recorded depreciation expense and decrease the carrying value of property, plant and equipment.

**5. Cash and Cash Equivalents**

This account pertains to cash collecting officer, petty cash fund, 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 balance.

	2017	2016	Jan. 1, 2016 as restated
Cash - Collecting Officers	P 420,060.96	P 383,696.55	P 731,911.73
Petty Cash Fund	19,000.00	19,000.00	19,000.00
Cash in Bank –			
Local Currency, Current Account LBP	517,164.31	2,399,051.66	1,861,283.92
Cash in Bank–			
Local Currency, Current Account LBP2	259,383.96	477,891.96	1,382,517.77
Cash in Bank –			
Local Currency, Savings Account LBP3	5,321,362.11	1,765,262.77	1,310,331.40
Cash in Bank –			
Local Currency, Savings Account DBP	107,454.69	4,326,862.02	2,024,779.22
<b>Total Cash and Cash Equivalents</b>	<b>P6,644,426.03</b>	<b>P9,371,764.96</b>	<b>P7,329,824.04</b>

**6. Receivables, Net**

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

	2017	2016	Jan. 1, 2016 as restated
Accounts Receivable	₱10,989,573.06	₱10,147,475.90	₱10,657,798.21
Allowance for Impairment	(1,646,540.70)	(1,283,461.82)	(1,283,461.82)
Due from Local			
Government Units	5,501,313.92	4,739,746.03	4,134,037.18
Notes Receivable	2,876,839.69	2,367,249.21	2,177,737.46
Due From Officers and Employees	91,000.00	0.00	0.00
Receivables -			
Disallowances/Charges	29,459.78	38,918.78	215,478.84
Other Receivables	2,483,858.21	4,674,671.72	4,655,532.75
<b>Receivables, Net</b>	<b>₱20,325,503.96</b>	<b>₱20,684,599.82</b>	<b>₱20,557,122.62</b>

Other Receivables pertain to the balance of loan of Bill Deposit to Meralco of various Pump Stations of the District.

Below is the aging/analysis of accounts receivable:

Age of Receivables	2017	2016	Jan. 1, 2016 as restated
1-60 days	₱ 6,148,471.95	₱ 5,450,963.90	₱ 5,885,485.77
61-120 days	525,762.95	531,785.46	995,727.45
121 days-1year	695,765.26	700,360.81	624,938.77
over 1 year	3,619,572.90	3,454,183.30	3,139,512.28
<b>Total Accounts Receivable</b>	<b>₱10,989,573.06</b>	<b>₱10,137,293.47</b>	<b>₱10,645,664.27</b>

The difference of ₱10,182.43 and ₱12,133.94 between the receivables per general ledger and per aging, for CYs 2016 and January 1, 2016 as restated, respectively, pertained to the amount of franchise tax withheld by commercial concessionaires but deducted only from accounts receivable by the Finance Department the month following the month of collection.

## 7. Inventories

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

	2017	2016	Jan. 1, 2016 as restated
Office Supplies	₱ 590,991.53	₱1,039,578.45	₱1,244,862.02
Chemical Supplies Inventory	496,340.00	489,800.00	7,259,153.13
Construction Materials Inventory	6,054,557.62	7,198,580.25	190,900.00
<b>Total Inventories</b>	<b>₱7,141,889.15</b>	<b>₱8,727,958.70</b>	<b>₱8,694,915.15</b>

### 8. Other Current Assets

This represents amount of other expenses which were paid for but remained unconsumed at the end of the accounting period.

	2017	2016	Jan. 1, 2016 as restated
Balance as of 1998	₱ 1,398.00	₱ 1,398.00	₱ 1,398.00
Bond Deposit to DPWH	216,838.00	216,838.00	216,838.00
Meter Deposit to Meralco	185,800.00	185,800.00	185,800.00
Advances to Contractors	0.00	0.00	490,050.00
For Adjustment	140,161.19	140,161.19	140,161.19
Prepaid Rent	12,000.10	0.00	0.00
<b>Total Other Current Assets</b>	<b>₱556,197.29</b>	<b>₱544,197.19</b>	<b>₱1,034,247.19</b>

### 9. Other Investments

This includes excess cash deposited with authorized government depository banks and Financing Institutes as time deposits and acquisition of securities held as permanent or long-term investment.

