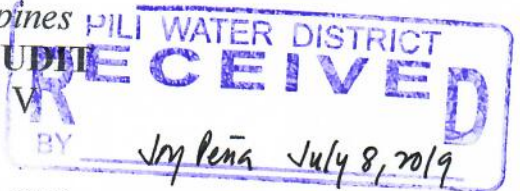




Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. V
Rawis, Legazpi City



Telefax Nos.: 482-0547; 482-0548

OFFICE OF THE REGIONAL DIRECTOR

June 7, 2019

ENGR. PAULINO S. CUNANAN
General Manager
Pili Water District
Pili, Camarines Sur

Sir:

We are pleased to transmit the Annual Audit Report on the audit of the accounts and operations of the Pili Water District, Pili, Camarines Sur for the year ended December 31, 2018, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.


The attached Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations, which were discussed with concerned officials and staff on February 6, 2019.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Water District for the year ended December 31, 2018.

We request that the recommendations be promptly implemented and we would appreciate being informed of the actions taken thereon within sixty (60) days from receipt hereof, using the prescribed format of the attached copy of the Agency Action Plan and Status of Implementation (AAPSI).

We express our appreciation for the support and cooperation extended to our Auditors by the officials and employees of that Water District.

Very truly yours,



ROLAND A. REY
Regional Director

Copy furnished:

1. Administrator, LWUA
2. Auditor, LWUA
3. Office of the President
4. Office of the Vice-President
5. President of the Senate
6. Speaker of the House of Representatives
7. Chairperson – Senate Finance Committee
8. Chairperson – Appropriations Committee
9. Secretary, Department of Budget and Management
10. Presidential Management Staff, Office of the President
11. National Library
12. University of the Philippines Law Center
13. Commission Central Library
Commission on Audit, Quezon City
14. File, Regional Director, COA RO5



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Pili Water District
Pili, Camarines Sur

Qualified Opinion

We have audited the financial statements of Pili Water District, Pili, Camarines Sur, which comprise the Statement of Financial Position as at December 31, 2018, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of Pili Water District, as at December 31, 2018, and its comprehensive income and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standard (PFRS).

Basis for Qualified Opinion

As discussed in Part II of the Audit Report, Notices of Disallowances (NDs) that have become final and executory totaling ₱1.09 million remained unrecorded in the books of the Water District (WD) as of December 31, 2018, understating both the asset and the equity accounts in the Financial Statements.

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 agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our 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 qualified opinion.

Key Audit Matters

Except for the matters described in the *Basis for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

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

Management is responsible for the preparation and fair presentation of these 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 WD's financial reporting process.

Auditor's Responsibility 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 aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:


ADENDA B. DEVORA
State Auditor IV
OIC - Supervising Auditor

February 18, 2019



Republic of the Philippines
PILI WATER DISTRICT

Sta. Rita Agro Industrial Park, San Jose, Pili, Camarines Sur
(054) 477 - 7136; (054) 477 - 7131/477 - 7133 Local 102 - 116
piliwd@yahoo.com www.piliwaterdistrict.gov.ph




RCN: OGM - 081819-041

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


The Management of the Pili Water District is responsible for the preparation of the financial statements as at December 31, 2018, 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 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 the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Pili Water District in accordance with the Philippine Public Sector 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.


Dr. Antonio L. Ortega
Chairman of the Board

01-19-19
Date Signed


Aileen R. Marcaida, CPA
Senior Financial Planning Specialist

2019 JANUARY 18
Date Signed


Engr. Paulino S. Cunanan
General Manager

21 JAN 2019
Date Signed

PILI WATER DISTRICT

Pili, Camarines Sur

Statement of Financial Position
As at December 31, 2018
(With Comparative Figures for CY 2017)

| | <u>Note</u> | <u>2018</u> | <u>2017</u> |
|--------------------------------------|-------------|-------------------------|-------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 2 | ₱ 52,407,734.75 | ₱ 52,024,002.11 |
| Receivables, Net | 3 | 10,177,407.73 | 11,135,160.97 |
| Inventories | 4 | 13,348,669.43 | 16,388,112.60 |
| Prepayments | 5 | 570,055.68 | 753,970.89 |
| Total Current Assets | | ₱ 76,503,867.59 | ₱ 80,301,246.57 |
| Non-Current Assets | | | |
| Investments | 6 | ₱ 17,416,461.97 | ₱ 30,558,544.25 |
| Property, Plant and Equipment, Net | 7 | 223,195,584.32 | 197,507,999.52 |
| Intangible Assets, Net | 8 | 185,337.40 | 205,479.64 |
| Other Assets | 9 | 2,164,012.52 | 2,199,374.32 |
| Total Non-Current Assets | | ₱ 242,961,396.21 | ₱ 230,471,397.73 |
| TOTAL ASSETS | | ₱ 319,465,263.80 | ₱ 310,772,644.30 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Current Financial Liabilities | 10 | ₱ 14,152,596.32 | ₱ 17,235,972.30 |
| Inter-Agency Payables | 11 | 2,336,153.06 | 1,502,099.29 |
| Trust Liabilities | 12 | 1,209,621.16 | 1,240,280.36 |
| Other Payables | 13 | 3,179,666.45 | 2,835,481.09 |
| Total Current Liabilities | | ₱ 20,878,036.99 | ₱ 22,813,833.04 |
| Non-Current Liabilities | | | |
| Non-Current Financial Liabilities | 14 | ₱ 48,073,484.87 | ₱ 60,433,596.90 |
| Deferred Credits | 15 | 9,009,300.65 | 9,418,883.09 |
| Total Non-Current Liabilities | | ₱ 57,082,785.52 | ₱ 69,852,479.99 |
| TOTAL LIABILITIES | | ₱ 77,960,822.51 | ₱ 92,666,313.03 |
| EQUITY | | | |
| Retained Earnings/(Deficit) | 16 | ₱ 241,504,441.29 | ₱ 218,106,331.27 |
| TOTAL EQUITY | | ₱ 241,504,441.29 | ₱ 218,106,331.27 |
| TOTAL LIABILITES AND EQUITY | | ₱ 319,465,263.80 | ₱ 310,772,644.30 |

