

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
Notes to Financial Statements
For the year ended December 31, 2019

1. GENERAL INFORMATION/ENTITY PROFILE

The Metropolitan Waterworks and Sewerage System (MWSS), a government-owned and controlled corporation, was created under Republic Act (R.A.) No. 6234 which was approved on June 19, 1971 replacing the National Waterworks and Sewerage Authority. MWSS is an attached agency to the Department of Public Works and Highways (DPWH). Its main objective is to ensure an uninterrupted and adequate supply and distribution of potable water for domestic and other purposes to its consumers at just and equitable rates. It also aims to provide sewerage and sanitation services to the public. MWSS owns and has jurisdiction over all waterworks and sewerage system of all the cities and municipalities of Metro Manila, and some municipalities of Cavite and Bulacan.

Because of the felt need for the government to adopt urgent and effective measures and to address the nationwide water crisis which adversely affected the health and well-being of the public, legislators passed into law R.A. No. 8041, otherwise known as the National Water Crisis Act of 1995, implemented under Executive Order (E.O.) No. 286 dated December 6, 1995, which reorganized the MWSS. The passage of E.O. No. 311 on March 20, 1996 encouraged the private sector's participation in the operation of the facilities of MWSS and paved the way for its privatization.

Pursuant to a process of a competitive public bidding and selection, MWSS' operations were privatized. Thus, on February 21, 1997, MWSS entered into a Concession Agreement (CA) with two private companies (Concessionaires), namely, the Manila Water Company Incorporated (MWCI) and the Maynilad Water Services Incorporated (MWSI), granting them the rights to manage, operate, repair, decommission and refurbish the Facilities in the Service Area, including the right to bill and collect for water and sewerage services supplied in the Service Area. MWCI operates on the east zone while MWSI services the west zone, the two concessionaires formally took over the operations of MWSS on August 1, 1997. In addition to the performance of the service obligations, the concessionaires are required, under the CA, to pay MWSS concession fees in consideration for such right.

As a result of the privatization in 1997, MWSS is now divided into two Offices, the MWSS-Corporate Office and the MWSS-Regulatory Office.

On March 8, 2001, due to financial difficulties, MWSI suspended payment of concession fees. From March 2001 to July 2001, MWSS used its own funds to meet the maturing obligations of MWSI. Thereafter, from July 2001 to 2006, MWSS had to obtain a number of loans from various banks and financial institutions to meet its maturing obligations and expenses which the (unpaid) concession fees from MWSI were supposed to cover.

Despite continuous negotiations, several disputes between MWSI and MWSS led the former to issue a "Notice of Early Termination of the Concession" on December 9, 2002. On January 7, 2003, MWSS arbitration proceedings were commenced and on November 7, 2003, the Appeals Panel for Major Disputes ruled that (1) there was no MWSS or Concessionaire Event of Termination under Article 10 of the CA, (2) the parties should

continue to perform their obligations under the CA until the expiration thereof, (3) MWSS may draw on the USD120 million Performance Bond. The Arbitration Order became final on November 22, 2003.

During the pendency of the corporate rehabilitation proceedings, and prior to the drawing on the USD120 million Performance Bond, MWSS had to seek funding from other sources to meet its maturing obligations and operating expenses. As a result, on March 16, 2004, MWSS with the Republic as Guarantor, and BNP Paribas, entered into a Subscription Agreement wherein BNP Paribas agreed to subscribe to the MWSS-BNP Notes.

On April 29, 2005, MWSI submitted to the Rehabilitation Court its 2005 Rehabilitation Plan incorporating the terms and conditions of the Debt and Capital Restructuring Agreement (DCRA) executed between MWSI, MWSS, Benpress Holdings Corporation, the Suez Group and other lenders. On June 1, 2005, the Rehabilitation Court approved the 2005 Rehabilitation Plan, including the DCRA.

Under Clause 2.6 of the DCRA, MWSS was given the right to subscribe to 83.97 percent of the shares of MWSI. On September 8, 2005, the MWSS Board of Trustees (BOT) resolved to assign the MWSS Subscription Rights pursuant to Clause 24 of the DCRA. After going through the process of competitive public bidding, DMCI-MPIC Water Company, Inc. (DWCI) was awarded the MWSS Subscription Rights and the right to acquire receivables of MWSS, subject to the conditions imposed under the DCRA. On December 27, 2006, MWSS and DWCI entered into an Assignment and Assumption Agreement (AAA) to formalize the award.

In accordance with the AAA, DWCI, decided to effect the early exit of MWSI from rehabilitation proceeding by contributing cash to the latter and enabling the latter to prepay, among others, its obligations to MWSS under the DCRA. To implement this, DWCI entered into a Prepayment and Settlement Agreement (PSA) with MWSI, MWSS, the Suez Group and other lenders on August 9, 2007.

Thereafter, MWSI, MWSS, the Suez Group, and other creditors of MWSI filed a Joint Omnibus Motion dated August 14, 2007. Acting on the Joint Omnibus Motion, the Rehabilitation Court issued an order dated December 19, 2007 (1) immediately approving the PSA, (2) declaring that MWSI had successfully implemented the 2005 Rehabilitation Plan subject to the fulfillment of certain conditions, and (3) disallowing the disputed or unresolved claims of MWSS and the Suez Group. On February 6, 2008, the Rehabilitation Court issued another order confirming the December 19, 2007 Order, declaring that the conditions in its previous order have been met, and releasing MWSI from the corporate rehabilitation proceedings.

On December 7, 2015, the MWSS issued a Notice of Award (NOA) to San Miguel Corporation – K Water Consortium for the Bulacan Bulk Water Supply Project. In accordance with the NOA, the Consortium registered the Luzon Clean Water Development Corporation (LCWDC) as the newest concessionaire.