	2017	2016	Jan. 1, 2016 as restated
Investments in Time Deposits	₱707,602.27	₱703,210.37	₱691,077.13
Other Investment	0.00	0.00	1,736,150.85
<b>Total Other Investments</b>	<b>₱707,602.27</b>	<b>₱703,210.37</b>	<b>₱2,427,227.98</b>

### 10. Property, Plant and Equipment, Net

This includes all properties of the District of relatively permanent character that are used in normal operations. The breakdown of this account is as follows:

	2017	2016	Jan. 1, 2016 as restated
Land	₱ 17,487,546.76	₱ 17,487,546.76	₱ 17,487,546.76
Land Improvements	1,654,130.00	1,654,130.00	1,654,130.00
Infrastructure Assets	416,352,167.48	391,577,934.08	325,292,784.09
Buildings and Other Structures	73,890,671.98	70,646,825.57	32,715,934.64
Machinery and Equipment	52,710,246.90	50,070,720.90	40,414,902.90
Transportation Equipment	26,409,539.90	25,884,339.90	25,344,039.90
Furniture, Fixtures and Books	5,357,209.76	5,307,079.76	3,106,193.76
Other Property, Plant and Equipment	156,122.00	156,122.00	156,122.00

	2017	2016	Jan. 1, 2016 as restated
<b>Total</b>	<b>594,017,634.78</b>	<b>562,784,698.97</b>	<b>446,171,654.05</b>
Accumulated Depreciation	(216,334,591.05)	(187,546,381.76)	(161,404,355.35)
Property, Plant and Equipment, Net	377,683,043.73	375,238,317.21	284,767,298.70
Construction in Progress	5,382,202.00	5,996,325.27	46,450,555.83
<b>Property, Plant and Equipment, Net</b>	<b>₱383,065,245.73</b>	<b>₱381,234,642.48</b>	<b>₱331,217,854.53</b>

The Transfer Certificate of Titles of San Jose and Tibag has yet to be transferred in the name of Baliwag Water District.

#### 11. Inter-Agency Payables

This represents contributions due, collections received, amounts withheld for remittance to the following government agencies. As per audit for the year 2017, the balances of the previously submitted FS and Notes to FS, there are additional ₱277,580.68 to BIR and ₱13,200.00 to GSIS.

	2017	2016	Jan. 1, 2016 as restated
Due to BIR	₱ 833,322.89	₱ 825,604.10	₱ 658,712.37
Due to GSIS	870,468.02	794,867.59	660,766.60
Due to Pag-IBIG	100,119.21	94,754.42	89,490.72
Due to Philhealth	60,325.00	54,575.00	49,075.00
Due to LBP Loans	7,744.12	6,195.30	0.00
Due to Cocolife	595.52	0.00	0.00
Due to Provident Fund	7,103,045.28	4,269,345.68	1,464,221.94
<b>Total Inter-Agency Payables</b>	<b>₱8,975,620.04</b>	<b>₱6,045,342.09</b>	<b>₱2,922,266.63</b>

#### 12. Financial Liabilities (Non-Current)

This account represents the non-current portion of long-term obligations of the District, the proceeds of which were used to finance various infrastructures and permanent improvements in order to meet the demands of the growing clientele. Repayments are made monthly based on the agreed terms and schedule provided in the contract agreement. This account is composed of:

	2017	2016	Jan. 1, 2016 as restated
Loans Payable - LWUA	₱ 4,887,226.65	₱ 5,845,946.65	₱ 6,729,432.65
Loans Payable - LBP	163,844,900.43	186,863,260.59	156,247,207.85
Loans Payable – Vehicle Loan	1,372,645.17	936,316.83	1,583,224.22