(See accompanying Notes to Financial Statements)

PILI WATER DISTRICT

Pili, Camarines Sur

Statement of Comprehensive Income
For the Year Ended December 31, 2018
(With Comparative Figures for CY 2017)

| | <u>Note</u> | <u>2018</u> | <u>2017</u> |
|---|-------------|--------------------------------------|--------------------------------------|
| Income | | | |
| Service and Business Income | 17 | ₱ 103,189,653.78 | ₱ 92,705,940.46 |
| Shares, Grants and Donations | 18 | <u>409,582.44</u> | <u>171,952.05</u> |
| Total Income | | ₱ <u>103,599,236.22</u> | ₱ <u>92,877,892.51</u> |
| Less: Expenses | | | |
| Personnel Services | 19 | ₱ 27,554,879.75 | ₱ 24,105,597.42 |
| Maintenance and Other Operating Expenses | 20 | 30,721,123.41 | 26,392,994.47 |
| Financial Expenses | 21 | 6,337,795.36 | 7,140,404.18 |
| Non-Cash Expenses | 22 | <u>15,850,671.39</u> | <u>14,123,388.95</u> |
| Total Expenses | | ₱ <u>80,464,469.91</u> | ₱ <u>71,762,385.02</u> |
| Net Income (Loss) | | ₱ <u><u>23,134,766.31</u></u> | ₱ <u><u>21,115,507.49</u></u> |

(See accompanying Notes to Financial Statements)

PILI WATER DISTRICT

Pili, Camarines Sur

Statement of Changes in Equity
For the Year Ended December 31, 2018
(With Comparative Figures for CY 2017)

| | <u>2018</u> | <u>2017</u> |
|---|---|---|
| Appropriated Retained Earnings | | |
| Restricted Capital | ₱ <u>23,380,787.96</u> | ₱ <u>23,380,787.96</u> |
| Unappropriated Retained Earnings | | |
| Retained Earnings, beginning | ₱ 194,725,543.31 | ₱ 174,825,766.36 |
| Add: Net Income for the year | <u>23,134,766.31</u> | <u>21,115,507.49</u> |
| Total | ₱ 217,860,309.62 | ₱ 195,941,273.85 |
| Add/(Less): Prior Years' Adjustment | <u>263,343.71</u> | <u>(1,215,730.54)</u> |
| Retained Earnings, Ending | ₱ <u>218,123,653.33</u> | ₱ <u>194,725,543.31</u> |
| TOTAL EQUITY | ₱ <u><u>241,504,441.29</u></u> | ₱ <u><u>218,106,331.27</u></u> |

PILI WATER DISTRICT
Pili, Camarines Sur

Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Figures for CY 2017)