On January 15, 2016, the LCWDC entered into a CA with MWSS for the project. The CA is for a period of 30 years from signing date and may be extended as provided for in the CA. The project shall comprise of the supply of treated bulk water, planning, financing, development, design, engineering and construction of facilities including the management,

operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the Province of Bulacan.

Term Extension

During the 11th year of the implementation of the Concession Agreement, the Parties, MWSS and MWCI and MWSI (under a new Sponsor, DMCI) identified and discussed the option of renewing/extending the Concession Agreement pursuant to the following government policies:

- a. To increase investments in water and waste water improvement projects, to pursue the mandate of the government to accelerate waste water projects, to comply with the Clean Water Act and the recent Supreme Court decision for the cleanup and preservation of Manila Bay, and sufficient concession fees to support the implementation of new water source projects as enumerated in the Final Business Plan;
- b. To mitigate the impact on tariff increases through the renewal/extension of the Concession Agreement.

On October 19, 2009, the Department of Finance (DOF) transmitted to the MWSS, the signed Letter of Consent and Undertaking in behalf of the Republic for the approval of extension of the CA of MWCI to an additional of 15 years from May 7, 2022 to May 6, 2037.

On March 17, 2010, the DOF thru the MWSS, again transmitted the signed Letter of Consent and Undertaking in behalf of the Republic another approval of 15 years extension of the CA of the MWSI from May 6, 2022 to May 6, 2037.

The term extension committed the Concessionaires to increase by 100 percent the concession fees (Corporate Operating Budget or COB) of the MWSS Corporate Office and the Regulatory Office.

CY 2018 Rate Rebasing

In CY 2018, Rate Rebasing (RR) was performed which served as basis for reviewing the performance as well as to determine the new business plan that the MWCI and MWSI will undertake. The exercise will also ensure that notwithstanding the changes in the economic and operating assumptions, both concessionaires will be able to recover all its expenditures (Operating Expenses, Capital Expenditures and Income Taxes), plus guaranteed rate of return. As such, the exercise will serve as one of the major drivers of tariff adjustments under the CA.

Section 9.2 of the CA provides that the Standard Rates for water and sewerage services shall be adjusted each year effective January 1 of each Charging Year. In accordance with (i) the Rate Adjustment Limit (RAL) set forth in Section 9.2.1., (ii) the adjustment principles set forth in Section 9.2.2 and (iii) the procedures set forth in Sec. 9.2.3.

RAL is defined as the percentage, either positive or negative, equal to the sum of "C" or the percentage change in the Consumer Price Index, "E" or Extraordinary Price Adjustment and "R" or the Rate Rebasing Convergence Adjustment.

On May 25, 2017, after two failed biddings, the MWSS BOT issued Resolution No. 2017-056-RO that approved the Revised Terms of Reference (TOR) for the procurement services for the 4th RR and its Approved Budget for the Contract (ABC) amounting to P64,664,320.00 using the alternative method of procurement, Negotiated Procurement – Two Failed Biddings.

On August 31, 2017, only Test Consults, Inc. in joint venture with Constantino Guadalquivier & Co. (TCI/CGC) submitted its bid. After the procurement process, the MWSS BOT issued Resolution No. 2017-122-RO dated September 14, 2017 that awarded the contract for the consultancy services for the 4th RR (Contract No. RO-CS2017-001) with a total cost not exceeding P64,555,904.00 to TCI/CGC.

Manila Water Company, Inc. (MWCI)

On September 24, 2018, MWSS RO recommended to the MWSS BOT, among others, for Manila Water Company, Inc. the implementation of partial “R” on a staggered basis as scheduled below:

Year	1 Jan 2019	1 Jan 2020	1 Jan 2021	1 Jan 2022
Php/cu.m.	0.00	2.00	2.00	0.76

On September 27, 2018, as recommended by MWSS RO, the MWSS BOT issued Resolution No. 2018-145-RO for RR determination for Manila Water Company, Inc. for Charging Years 2018 to 2022.

Maynilad Water Services, Inc. (MWSI)

On September 7, 2018 after months of audit, series of meetings and consultations, the MWSS RO recommended to the MWSS BOT, among others, for MWSI the implementation of partial “R” on a staggered basis subject to the decision by the Supreme Court of the case docketed as G.R. No. 239938, to wit:

Year	1 Jan 2019	1 Jan 2020	1 Jan 2021	1 Jan 2022
Php/cu.m.	0.00	1.95	1.95	0.93

On September 13, 2018, as recommended by MWSS RO, the MWSS BOT issued Resolution No. 2018-136-RO for RR determination for MWSI for Charging Years 2018 to 2022.

Sources of Funds

The following are the sources of funds of MWSS:

- a. Concession Fees Collected;
- b. Rentals on Leased Properties;
- c. Interest Income on Investments;
- d. Loan Availments from Foreign and Domestic Financial Institutions;
- e. Collection of Raw Water and Accounts Receivable; and
- f. Other Incidental Revenues

Strategic Initiatives and Water Security Legacy Bubble

Water Security Legacy (WSL) Roadmap – MWSS is driven by the Water Security Legacy Roadmap and is composed of seven legacies to help ensure a more holistic, long-term and sustainable approach to water service for Metro Manila and its outskirts. These legacies are:

- a. Legacy 1 – Water Resources and Infrastructure Management, Development and Protection
- b. Legacy 2 – Water Distribution Efficiency
- c. Legacy 3 – Sewerage and Sanitation Compliance
- d. Legacy 4 – Water Rates Review and Rationalization
- e. Legacy 5 – Organization Excellence
- f. Legacy 6 – Partnership Development
- g. Legacy 7 – Communication and Knowledge Management