	2017	2016	Jan. 1, 2016 as restated
<b>Total Financial Liabilities (Non-Current)</b>	<b>₱170,104,772.25</b>	<b>₱193,645,524.07</b>	<b>₱164,559,864.72</b>

**13. Inter-Agency Payables (Non-Current)**

The account consists of the following:

	2017	2016	Jan. 1, 2016 as restated
Due to LGUs	₱3,420,845.00	₱ 0.00	₱ 0.00
<b>Total Inter-Agency Payables (Non-Current)</b>	<b>₱3,420,845.00</b>	<b>₱ 0.00</b>	<b>₱ 0.00</b>

The amount of ₱3,420,845.00 was reclassified from Government Equity to Due to LGUs account because of in "lieu of share policy" in accordance with COA Circular No. 2015-010 dated December 01, 2015 and Audit Recommendation No.009 letter C.

**14. Trust Liabilities**

These are guarantee deposits to supplier and advance payment of water bill from concessionaires.

	2017	2016	Jan. 1, 2016 as restated
Guaranty/Security Deposits Payable	₱4,014,082.17	₱4,002,792.84	₱4,009,696.37
Customer's Deposit	290,584.70	146,449.27	175,616.93
<b>Total Trust Liabilities</b>	<b>₱4,304,666.87</b>	<b>₱4,149,242.11</b>	<b>₱4,185,313.30</b>

**15. Deferred Credits/Unearned Income**

These are deferred credits and sale of materials to concessionaires.

	2017	2016	Jan. 1, 2016 as restated
Deposit for future Sales/Subscription			
Sale of Materials	₱ 27,490.67	₱ 11,000.67	₱ 17,040.67
Other Deferred Credits	848,138.62	848,138.62	848,138.62
<b>Total Deferred Credits/Unearned Income</b>	<b>₱875,629.29</b>	<b>₱859,139.29</b>	<b>₱865,179.29</b>



#### 16. Provisions

These are accrual of money value of the earned leave credits of the District's employees.

	2017	2016	Jan. 1, 2016 as restated
Leave Benefits Payable	₱13,094,535.47	₱10,597,440.65	₱6,184,722.99
<b>Total Provisions</b>	<b>₱13,094,535.47</b>	<b>₱10,597,440.65</b>	<b>₱6,184,722.99</b>

#### 17. Other Payables

This includes the guarantee deposits from new connections and other payables due the next period.

#### 18. Government Equity

These are contributions by government agencies and a private corporation which became part of the District's equity.

	2017	2016	Jan. 1, 2016 as restated
Equity from Municipal Government	₱ 0.00	₱ 3,420,845.00	₱ 3,420,845.00
From NPC	1,495,000.00	1,495,000.00	1,495,000.00
Other Paid-In Capital	19,388,551.52	19,388,551.52	19,388,551.52
<b>Total Government Equity</b>	<b>₱20,883,551.52</b>	<b>₱24,304,396.52</b>	<b>₱24,304,396.52</b>

#### 19. Service and Business Income

These are the water sales, penalty charges for late payments and violation, new connection fees, and septage fees generated by the District from its concessionaires.

	2017	2016
Waterworks System Fees	₱179,404,249.88	₱159,300,266.02
New Connection/ Transfer Fees	12,678,512.00	8,433,184.00
Septage Fees	103,685.80	88,600.00
Interest Income	19,192.89	37,340.40
Fines and Penalties	7,260,072.69	5,935,763.35
<b>Total Service and Business Income</b>	<b>₱199,465,713.26</b>	<b>₱173,795,153.77</b>

## 20. Gains

This account is composed of gains generated from sale of materials to concessionaires.

	2017	2016
Gain on Sale of materials	₱ 140,162.51	₱ 83,316.56
<b>Total Gains</b>	<b>₱ 140,162.51</b>	<b>₱ 83,316.56</b>

## 21. Other Non-Operating Income

These are proceeds from sale of unserviceable property and other miscellaneous income of the District.