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Inflows | | |
| Collection of Income/Revenue | P <u>5,434,895.84</u> | P <u>4,397,896.25</u> |
| Collection of service and business income | 4,434,969.59 | 3,552,388.50 |
| Collection of other income | 999,926.25 | 845,507.75 |
| Collection of Receivables | P <u>95,657,018.08</u> | P <u>85,905,244.91</u> |
| Collection of loans and receivables | 95,657,018.08 | 85,905,244.91 |
| Trust Receipts | P <u>81,900.00</u> | P <u>37,175.00</u> |
| Receipt of bail bonds | 81,900.00 | 37,175.00 |
| Other Receipts | P <u>15,978,815.32</u> | P <u>712,358.34</u> |
| Advance collection of income | 207,670.17 | 251,694.68 |
| Refund of guaranty deposits | 0.00 | 7,579.99 |
| Unused Petty Cash Fund | 0.00 | 39,621.70 |
| Refund of overpayment of MOOE | 0.00 | 18,057.29 |
| Refund of cash advances | 163,326.12 | 211,387.77 |
| Proceeds from Transfer of Funds | 15,500,000.00 | 100,000.00 |
| Other Miscellaneous Receipts | 25,631.21 | 84,016.91 |
| Insurance Claim for Warehouse building | 82,187.82 | 0.00 |
| Adjustments | P <u>230,625.40</u> | P <u>115,316.20</u> |
| Restoration of cash for cancelled/lost/stale checks/ADA | 230,625.40 | 115,316.20 |
| Total Cash Inflows | P <u>117,383,254.64</u> | P <u>91,167,990.70</u> |
| Cash Outflows | | |
| Payment of Expenses | P <u>41,431,851.27</u> | P <u>36,903,555.97</u> |
| Payment of personnel services | 24,062,332.16 | 20,112,074.98 |
| Payment of maintenance and other operating expenses | 17,369,519.11 | 16,791,480.99 |
| Purchase of Inventories | P <u>548,204.66</u> | P <u>7,267,035.99</u> |
| Purchase of inventory held for consumption | 548,204.66 | 7,267,035.99 |
| Grant of Cash Advances | P <u>1,022,622.00</u> | P <u>1,258,222.45</u> |
| Advances to officers and employees | 1,022,622.00 | 1,258,222.45 |
| Prepayments | P <u>9,064,581.26</u> | P <u>777,603.53</u> |
| Other Prepayments | 9,064,581.26 | 777,603.53 |
| Payments of Accounts Payable | P <u>16,241,195.18</u> | P <u>5,185,514.37</u> |
| Remittance of Personnel Benefit Contributions and Mandatory Deductions | P <u>4,572,340.59</u> | P <u>12,669,116.83</u> |

| | | | |
|---|----------|-----------------------|-------------------------|
| Remittance of taxes withheld | | 0.00 | 4,854,287.32 |
| Remittance to GSIS/Pag-IBIG/PhilHealth | | 4,572,340.59 | 7,814,829.51 |
| Other Disbursements | P | 1,533,584.63 | P 0.00 |
| Refund of bail bond | | 100,567.50 | 0.00 |
| Other disbursements - Refund of Advance Payment" | | 1,433,017.13 | 0.00 |
| Adjustments | P | 851,490.24 | P 17,616,000.00 |
| Other adjustments-Transfer of funds from LBP CA to DBP | | 851,490.24 | 17,616,000.00 |
| Total Cash Outflows | P | 75,265,869.83 | P 81,677,049.14 |
| Net Cash Provided by (Used in) Operating Activities | P | 42,117,384.81 | P 9,490,941.56 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash Inflows | | | |
| Receipt of Interest earned | P | 166,390.32 | P 279,027.70 |
| Adjustments Proceeds of funds from LBP to DBP | | 7,992,382.91 | 22,078,567.08 |
| Total Cash Inflows | P | 8,158,773.23 | P 22,357,594.78 |
| Cash Outflows | | | |
| Purchase/Construction of Property, Plant and Equipment | P | 27,172,534.26 | P 13,421,503.27 |
| Purchase of Land | P | 0.00 | P 302,400.00 |
| Construction of buildings and other structures | | 4,483,141.52 | 880,007.64 |
| Purchase of machinery and equipment | | 1,293,033.98 | 2,887,471.84 |
| Purchase of transportation equipment | | 3,870,326.43 | 2,594,522.00 |
| Purchase of furniture, fixtures and books | | 2,295,559.60 | 35,663.35 |
| Construction in Progress | | 14,905,712.73 | 6,474,263.04 |
| Purchase of other property, plant and equipment | | 324,760.00 | 247,175.40 |
| Adjustments: Reserve(Sinking fund) | P | 5,084,316.00 | P 5,084,316.00 |
| Total Cash Outflows | P | 32,256,850.26 | P 18,505,819.27 |
| Net Cash Provided By (Used In) Investing Activities | P | -24,098,077.03 | P 3,851,775.51 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash Inflows | | | |
| Total Cash Inflows | P | 0.00 | P 0.00 |
| Cash Outflows | | | |
| Payment of Long-Term Liabilities | P | 17,635,575.14 | P 17,616,000.03 |
| Payment of domestic loans | | 17,635,575.14 | 17,616,000.03 |
| Total Cash Outflows | P | 17,635,575.14 | P 17,616,000.03 |
| Net Cash Provided By (Used In) Financing Activities | P | -17,635,575.14 | P -17,616,000.03 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | P | 383,732.64 | P -4,273,282.96 |
| Cash and Cash Equivalents, January 1 | | 52,024,002.11 | 56,297,285.07 |
| Cash and Cash Equivalents, December 31 | P | 52,407,734.75 | P 52,024,002.11 |

PILI WATER DISTRICT
Pili, Camarines Sur

Notes to Financial Statements
December 31, 2018

Agency Background

The Pili Water District (PIWAD) was formed on April 2, 1990 through Sangguniang Bayan Resolution No. 56 and later maintained as a water district by virtue of Presidential Decree (PD) No. 198. The PIWAD was granted Conditional Certificate of Conformance (CCC) No. 176 by virtue of Local Water Utilities Administration (LWUA), after compliance with the legal requirements of the decree.