Strategic Initiatives – MWSS–CO hereby commits to undertake the following key programs and/or projects identified as having a significant impact on its Performance Scorecard:

- a. *Strategic Initiative 1 – New Centennial Water Supply Source Project (NCWSP) - Kaliwa Dam Project (P12.2 billion)*
 - Fund Source: Official Development Assistance (ODA) - China
 - Involves the financing, design and construction of a raw water supply source with a capacity of 600 million liters per day (mld), through the commissioning of the Kaliwa Dam, including intake facilities and other pertinent facilities.
 - Part of the Project is a water conveyance tunnel intended to supply 2,400 mld of raw water for Metro Manila, thereby reducing heavy dependence on the Angat Dam reservoir.
 - Status as of December 31, 2019:
 1. The Environmental Compliance Certificate (ECC) issued on October 11, 2019 for NCWS-KDP is subject to conditions and restrictions consisting of the following:
 - a. Seventeen (17) conditions on Environmental Management;
 - b. Four (4) general conditions; and
 - c. Four (4) restrictions.
 2. Notice to Proceed (NTP) issued to China Energy Engineering Corporation (CEEC) on November 13, 2019.
 3. CEEC On-going Activities:
 - Geological survey & soil investigation at Tunnel Outlet Portal in Teresa, Rizal.
 - Topographic and geological survey at the damsite area in Brgy. Pagsangahan, General Nakar, Quezon.

- Discussion with the landowners within the tunnel alignment with regard to accessibility for the conduct of borehole drilling.A
 - Physical status: Detailed Engineering Design (DED) Stage
 - Percentage of accomplishment as of December 31, 2019:
 - a. DED Stage = 6.88%
 - b. Overall Project Accomplishment (DED+Construction) = 0.18%
4. Free and Prior Informed Consent (FPIC) Process
 - IPs and ICCs of Rizal and Quezon Provinces adopted a resolution of consent (Resolusyon ng Pagpayag) during the Final Concensus Building last December 9 and 17, 2019, respectively.
 5. Lot Acquisition for Tunnel Outlet Portal
 - Three (3) lot owners were already paid 50% of the MWSS' offered price.
 - Eight (8) lots are for expropriation process, five (5) of these were already forwarded to OGCC.
 - The following cases were filed to the court as of December 31, 2019:
 - a. *MWSS vs. Reinerio Vicente A. Reyes, et al.* for Lot 3515-B on December 13, 2019;
 - b. *MWSS vs. Roman D. Reyes* for Lot no. 5023 on *December 13, 2019;*
and
 - c. *MWSS vs. Sophia Loren C. Valenzuela* for Lots no. 5024-C and 5024-F on December 13, 2019
 6. Resettlement:
 - On-going coordination with DENR IV-A and LGU General Nakar in securing the identified resettlement site in sitio Cablao, Barangay Pagsangahan, General Nakar, Quezon.
 - Awaiting Resolution to be issued by the Sangguniang Bayan of General Nakar on the proposed MOA for the implementation of the resettlement plan. The revised version of the MOA, after incorporating the comments and suggestions of OGCC, was received by the Office of Mayor Ruzol on March 27, 2019.
 7. Access Roads Construction (by DPWH):
 - Access Road to Tunnel Outlet Portal = 100% completed on June 2019.
 - Access Road to Damsite (KM. 92) = on-going construction at 59% accomplishment to date.
 - Access road to Daraitan = on-going construction at 8% accomplishment to date
- b. *Strategic Initiative 2 – Bulacan Bulk Water Supply Project (BBWSP) (P16.32 billion)*
- Funding Source: Private Proponent under PPP scheme
 - Aims to provide clean and affordable treated water, will be implemented in three stages, covering 24 water service providers (WSPs) serving 21 municipalities and three cities in Bulacan.

- Involve the development of surface water source facilities and new groundwater sources; provision of water treatment facilities and lift and booster pump stations; and the installation of new conveyance/transmission lines, among others.
 - Status as of June 30, 2019:
 1. 100% project completion (Water Treatment Plant and Conveyance)
 2. Stages 1 and 2 are fully operational
- c. *Strategic Initiative 3 – Angat Water Transmission Improvement Project (AWTIP) (USD133.98 million)*
- Funding Source: Loan and GOP counterpart funded by Concession Fees
 - Aims to improve the reliability and security of the Angat raw water transmission system through the rehabilitation of existing conveyance and appurtenances from Ipo Dam to the La Mesa Treatment Plant.
 - Involves the construction of an additional tunnel, which will allow the alternate closing of older tunnels and aqueducts in the conveyance system. This will enable the conduct of necessary inspection and rehabilitation of portions of the systems without interrupting the transmission of water.
 - Status: On-going construction works for the remaining contract works. Over-all physical accomplishment is 98.59%; 1.86% ahead of schedule. With just a minor contract works remaining, the Project is expected to be completed by March 2020 (6 months ahead of the contract completion on September 2020)
- d. *Strategic Initiative 4 - Angat Dam and Dykes Strengthening Project (ADDSP) (P5.719 billion)*
- Fund Source: Angat Hydropower Corporation (AHC) for the strengthening works of the dam and dyke; National Government for the dam instrumentation and flood protection works
 - Involves the strengthening of the dam/dyke & auxiliary spillway, installation of flood forecasting and warning system on dam operation and flood protection works to ensure structural integrity of the dam and dyke and to increase dam storage capacity.
 - Aims to mitigate risks as a result of the dam being on the West Valley Fault. It will include the installation of flow forecasting and warning systems beneficial to downstream towns and cities.
 - Status: As of December 31, 2018, the strengthening works and flood protection works is 100% completed. Strengthening works was undertaken by Hanjin, the contractor engaged by AHC while the Dam Instrumentation was implemented by NPC as per the MOA. On the other hand, the dam instrumentation works is 95% completed as of December 31, 2019 with five out of seven contract packages already completed. This is being implemented by NPC as per the MOA.