	2017	2016
Sale of Unserviceable Property	₱524,460.00	₱0.00
Miscellaneous Income	162,132.00	219,328.80
<b>Total Other Non-Operating Income</b>	<b>₱686,592.00</b>	<b>₱219,328.80</b>

## 22. Personnel Services

	2017	2016
Salaries and Wages	₱33,269,483.33	₱29,279,716.87
Other Compensation	16,655,022.49	16,235,349.05
Life and Retirement Insurance	3,807,916.81	3,471,634.59
Pag-IBIG Contribution	152,650.00	146,200.00
PhiHealth Contributions	344,437.50	315,025.00
Employees Compensation	153,900.00	0.00
Provident Fund	2,969,030.30	2,655,522.09
Terminal Leave Benefits	2,786,210.44	0.00
Other Personnel Benefits	2,465,334.00	1,977,486.00
<b>Total Personnel Services</b>	<b>₱62,603,984.87</b>	<b>₱54,080,933.60</b>

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

	2017	2016
Travelling Expenses	₱1,921,702.42	₱1,578,116.37
Training and Scholarship Expenses	991,395.53	1,427,686.34
Supplies and Materials Expenses	2,036,557.59	2,104,496.90
Utility Expenses	2,434,683.35	1,447,345.20
Communication Expenses	536,624.18	604,467.76
Awards/Rewards	481,531.90	466,680.00
Survey Expenses	350,000.00	22,471.00
Generation, Transmission and Distribution Expenses	46,015,939.93	29,185,900.22

	2017	2016
Confidential, Intelligence and Extraordinary Expenses	4,724,692.81	3,936,658.31
Professional Services	420,905.00	926,606.69
General Services	9,939,359.56	10,590,894.81
Repairs and Maintenance Expenses	5,879,269.76	5,252,521.03
Taxes, Duties and Licenses	5,090,682.71	4,519,709.04
Other Operation and Maintenance Expenses	3,342,883.23	2,449,376.99
<b>Total MOOE</b>	<b>₱84,166,227.97</b>	<b>₱64,512,930.66</b>

#### 24. Financial Expenses

	2017	2016
Interest Expenses	₱10,122,646.88	₱10,354,013.48
Bank Charges	3,413.15	8,345.51
Other Financial Charges	143,655.28	306,270.39
<b>Total Financial Expenses</b>	<b>₱10,269,715.31</b>	<b>₱10,668,629.38</b>

#### 25. Non-Cash Expenses

	2017	2016
Depreciation		
Infrastructure Assets	₱19,405,202.16	₱18,647,581.56
Buildings and Other Structures	3,117,651.34	1,341,231.84
Machinery and Equipment	5,196,883.56	4,113,353.86
Transportation Equipment	2,093,871.00	2,045,680.86
Furniture, Fixtures and Books	520,055.41	197,847.68
Other Property, Plant and Equipment	28,101.96	28,101.96
Impairment Loss - Receivables	158,836.75	0.00
Other Discounts	131,378.00	90,757.15
<b>Total Non-Cash Expenses</b>	<b>₱30,651,980.18</b>	<b>₱26,464,554.91</b>

#### 26. Fair Value Measurement

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

	2017		2016	
	Carrying Value	Fair Value Significant unobservable inputs (Level 3)	Carrying Value	Fair Value Significant unobservable inputs (Level 3)
<i>Loans and Receivables</i>				
Receivables	₱20,325,503.96	₱20,325,503.96	₱20,684,599.82	₱20,684,599.82

	2017		2016	
	Carrying Value	Fair Value Significant unobservable inputs (Level 3)	Carrying Value	Fair Value Significant unobservable inputs (Level 3)
<i>Other financial liabilities</i>				
<b>Financial Liabilities</b>				
(Non-Current)	<b>₱170,104,772.25</b>	<b>₱170,104,772.25</b>	<b>₱193,645,524.07</b>	<b>₱193,645,524.07</b>

Fair Value Hierarchy

There were no financial assets measured at fair value as of December 31, 2017 and 2016. During the periods ended December 31, 2017, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

BALIWAG WATER DISTRICT