As a government-owned and controlled corporation with original charter, it has the following purposes:

- Acquiring, installing, maintaining and operating a water supply and distribution systems for domestic, industrial, municipal, and agricultural uses for residential and lands within the boundaries of such District;
- Providing, maintaining and operating wastewater collection, treatment, and disposal facilities; and
- Conducting such other functions and operations incidental to water resources development, utilization, and disposal within such District, as are necessary of incidental to said purpose.

The Water District (WD) is under Category B with 13,415 service connection as of December 31, 2018. It has 94 employees consisting of 34 permanent, 46 job order and 14 casuals under the managerial supervision of Engr. Paulino S. Cunanan, General Manager.

All powers expressly granted by PD No. 198 as amended by PD Nos. 768, 1479 and RA No. 9286, necessary, implied from or incidental to the powers and purposes of the above mentioned are exercised and performed by the Board of Directors. The policy making body of the WD is composed of five members of the Board of Directors (BOD) headed by Dr. Antonio I. Ortega (Professional) as the Board Chairman. Other members of the Board representing their respective sector are: Ms. Ma. Hazel O. Palacio (Women); Dr. Rosito S. Bascuña (Civic); Mr. Hope B. Mangubat (Education), and Mr. Ramil A. Solano (Business).

The sources of water supply of the WD are from six wells, two springs and one surface. To improve the water supply facilities and expansion of the water services area of the WD, it had availed a Level III loan from LWUA. The project was funded under the Small Town Water Supply Sector Project (STWSSP) package.

1. Significant Accounting Policies and Corporate Procedures

The accompanying financial statements have been prepared in conformity with applicable laws and Commission on Audit (COA) accounting policies, rules and regulations.

Methods of Accounting

The WD adopted the Philippine Financial Reporting Standards (PFRS) on a calendar year basis and emphasized cost and revenue information under a responsible manager in a responsibility center.

Accrual basis of accounting is adopted where all expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate while income is on accrual basis except for transactions where accrual basis is impractical. Statement of Cash Flows is strictly on a cash basis and prepared adopting the Direct Method.

Asset method is used in recording disbursements when expenditures apply to more than one accounting period. The expense is recorded upon utilization and consumption. Purchases are directly recorded as assets.

Moving average method is used in recording supplies and materials for inventory.

Depreciation is accounted for using the straight line method with 10 per cent of the cost of fixed assets as residual value in the computation of depreciation. Recording depreciation starts at the month following the month of purchase or completion of construction.

The WD has adopted the Revised Chart of Accounts for Government Corporations as per COA Circular No. 2015-010 dated December 1, 2015.

Recognition

Liabilities are recognized only when goods are delivered and/or services rendered or when supplier's bills are received.

Deferred and accrued income and expenses are taken at the end of the year.

Classification

Cash shortages and disallowed payments are directly recorded using appropriate accounts setting aside the contingent accounts.

Equipment with serviceable life of more than one year are classified under Property, Plant and Equipment and charged to capital outlay.

Financial expenses are separately classified from Maintenance and Other Operating Expenses.

Valuation

Supplies Inventories are valued at cost using the Moving Average method.

Receivables are recorded at net realizable value. Allowance for Impairment is computed based in the percentage provided for under the New Government Accounting System (NGAS) and Board Resolution No. 3 series of 2006 as follows: 6 months to 1 year at 1 per cent; 1 to 2 years at 2 per cent; 2 to 3 years at 3 per cent; 3 to 4 years at 4 per cent and 4 years and up at 5 per cent.

Property, Plant and Equipment are recorded at cost plus other charges incidental to the acquisition of such fixed assets.

Petty Cash Fund

Imprest System is adopted for maintaining petty cash fund.

Replenishment of Petty Cash Fund shall be made when the fund balance reaches the minimum of 75 per cent utilization or as the needs arise as determined by the General Manager.

Billing of Receivables

All water sales and services rendered but not yet paid are properly billed.

2. Cash and Cash Equivalents

₱52,407,734.75

| Account Title | CY 2018 | CY 2017 |
|---------------------------|------------------------------|------------------------------|
| Cash – Collecting Officer | ₱ 225,295.87 | ₱ 330,921.49 |
| Petty Cash | 31,000.00 | 27,000.00 |
| Cash in Bank | <u>52,151,438.88</u> | <u>51,666,080.62</u> |
| Total | <u>₱52,407,734.75</u> | <u>₱52,024,002.11</u> |

Cash comprised cash on hand and cash in bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash – Collecting Officer comprised the amount of collections with the Cashier pending deposit.

3. Receivables, Net**₱10,177,407.73**

Balances as of December 31, 2018 are as follows:

| Account Title | CY 2018 | CY 2017 |
|-------------------------------------|------------------------------|------------------------------|
| Accounts Receivable | ₱ 9,780,585.80 | ₱10,957,230.94 |
| Less: Allowance for Impairment | <u>423,813.11</u> | <u>423,813.11</u> |
| Account Receivable, net | ₱ 9,356,772.69 | ₱10,533,417.83 |
| Receivables – Disallowances/Charges | 189,156.49 | 0.00 |
| Other Receivables | <u>631,478.55</u> | <u>601,743.14</u> |
| Total | <u>₱10,177,407.73</u> | <u>₱11,135,160.97</u> |

Accounts Receivable – Customers include all amounts due on open accounts arising from services rendered to customers for water sales and incidental services. The customers are categorized as domestic/government, semi-commercial, commercial/industrial and bulk sale/loading.