e. *Strategic Initiative 5 - Rehabilitation, Operation and Maintenance of MWSS-owned Auxiliary turbines 4 and 5 of the Angat Hydro-Electric Power Plant (AHEPP)*

- Funding Source: Private Proponent under PPP Scheme
- The Project involves the opportunity to optimize the benefit from the MWSS-owned auxiliary turbines 4 & 5 by developing the hydropower generation component, a “by-product” of water releases.
- Status: As of June 30, 2019, on-going preparation of NEDA-ICC and DOF requirements, among others, is the financial model being attended to by the Inter-Agency TWG (NPC/PSALM, DOE, MWSS and PPP Center) and the MWSS-hired financial expert. The Project was presented to the Regional Development Council Region III on June 21, 2019 for the required RDC endorsement.

f. *Strategic Initiative 6 – Sumag Diversion Project*

- Funding Source: Concessionaire’s Fund through the Common Purpose Facility (CPF)
- Aims to provide additional raw water (188 mld) from Sumag River in Gen Nakar, Quezon which will be diverted to Umiray Tunnel to augment water supply in Angat Dam.
- The proposed project involves the construction of appurtenance structures of Tyrolean Type Weir, Intake, Desilting Basis with Sluice Way, Transition Channel, Cut and Cover, Tunnel (600 linear meters with 2.70 meters’ diameter), Open Channel and Intrasite Access connecting to the UATP.
- Status: This Project is being implemented and funded by the Common Purpose Facility (CPF) Office of the two (2) concessionaires (Manila Water and Maynilad). The Project has not yet resumed as of this date considering that the Provincial Mining and Regulatory Board, Province of Quezon has yet to issue the necessary quarry permit. MWSS/CPF sent the application for quarry permit last February 15, 2017. A letter dated September 3, 2018 was also sent by the CPF Office to follow-up on the status of said application. The Project has not yet resumed as of this date considering that the Provincial Mining and Regulatory Board (PMRB), Province of Quezon has yet to issue the necessary quarry permit. During the congressional hearing on water crisis held last March 20, 2019, the House Minority Leader, Congressman Danilo Suarez, 3rd District of Quezon, who has jurisdiction over the MWSS Projects located at Umiray, General Nakar, Quezon, officially announced that the Sumag Diversion Project can now resume with the construction. With this development, MWSS sent a letter to the CPF on April 12, 2019 to expedite the construction activities, in particular the acquisition of necessary permits to Province of Quezon in order to smoothly resume the construction activities. CPF sent follow-up letters dated April 16, 2019 and November 12, 2019 to PMBR and resubmitted the permit application.

g. Bigte-Novaliches Aqueduct No. 7 Project (BNAQ7) (P7.420 billion)

- Funding Source: Loan and GOP counterpart funded by Concession Fees
- Design and construction of a 3.60 meters diameter x 15 kilometers long aqueduct with a design capacity of 1,700 mld
- Status:
 1. The project was approved by NEDA Board ad referendum on October 9, 2019.
 2. The Invitation for Bids for the Design and Construction was advertised on October 16 and 23, 2019. Fifteen (15) bidders have purchased bidding documents. Submission of bids will be on January 21, 2020.
 3. The Expression of Interest (EOI) for the consultancy services was advertised in the ADB website on October 11 to November 9, 2019. Six (6) out of the thirteen (13) firms who submitted their eligibility documents on November 10, 2019 were shortlisted, and the same was submitted to ADB for approval.

h. Rehabilitation of Umiray Facilities

- Funding Source: Concessionaire's Fund through the Common Purpose Facility (CPF)
- Rehabilitation and strengthening of existing tunnel structures/facilities to withstand future typhoons in order to ensure the continuous flow of raw water from the Umiray River to the Angat Reservoir.
- Status: This Project is being implemented and funded by the Common Purpose Facility (CPF) office of the two (2) Concessionaires (Manila Water and Maynilad). The construction works is on-going at 69.21% accomplishment.

i. Strategic Initiative 7 – MWSS Reorganization

MWSS Corporate Office (CO) has an approved Reorganization based on Governance Commission for GOCCs (GCG) MC 2013-17.

The process started late 2017 and placement of positions to the new Organizational Structure set up is being implemented. As of December 31, 2019, 106 out of 128 plantilla positions were filled up, while 23 employees who availed of the Early Retirement Incentive Program (ERIP) were paid. The MWSS-CO has a pending request for additional positions that is currently being assessed by the GCG.

j. Strategic Initiative 8 – Customer Satisfaction Survey

The ultimate customers of both MWSS and Concessionaires are the general public to whom it serves potable water and sewerage and sanitation services in its service area. This is a system for obtaining feedback from our direct customers. The latest study

conducted by the UP-CIDS for 2018, which was completed December 2018, was presented to the MANCOM on January 2019.

Board Resolution No. 2020-050-CO dated May 29, 2020 authorized the issuance of the Financial Statements of MWSS pursuant to Section 8 (g) of Republic Act No. 6234, the MWSS Charter.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) which were prescribed by the Commission on Audit (COA) through COA Resolution Nos. 2014-003 dated January 24, 2014, COA Resolution 2017-006 dated April 26, 2017 and COA Resolution No. 2020-001 dated January 09, 2020. IPSAS consists of individual IPSAS and the accompanying Philippine Application Guidance (PAG) issued by COA.