Receivables – Disallowances/Charges represents the amount of shortage by the WD's former Cashier.

Other Receivables includes amount due from other debtor not falling under any of the specific receivable accounts.

Assignment to Development Bank of the Philippines (DBP) of Water District's Billed Water or Accounts Receivable

Included in the covenant of the DBP refinancing is the assignment of the Billed Water or Accounts Receivable of the WD to the said bank and it shall be subject to inspection, audit, checking and make extractions from the books, records and journals, orders, receipts and other data relating to the assigned Accounts Receivable.

4. Inventories**₱13,348,669.43**

| Account Title | CY 2018 | CY 2017 |
|--|------------------------------|------------------------------|
| Accountable Forms, Plates and Stickers Inventory | ₱ 242,798.07 | ₱ 162,205.83 |
| Office Supplies Inventory | 523,182.06 | 343,803.24 |
| Other Supplies and Materials Inventory | 775,161.42 | 604,131.71 |
| Non-Accountable Forms Inventory | 180,031.06 | 184,420.60 |
| Chemicals and Filtering Materials Inventory | 182,350.09 | 302,304.92 |
| Construction Materials Inventory | 10,947,910.71 | 14,323,511.36 |
| Semi Expendable Office Equipment | 0.00 | 3,849.50 |
| Semi-Expendable Information and Communication Technology Equipment | 269,138.75 | 247,858.75 |
| Semi-Expendable Machinery | 26,600.00 | 12,600.00 |
| Semi-Expendable Other Machinery and Equipment | 151,906.92 | 159,836.34 |
| Semi-Expendable Furniture and Fixtures | <u>49,590.35</u> | <u>43,590.35</u> |
| Total | <u>₱13,348,669.43</u> | <u>₱16,388,112.60</u> |

Office Supplies Inventory includes the cost of office supplies purchased/received for use in office operations.

Construction Materials Inventory consists of materials which are kept in stock by the WD for use in new service connections, repairs and maintenance of its transmission and distribution lines. This account includes water meters, pipes of different sizes, coupling and other items.

Chemicals and Filtering Materials Inventory includes chlorine and DPD reagents used for residual testing.

5. Prepayments

₱570,055.68

| Account Title | CY 2018 | CY 2017 |
|----------------------|---------------------------|---------------------------|
| Prepaid Registration | ₱ 0.00 | ₱ 0.00 |
| Prepaid Insurance | 3,941.13 | 2,749.40 |
| Other Prepayments | 145,614.22 | 330,721.16 |
| Guaranty Deposits | 420,500.33 | 420,500.33 |
| Total | <u>₱570,055.68</u> | <u>₱753,970.89</u> |

Prepaid Insurance represents the unamortized portion of insurance for service vehicle and the unamortized portion of the insurance of the WD's properties as part of the loan term agreement with DBP.

6. Investment

₱17,416,461.97

| Account Title | CY 2018 | CY 2017 |
|---------------|------------------------------|------------------------------|
| Sinking Fund | <u>₱17,416,461.97</u> | <u>₱30,558,544.25</u> |

The Sinking Fund pertains to cash set aside in reserve for specific long-term purposes. It includes, among others; an Operation and Maintenance Reserve for repairs of damaged WD's facilities due to natural calamities, public disorders, and the like; and a Capital Reserve for expansion of the WD's facilities. Five per cent of monthly water sales is set aside for this account.

7. Property, Plant and Equipment, net

₱223,195,584.32

Property, Plant and Equipment (PPE) includes properties of relatively permanent character that are used in normal utility operations. It is carried at cost less accumulated depreciation. The initial cost of PPE consists of its purchase price and other costs directly attributable in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the PPE have been put into operation, such as repairs and maintenance are normally charged to income in the year the costs are incurred. In

situations where it can be closely demonstrated that expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of PPE.

Construction in Progress represents properties under construction and is stated at cost based on construction period theory. This includes the cost of construction, equipment, and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use. The components of the account are the following:

| Account Title | Acquisition Cost | Accumulated Depreciation | Book Value |
|--|-------------------------------|--------------------------------|-------------------------------|
| Land | ₱4,698,863.96 | | ₱4,698,863.96 |
| Land Improvements | 138,478.44 | ₱ 110,090.52 | 28,387.92 |
| Flood Control Systems | 6,627,128.67 | 3,936,085.31 | 2,691,043.36 |
| Power Supply Systems | 7,252,127.12 | 3,124,941.67 | 4,127,185.45 |
| Plant – Utility in Plant Service | 224,609,042.97 | 103,752,126.38 | 120,856,916.59 |
| Buildings | 31,267,266.01 | 5,411,914.23 | 25,855,351.78 |
| Water Plant, Structure and Improvements | 20,317,238.59 | 5,281,252.16 | 15,035,986.43 |
| Other Structures | 82,349.94 | 15,830.22 | 66,519.724 |
| Machinery | 31,416,113.77 | 11,459,584.86 | 19,956,528.91 |
| Office Equipment | 2,452,291.82 | 1,345,576.92 | 1,106,714.90 |
| Information and Communication Technology Equipment | 4,620,049.40 | 1,998,042.26 | 2,622,007.14 |
| Communication Equipment | 702,231.96 | 288,072.23 | 414,159.73 |
| Sports Equipment | 18,999.00 | 8,549.40 | 10,449.60 |
| Technical and Scientific Equipment | 589,596.00 | 199,859.48 | 389,736.52 |
| Other Equipment | 2,302,935.45 | 855,119.42 | 1,447,816.03 |
| Motor Vehicles | 14,563,188.43 | 6,225,942.18 | 8,337,246.25 |
| Furniture and Fixtures | 1,278,844.27 | 476,976.47 | 801,867.80 |
| Total | <u>₱352,936,745.80</u> | <u>₱ 144,489,963.71</u> | <u>₱208,446,782.09</u> |
| Add: Construction in Progress | | | <u>14,748,802.23</u> |
| Property, Plant and Equipment-net | | | <u>₱223,195,584.32</u> |

The land consisting of two residential lots of 240 square meters each at Central Park Subdivision, Cadlan, Pili and a 5,000 square meter lot at Sta. Rita Industrial Park are mortgage with the DBP as part of the loan term agreement.

8. Intangible Assets**₱185,337.40**

| Account Title | Acquisition Cost | Accumulated Amortization | Book Value |
|------------------------------|---------------------------|---------------------------------|---------------------------|
| Computer Software | ₱535,310.32 | ₱378,742.92 | ₱156,567.40 |
| Website | 42,000.00 | 13,230.00 | 28,770.00 |
| Intangible Assets-net | <u>₱577,310.32</u> | <u>₱391,972.92</u> | <u>₱185,337.40</u> |

9. Other Assets**₱2,164,012.52**

| Account Title | CY 2018 | CY 2017 |
|----------------------|-----------------------------|-----------------------------|
| Other Assets | <u>₱2,164,012.52</u> | <u>₱2,199,374.32</u> |

Other Assets include serviceable assets not used in operations and unserviceable, fully depreciated items awaiting disposal.

10. Current Financial Liabilities**₱14,152,596.32**

These are obligations maturing within one year from Statement of Financial Position date and composed of the following:

| Account Title | CY 2018 | CY 2017 |
|-------------------------------|------------------------------|------------------------------|
| Loans Payable-Domestic | ₱12,360,112.03 | ₱11,297,879.78 |
| Due to Officers and Employees | 297,491.41 | 10,275.39 |
| Accounts Payable | 1,494,992.88 | 5,927,817.13 |
| Total | <u>₱14,152,596.32</u> | <u>₱17,235,972.30</u> |

This account includes Loans Payable-Domestic which represents the current portion of the long-term debt; Due to Officers and Employees represents liabilities due to officers and employees of the agency arising from unpaid travel expenses, benefits and other expenses; and Accounts Payable amounting are the amount of indebtedness to entities arising from business.

11. Inter-Agency Payables**₱2,336,153.06**

Inter-Agency Payables consist of payables due to Bureau of Internal Revenue (BIR), Government Service Insurance System (GSIS), Home Development Mutual Development Fund (HDMF), PhilHealth and to other GOCC broken down as follows:

| Account Title | CY 2018 | CY 2017 |
|----------------------|----------------|----------------|
| Due to BIR | ₱1,102,169.14 | ₱550,523.13 |
| Due to GSIS | 1,084,698.69 | 796,010.37 |
| Due to Pag-IBIG | 90,734.02 | 103,995.79 |

| Account Title | CY 2018 | CY 2017 |
|----------------------|-----------------------------|-----------------------------|
| Due to PhilHealth | 32,076.21 | 26,325.00 |
| Due to SSS | 26,475.00 | 25,245.00 |
| Total | <u>₱2,336,153.06</u> | <u>₱1,502,099.29</u> |

Due to BIR pertains to amount of taxes due/amount withheld for remittance to the BIR.

Due to GSIS pertains to contributions due/collections received/amounts withheld for remittance to the GSIS.

Due to Pag-IBIG pertains to contributions due/collections received/amounts withheld for remittance to the HDMF.

Due to PhilHealth pertains to contributions due/collections received/amounts withheld for remittance to the Philippine Health Insurance Corporation (PHIC).

Due to SSS pertains to contributions due/collections received/amounts withheld for remittance to the Social Security System (SSS).

12. Trust Liabilities

₱1,209,621.16

| Account Title | CY 2018 | CY 2017 |
|------------------------------------|-----------------------------|-----------------------------|
| Customer's Deposits Payable | ₱1,158,516.35 | ₱1,175,376.30 |
| Guaranty/Security Deposits Payable | 51,104.81 | 64,904.06 |
| Total | <u>₱1,209,621.16</u> | <u>₱1,240,280.36</u> |

Customer's Deposits Payable pertains to the deposits made by customers normally before the extension of any service connections as a security for the payment of subsequent bills, or as a meter deposit.