The financial statements are presented in Philippine Peso (P), which is also the country's functional currency, and amounts are rounded off to the nearest peso, unless otherwise stated.

The financial statements of the MWSS Corporate Office and the Regulatory Office are consolidated in this report.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

The consolidated financial statements are prepared on an accrual basis in accordance with the IPSASs.

3.2 *Financial Instruments*

a. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of IPSAS 29 - Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. MWSS determines the classification of its financial assets at initial recognition.

MWSS' financial assets include cash, cash equivalents, short term investments, investments in stocks and in non-marketable securities, and loans and other loans receivables.

ii. Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

iii. Derecognition

MWSS derecognizes a financial asset or, where applicable, as part of a financial asset or part of MWSS of similar financial assets when:

1. The contractual rights to the cash flows from the financial asset expired or waived; and
2. MWSS has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29 – Financial Instruments: Recognition and Measurement; and either the entity has:
 - Transferred substantially all the risks and rewards of ownership of the financial asset; or
 - Neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the asset.

iv. Impairment of financial assets

MWSS assesses at each reporting date whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the year in which it arises.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to 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.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. In 2004, an impairment loss was recognized by MWSS for the Umiray-Angat Transbasin due to damages caused by typhoons. Since said impairment was effected in the books only in 2005, it was charged directly to Retained Earnings of that year.

b. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 - Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

MWSS' financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts.

ii. Subsequent measurement

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced, 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 surplus or deficit.

3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Cash in bank earns interest at the respective authorized government depository bank rates. Cash equivalents are for varying period of up to three months depending on the immediate cash requirements of the System, and earn interest at the respective investment rates. Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and short-term investment approximates the amount at the time of initial recognition.

3.4 Receivables

Receivables are recognized and carried at original billed amount. Provision for impairment on water/sewer accounts receivable prior to privatization is maintained at a level considered adequate to provide for potential losses on receivables. The level of this provision or allowance is based on Management's evaluation of collection experience and other factors that may affect collectability.

3.5 Investment Property

Investment property are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property are measured using the cost model and are depreciated over their estimated useful life.

Investment property are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

MWSS uses the cost model for the measurement of investment property after initial recognition.

3.6 Property, Plant and Equipment

i. 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:

1. tangible items;
2. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
3. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

1. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
2. the cost or fair value of the item can be measured reliably; and
3. the cost is at least P15,000.

PPE of MWSS encompasses assets that are retained by MWSS at the start of the Concession, newly acquired or developed assets used by the MWSS in its operations and Service Concession Assets that pertain to the assets assigned to the two Concessionaires, the MWSI and MWCI, and the Common Purpose Facility (CPF) assets.

ii. Measurement at recognition

An item recognized as property, plant, and equipment is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

1. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
2. Expenditure that is directly attributable to the acquisition of the items; and
3. 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.

iii. 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, MWSS 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.

iv. 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.

1. 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.

2. Depreciation method

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

3. Estimated useful life

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

4. Residual value

MWSS uses a residual value equivalent to ten percent (10%) of the cost of the PPE.

v. *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.

vi. *Derecognition*

MWSS 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.

An oil painting by H.R. Ocampo "Abstract in Red and Black", water color painting "Rooster" by Kiukok and "Brick Tower" by Joya, all declared National Artists of the Philippines are listed in the PPE. The paintings were registered and provided with a Certificate of Registration of Cultural Property under Certification No. 1190 dated September 10, 2014 by the National Museum of the Philippines.

Service Concession Arrangements

MWSS analyzes all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, MWSS recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, MWSS also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Construction in-progress

Construction in-progress is stated at cost. While the construction is in progress, project costs are accrued based on the contractors' accomplishment reports and billings. These represent costs incurred for technical services and capital works program contracted by the System to facilitate the implementation of the project. While the construction of the project is in progress, no provision for depreciation is recognized.

Construction in-progress was transferred to the related Property, Plant and Equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use have been completed, and the property, plant and equipment are ready for service.

3.7 Long-term foreign loans

Long-term foreign loans are recorded in peso based on the exchange rate at the time of withdrawal and are revalued at the end of each reporting date.

3.8 Leases

Leases in which the MWSS does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

3.9 Revenue recognition

All Concession fees billed/collected/received from the Concessionaires are treated as operating revenue.

Concession fees – Debt Service and Progress Billings are concession fees received from the Concessionaires that are intended for MWSS loan amortization and payments to contractors/suppliers, respectively. These are pass-on payment without any margin in favor of MWSS. Concession Fee – COB is the annual Current Operating Budget being paid by the concessionaires to MWSS for administrative expenditures subject to annual Consumer Price Index adjustment.

3.10 Foreign currency-denominated transactions

Foreign currency-denominated transactions are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Foreign exchange gains and losses arising from foreign currency fluctuations are recognized in profit or loss for the period.

3.11 Subsequent events

All post year-end events up to the date the financial statements are authorized for issue that provide additional information about the MWSS' position at reporting date (adjusting events) are reflected in the financial statements. Any post year-end event that is material and not an adjusting event is disclosed in the notes to the financial statements.

3.12 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of fixed assets (including costs incurred in connection with rehabilitation works) are capitalized

as part of the cost of the asset. The capitalization commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all activities necessary in preparing the related assets for their intended use are complete.

3.13 *Judgments and use of estimates*

The preparation of the accompanying financial statements in conformity with IPSASs requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Use of estimates

Key assumptions concerning the future and other sources of estimation and uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating allowance for impairment

The MWSS maintains allowances for impairment at a level considered adequate to provide for potential losses on receivables. The level of this allowance is based on management's evaluation of collection experience and other factors that may affect collectability. The amount and timing of recorded expenses for any period would, therefore, differ depending on the judgments and estimates made for the year.