13. Other Payables

₱3,179,666.45

| Account Title | CY 2018 | CY 2017 |
|----------------------|-----------------------------|-----------------------------|
| Other Payables | <u>₱3,179,666.45</u> | <u>₱2,835,481.09</u> |

14. Non-Current Financial Liabilities

₱48,073,484.87

| Account Title | CY 2018 | CY 2017 |
|---|------------------------------|------------------------------|
| Loans Payable-Domestic (Long-Term Debt) | <u>₱48,073,484.87</u> | <u>₱60,433,596.90</u> |

This account pertains to loans contracted to finance various long-term projects of the WD for purposes of providing safe, reliable, sound and economically viable water supply and waste water disposal system. The loan availments shall constitute a first lien on all properties of the WD including those constructed or procured through the loan availments.

However, last March 18, 2008, said Asian Development Bank (ADB) - LWUA loan was refinanced by the DBP at nine per cent interest per annum.

15. Deferred Credits

₱9,009,300.65

| Account Title | CY 2018 | CY 2017 |
|----------------------|-----------------------------|-----------------------------|
| Deferred Credits | <u>₱9,009,300.65</u> | <u>₱9,418,883.09</u> |

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

Grant received by the WD amounting to ₱1,442,000.00.

A grant amounting to ₱1,442,000.00 was received by the Water District from the LWUA last April 2007. At the time it was received, LWUA did not commit as to whether it was a grant or a loan. It was recorded in the books as Other Deferred Credits.

As of September 30, 2009, the said amount has been exhausted by the WD in the various improvements of the pumping stations. As of this time, no communication has been received as to the treatment of the said amount.

16. Retained Earnings

₱241,504,441.29

This account consists of the accumulated earnings or losses of the WD and adjustments thereto.

| Account Title | CY 2018 | CY 2017 |
|-------------------------------------|-------------------------------|-------------------------------|
| a. Appropriated Retained Earnings | ₱23,380,787.96 | ₱23,380,787.96 |
| b. Unappropriated Retained Earnings | <u>218,123,653.33</u> | <u>194,725,543.31</u> |
| Total | <u>₱241,504,441.29</u> | <u>₱218,106,331.27</u> |

17. Service and Business Income**₱103,189,653.78**

This account includes the net revenues derived from the utility operation.

| Account Title | CY 2018 | CY 2017 |
|-------------------------------------|-------------------------------|------------------------------|
| Waterworks Systems Fees | ₱ 93,061,423.20 | ₱84,122,193.63 |
| Rent/Lease Income | 1,228,976.25 | 944,175.75 |
| Interest Income | 596,981.41 | 788,602.17 |
| Fines and Penalties-Business Income | 562,893.50 | 409,582.44 |
| Other Business Income | 443,544.74 | 0.00 |
| Fines and Penalties-Service Income | 3,720,149.40 | 3,353,504.00 |
| Other Service Income | 3,134,534.78 | 2,757,932.47 |
| Registration Fees | 232,200.00 | 166,500.00 |
| Processing Fees | 90,300.00 | 67,700.00 |
| Inspection Fees | 116,900.00 | 90,000.00 |
| Clearance and Certification Fees | 1,750.00 | 5,750.00 |
| Total | <u>₱103,189,653.78</u> | <u>₱92,705,940.46</u> |

18. Shares, Grants and Donations**₱409,582.44**

| Account Title | CY 2018 | CY 2017 |
|--|---------------------------|----------------------------|
| Income from Grants and Donations in Kind | <u>₱409,582.44</u> | <u>₱ 171,952.05</u> |

19. Personnel Services**₱27,554,879.75**

| Account Title | CY 2018 | CY 2017 |
|--|----------------|-----------------|
| Salaries and Wages - Regular | ₱13,580,201.85 | ₱ 11,601,865.45 |
| Salaries and Wages - Casual | 2,395,809.12 | 2,249,216.75 |
| Personal Economic Relief Allowance | 1,139,629.04 | 1,146,303.92 |
| Representation Allowance | 450,750.00 | 282,000.00 |
| Transportation Allowance | 450,750.00 | 282,000.00 |
| Clothing/Uniform Allowance | 294,000.00 | 245,000.00 |
| Subsistence Allowance | 694,800.00 | 697,200.00 |
| Productivity Incentive Allowance | 247,500.00 | 240,000.00 |
| Other Bonuses and Allowances | 652,383.26 | 922,702.01 |
| Longevity Pay | 50,000.00 | 40,000.00 |
| Overtime and Night Pay | 1,490,567.30 | 240,000.00 |
| Cash Gift | 244,000.00 | 574,571.22 |
| Year End Bonus | 2,665,568.60 | 2,362,691.00 |
| Retirement and Life Insurance Premiums | 1,928,211.30 | 1,675,657.60 |

| Account Title | CY 2018 | CY 2017 |
|---|------------------------------|------------------------------|
| Pag-IBIG Contribution | 57,800.00 | 58,100.00 |
| PhilHealth Contributions | 192,260.16 | 150,762.50 |
| Employees Compensation Insurance Premiums | 57,800.00 | 58,100.00 |
| Terminal Leave Benefits | 291,046.64 | 0.00 |
| Other Personnel Benefits | 671,802.48 | 1,279,426.97 |
| Total | <u>₱27,554,879.75</u> | <u>₱24,105,597.42</u> |

20. Maintenance and Other Operating Expenses

₱30,721,123.41

| Account Title | CY 2018 | CY 2017 |
|--|----------------|----------------|
| Traveling Expenses - Local | ₱ 1,065,713.22 | ₱ 1,059,738.59 |
| Training Expenses | 374,786.83 | 295,907.32 |
| Office Supplies Expenses | 524,256.14 | 504,439.59 |
| Accountable Forms Expenses | 99,407.76 | 96,645.47 |
| Non-Accountable Forms Expense | 48,540.54 | 63,569.32 |
| Fuel, Oil and Lubricants Expenses | 2,319,276.96 | 3,331,043.15 |
| Chemicals and Filtering Supplies Expenses | 888,554.07 | 516,695.67 |
| Semi-Expendable Machinery and Equipment Expenses | 193,727.74 | 282,505.13 |
| Semi-Expendable Furniture and Fixtures | 0.00 | 32,999.99 |
| Other Supplies and Materials Expenses | 292,923.68 | 258,490.69 |
| Water Expenses | 165,367.10 | 117,040.65 |
| Electricity Expenses | 5,681,960.62 | 3,662,886.02 |
| Postage and Courier Expenses | 5,509.08 | 10,613.00 |
| Telephone Expenses | 180,942.61 | 139,029.67 |
| Internet Subscription Expenses | 114,292.99 | 56,769.09 |
| Generation, Transmission and Distribution Exp. | 1,284,772.24 | 1,127,175.55 |
| Legal Services | 120,000.00 | 121,500.00 |
| Other Professional Services | 0.00 | 195.00 |
| Security Services | 1,974,975.60 | 1,756,082.47 |
| Other General Services | 6,550,131.06 | 6,155,220.46 |
| R&M - Infrastructure Assets | 2,291,770.49 | 1,741,695.68 |
| R&M - Buildings and Other Structures | 103,121.49 | 13,393.61 |
| R&M - Machinery and Equipment | 292,740.04 | 197,780.33 |
| R&M - Transportation Equipment | 382,220.78 | 313,706.70 |
| R&M - Furniture and Fixtures | 0.00 | 6,809.74 |
| Taxes, Duties and Licenses | 2,154,339.29 | 1,891,776.07 |
| Fidelity Bond Premiums | 186,443.75 | 196,415.63 |
| Insurance Expenses | 545,676.12 | 483,321.18 |
| Representation Expenses | 543,208.97 | 512,093.92 |
| Transportation and Delivery Expenses | 3,400.00 | 3,650.00 |
| Rent/Lease Expenses | 9,610.25 | 19,348.65 |

| Account Title | CY 2018 | CY 2017 |
|---|------------------------------|------------------------------|
| Membership Dues and Contributions to Org. | 45,104.00 | 63,360.00 |
| Subscription Expenses | 16,000.00 | 11,000.00 |
| Directors' and Committee Members' Fees | 948,915.00 | 752,040.73 |
| Other Maintenance and Operating Expenses | <u>1,313,434.99</u> | <u>598,055.40</u> |
| Total | <u>₱30,721,123.41</u> | <u>₱26,392,994.47</u> |

21. Financial Expenses

₱6,337,795.36

| Account Title | CY 2018 | CY 2017 |
|-------------------------|-----------------------------|-----------------------------|
| Bank Charges | ₱ 100.00 | ₱ 100.00 |
| Interest Expense | 6,077,988.48 | 7,069,608.07 |
| Other Financial Charges | <u>259,706.88</u> | <u>70,696.11</u> |
| Total | <u>₱6,337,795.36</u> | <u>₱7,140,404.18</u> |

22. Non-Cash Expenses

₱15,850,671.39

| Account Title | CY 2018 | CY 2017 |
|---|------------------------------|------------------------------|
| Depreciation - Land Improvements | ₱ 12,463.08 | ₱ 12,463.08 |
| Depreciation - Infrastructure Assets | 8,916,373.55 | 8,473,192.15 |
| Depreciation - Buildings and Other Structures | 1,654,089.60 | 1,440,184.62 |
| Depreciation - Machinery and Equipment | 2,807,834.83 | 2,274,969.78 |
| Depreciation - Transportation Equipment | 1,162,817.40 | 813,834.71 |
| Depreciation - Furnitures and Fixtures | 80,483.69 | 79,402.90 |
| Amortization - Intangible Assets | 69,927.24 | 71,056.56 |
| Other Discounts | <u>1,146,682.00</u> | <u>958,285.15</u> |
| Total | <u>₱15,850,671.39</u> | <u>₱14,123,388.95</u> |