Estimated useful lives of property, plant and equipment

The MWSS estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The MWSS reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in the MWSS' estimates brought about by changes in the factors mentioned.

3.14 *Contingent Assets and Contingent Liabilities*

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

3.15 Changes in Accounting Policies and Estimates

The MWSS recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The MWSS recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

3.16 Budget Information

The annual budget is prepared on a cash basis and published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

The annual budget figures included in the financial statements are consolidated amounts for the MWSS CO and RO.

3.17 Related Parties

MWSS regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the MWSS, or vice versa.

Members of the Board of Trustees are regarded as related parties and exercise joint control over the MWSS CO and RO operations.

Members of key management are regarded as related parties and comprise the Administrator, Deputy Administrators and Department Managers of the MWSS.

3.18 Employee Benefits

The employees of MWSS are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

MWSS 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. PRIOR PERIOD ADJUSTMENTS

The Prior Period Adjustment (PPA) account of the Regulatory Office totaling P64,833 for CY 2018 is directly attributable to the donation of one (1) unit Toyota Revo with plate no. SGZ123 to Public Safety Assistance Center in Brgy. Laiya Ibabao, San Juan, Batangas. The vehicle has a cost of P648,329 and has an accumulated depreciation of P583,496 with a book value of P64,833.

5. CASH AND CASH EQUIVALENTS

Particulars	2019	2018 (As restated)
Cash on Hand	1,741,294	737,763
Cash in Bank – Local Currency	1,203,666,402	527,732,429
Cash in Bank – Foreign Currency	68,045,639	57,701
Time Deposits – Local Currency	2,000,786,510	1,458,801,061
Time Deposits – Foreign Currency	3,079,595	3,177,357
Total	3,277,319,440	1,990,506,311

- a. *Cash on Hand* - This consists of the amount of collection with the Cash Collecting Officers, amount of cash advances granted to designated Regular/Special Disbursing Officers for payment of authorized official expenditures subject to liquidation and cash granted to Petty Cash Custodians for payment of authorized petty and miscellaneous expenses which cannot be conveniently paid thru check.
- b. *Cash in Bank - Local Currency* - This consists of cash in local currency deposited in current and savings account with the Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) that earn interest at respective bank deposit rates.
- c. *Cash in Bank – Foreign Currency* - This represents balances of cash in foreign currency, deposited in savings account with the Bureau of the Treasury and LBP.
- d. *Time Deposits – Local Currency* - This consists of placements in local currency time deposits with DBP and LBP that are made for varying period. The increase was due to the collection from Concessionaires representing payment for the JBIC-110 PH (NG advances) that will mature and be remitted to BTR on February 2020.
- e. *Time Deposits – Foreign Currency* - This consists of placements in foreign currency time deposit with LBP.

6. OTHER INVESTMENTS

Particulars	2019	2018 (As restated)
Current		
Investments in Treasury Bills-Local	198,705,029	0
Total Current Investments	198,705,029	0
Non-Current		
Investments in Non-Marketable Securities	429,252,520	421,758,625
Investment in Stocks	2,524,168	2,524,168
Total Non-Current Investments	431,776,688	424,282,793

Investments in Treasury Bills - Local are peso-denominated short-term fixed income securities issued by the Republic of the Philippines through its Bureau of Treasury which are rolled over every six months.

Investments in Non - Marketable Securities are investments in Fixed Rate Treasury Bonds with varying yield to maturity/interest rates and coupon rates, which will mature from CYs 2016 to 2037 with settlement amount ranging from P100,000 to P29,430,649.50.

The *Investments in Non - Marketable Securities* with the Bureau of the Treasury, which is intended as guarantee for the financial obligations of MWSS during the concession period, was established in pursuance to Article 2.1 of the Memorandum of Agreement (MOA) between the Department of Finance (DOF) and MWSS.

7. RECEIVABLES

Receivables consist of the following:

Particulars	2019	2018 (As restated)
Loans and Receivables	485,046,055	486,601,547
Inter-Agency Receivables	38,242,092	21,212,745
Intra-Agency Receivables	11,070	0
Other Receivables	5,732,718,315	5,738,123,140
Total	6,256,017,532	6,245,937,432

7.1. Loans and Receivables

Particulars	2019	2018 (As restated)
Accounts Receivable	1,553,612,310	1,551,679,436
<i>Allowance for Impairment – Accounts Receivable</i>	<i>(1,117,001,778)</i>	<i>(1,117,001,777)</i>
Interests Receivable	4,012,821	4,084,526
Loans Receivable	44,422,702	47,839,362
Total	485,046,055	486,601,547

Accounts Receivable account consist of:

Receivables from customers-water, sewer, including raw water account includes the balance of accounts receivables prior to the privatization of MWSS in the amount of P1.117 billion, the collection of which is highly improbable. Thus, Management set-up the provision for bad debts account for the same amount. Meanwhile, Management is presently considering the process of writing-off the account in accordance with the required procedures, such as the congressional approval.

7.2. Inter-Agency Receivables

Particulars	2019	2018 (As restated)
Due from National Government Agencies	32,915,361	18,287,291
Due from Local Government Units	13,024	13,024
Due from Government Corporations	5,313,707	2,912,430
Total	38,242,092	21,212,745

Inter-Agency Receivables represent collectibles from other government agencies such as the Department of Public Works and Highways (DPWH), Office of the Government Corporate Counsel (OGCC), Supreme Court of the Philippines (SC), Manila International Airport Authority (MIAA), Local Water Utilities Administration (LWUA) and the City of Manila for office rental, electric and water bills. Some of these accounts are classified as dormant.

The increase in the *Due from National Government Agencies* account refers to rent receivable from Supreme Court (November 2017 to December 2019) and OGCC (July to December 2019) which remained unpaid as of year-end.

7.3. Intra-Agency Receivables

Particulars	2019	2018 (As restated)
Due from Operating Units	11,070	0
Total	11,070	0

The net amount of P11,070 is due to the elimination of the reciprocal accounts, Due from Operating Units, Due to Operating Units and Due to Central/Home Office amounting P443,524, P5,599 and P426,855, respectively.

7.4. Other Receivables

Particulars	2019	2018 (As restated)
Receivables-Disallowances/Charges	42,553,485	1,197,343
Due from Officers and Employees	117,340,833	119,115,533
Other Receivables	5,572,823,997	5,617,810,264
Total	5,732,718,315	5,738,123,140

The increase in the Receivables-Disallowances/Charges account is due to recording of the following Notices of Disallowance:

ND/NFD No.	Amount
NFD No. 2018-230	374,644
ND No. 10-01-05-(09)	6,565,911
ND No. 10-03-05-(09)	5,688,443
ND No. 10-06-05-09	5,818,139
ND No. 10-10-05-09	1,800,000
ND No. 10-13-05-09	6,524,033
ND No. 10-15-05-09	3,985,333
ND No. 10-29-05-09	10,610,639
Total	41,367,142
Less: Payment	(11,000)
Net Increase	41,356,142

The *Other Receivables* account consists of the following:

Particulars	2019	2018 (As restated)
Receivables from MWSI	5,436,924,343	5,437,212,844
Receivables from MWCI	121,536,168	164,563,535
Others	14,363,486	15,535,473
Subtotal	5,572,823,997	5,617,311,852
Add: Unreconciled Balances	0	498,412
Total	5,572,823,997	5,617,810,264

Details of the *Receivables from MWSI and MWCI* are as follows:

Particulars	2019	2018 (As restated)
MWSI		
Cost of Borrowings	3,952,833,428	3,952,833,428
Penalty on Delayed Remittance of Concession Fees	1,118,315,274	1,118,315,274
Inventory Held In Trust	158,479,798	158,479,798
Penalty for Non-Payment of Borrowing Costs	95,246,566	95,246,566
Guarantee Deposits	82,712,512	82,712,512
Mabuhay Vinyl	4,993,546	4,993,546
LMG Chemphil	4,627,025	4,627,025
Other Receivables	19,716,194	20,004,695
Total	5,436,924,343	5,437,212,844
MWCI		
Guarantee Deposits	65,583,130	65,583,130
Inventory Held in Trust	82,438,412	82,438,412
LMG Chemphil	7,730,290	7,730,290
La Vista	591,347	591,347
Other Receivables	(34,807,011)	8,220,356
Total	121,536,168	164,563,535

Cost of Borrowings include the principal, interest and finance charges such as bank conversions, documentary stamps, cable charges and penalties. MWSS is still pursuing the disputed claims on cost of borrowings from MWSI relative to the BNP Paribas loan.

Penalty on Delayed Remittance of Concession Fee is disputed by MWSI. On December 19, 2007, the Rehabilitation Court issued an order, Special Proceeding No. Q-03-071, disallowing the penalty and the Order was confirmed on February 6, 2008. MWSS has requested the Commission on Audit in a letter dated February 13, 2012 requesting approval for the dropping out of the subject account from the books based on the order of the rehabilitation court.

Inventory Held in Trust represents costs of inventories turned over to the concessionaires upon commencement of the Concession Agreement. Under Section

16.12 of the Concession Agreement, upon the expiration of the Concession, the Concessionaires shall transfer to MWSS the inventory having a value (adjusted for CPI) at least equal to the Inventory made available to the Concessionaire on the Commencement Date.

Guarantee Deposits are customer deposit prior to the privatization of MWSS. The amounts were withheld by the two Concessionaires from the collection of accounts receivable from water and sewer services of MWSS on the onset of the privatization where the two Concessionaires were authorized to collect. Management and the two Concessionaires went into reconciliation to arrive at the amount of guarantee deposit to be refunded to MWSS, where MWCI refunded the amount of P6.6 million in 2011 while MWSI the amount of P12.284 million in August 2017.

8. OTHER ASSETS

Current and Non-Current Other Assets

Particulars	2019		2018 (As restated)	
	Current	Non-Current	Current	Non-Current
Advances	0	478,044	0	62,681
Prepayments	794,845,993	15,900,663	792,520,088	5,222,721
Deposits	2,888,349	10,928,425	2,888,349	10,828,425
Other Assets	0	726,123,589	0	808,320,954
Restricted Fund	0	103,381,819	0	77,966,274
Total	797,734,342	856,812,540	795,408,437	902,401,055

Prepayments account includes *Advances to suppliers/contractors* that represent the balance of the 15 percent mobilization costs paid to the contractors/suppliers/consultants of civil works/goods/consultancy services, subject to periodic recoupment during the billing period and project implementation.

The *Other Assets* account consists of the following:

Particulars	2019	2018 (As restated)
Unserviceable Assets	539,938,966	622,136,331
Dormant Accounts	169,359,056	169,359,056
Garnished Accounts	10,613,512	10,613,512
Research and Development	6,212,055	6,212,055
Total	726,123,589	808,320,954

The above balances were carried forward since the implementation of the eNGAS in year 2007. Some of the accounts are subject to reconciliation while some are to be requested for write off such as dormant receivable accounts in which there is a high probability of uncertainty of collection.

Decrease in the *Other Assets* account is due to the recording of prior years' disposal of Asbestos Pipes thru the MWCI. Further, CY 2018 balance was restated to reflect reclassification of various land totaling P593,706,416 to the *Investment Property* account.

Restricted Fund is the amount set aside by Regulatory Office earmarked solely for future arbitrations.

9. INVESTMENT PROPERTY

Particulars	2019	2018 (As restated)
Investment Property, Land	593,706,416	593,706,416
Total	593,706,416	593,706,416

The *Investment Property, Land* comprises land that are currently not in use, held for capital appreciation and with expected future use. These are reclassified from the *Other Assets* account as reflected in prior years' financial statement.

10. PROPERTY PLANT AND EQUIPMENT

The details of property, plant and equipment (PPE) are as follows:

As of December 31, 2019

	Building and Other Structures	Furniture, Fixture and Books	Machinery and Equipment	Transportation Equipment	Land	Heritage Assets	Concession Assets	Construction in Progress	Total
Carrying Amount, January 1, 2019	2,703,704,224	1,461,042	53,677,065	13,242,504	13,421,611,542	0	27,120,852,292	2,250,423,671	45,564,972,340
Additions/Acquisitions	0	16,963	4,336,909	7,629,153	0	0	0	1,589,954,104	1,601,937,129
Total	2,703,704,224	1,478,005	58,013,974	20,871,657	13,421,611,542	0	27,120,852,292	3,840,377,775	47,166,909,469
Disposals/Reclass	0	(566,058)	(809,715)	(1,169,557)	0	4,000	(98,147,546)	(1,895,475)	(102,584,351)
Depreciation (As per Statement of Financial Performance)	(85,062,631)	(106,300)	(2,917,326)	(1,948,703)	0	0	(827,055,940)	0	(917,090,900)
Carrying Amount, December 31, 2019 (As per Statement of Financial Position)	2,618,641,593	805,647	54,286,933	17,753,397	13,421,611,542	4,000	26,195,648,806	3,838,482,300	46,147,234,218
Gross Cost (Asset Account Balance per Statement of Financial Position)	5,677,588,805	6,397,235	437,974,320	38,824,439	13,421,611,542	40,000	69,214,926,360	3,838,482,300	92,635,845,001
Accumulated Depreciation	(3,058,947,211)	(5,591,587)	(383,687,388)	(21,071,043)	0	(36,000)	(43,019,277,554)	0	(46,488,610,783)
Carrying Amount, December 31, 2019 (As per Statement of Financial Position)	2,618,641,594	805,648	54,286,932	17,753,396	13,421,611,542	4,000	26,195,648,806	3,838,482,300	46,147,234,218

As of December 31, 2018

	Building and Other Structures	Furniture, Fixture and Books	Machinery and Equipment	Transportation Equipment	Land	Heritage Assets	Concession Assets	Construction in Progress	Total
Carrying Amount, January 1, 2018	2,788,986,977	1,618,259	50,818,090	8,492,547	13,421,611,542	0	27,980,829,994	759,296,700	45,011,654,109
Additions/Acquisitions	0	35,714	3,964,202	2,989,354	0	0	19,736	1,491,126,971	1,498,135,977
Total	2,788,986,977	1,653,973	54,782,292	11,481,901	13,421,611,542	0	27,980,849,730	2,250,423,671	46,509,790,086
Disposals/Reclass	37,727	(69,642)	1,030,208	2,917,480	0	0	(2,357,745)	0	1,558,028
Depreciation (As per Statement of	(85,320,480)	(123,289)	(2,135,435)	(1,156,877)	0	0	(857,639,693)	0	(946,375,774)

	Building and Other Structures	Furniture, Fixture and Books	Machinery and Equipment	Transportation Equipment	Land	Heritage Assets	Concession Assets	Construction in Progress	Total
Financial Performance)									
Carrying Amount, December 31, 2018 (As per Statement of Financial Position)	2,703,704,224	1,461,042	53,677,065	13,242,504	13,421,611,542	0	27,120,852,292	2,250,423,671	45,564,972,340
Gross Cost (Asset Account Balance per Statement of Financial Position)									
Accumulated Depreciation	(2,973,884,580)	(4,959,231)	(380,971,992)	(17,952,783)	0	0	(42,427,733,019)	0	(45,805,501,605)
Carrying Amount, December 31, 2018 (As per Statement of Financial Position)	2,703,704,224	1,461,042	53,677,065	13,242,504	13,421,611,542	0	27,120,852,292	2,250,423,671	45,564,972,340

The increase in *Construction in Progress* was due to the implementation of Angat Water Transmission Improvement Project (AWTIP) that involves the design and construction of a new tunnel (Tunnel No. 4) along MWSS' existing tunnel No. 1 from Ipo to Bigte in Norzagaray, Bulacan which is 98.59 percent accomplished as of December 31, 2019.

The Concession Assets with Carrying Amount of P26,195,648,806 refers only to various assets owned by MWSS that were transferred to MWCI and MWSI during privatization. Newly acquired and/or newly developed Concession Assets by the Concessionaires that are yet to be reflected in the books of accounts of the MWSS are broken down as follows:

MWCI

Particulars	Cost	Amortization	Net Book Value
a. Water Facilities and Transmission Lines			
House Service Connection (water)	271,181,135	(271,036,196)	144,939
Water Meters	2,573,881,552	(919,593,869)	1,654,287,683
Supply Mains	4,333,855,804	(1,190,040,499)	3,143,815,305
Transmission & Distribution Mains	27,467,192,871	(9,484,641,022)	17,982,551,849
Service Pipe Replacement	3,271,117,063	(1,588,817,855)	1,682,299,208
Distribution Reservoir and Booster	5,905,264,345	(1,790,859,169)	4,114,405,176
Wells and Facilities	495,874,903	(131,937,157)	363,937,746
Water Treatment Plant	6,834,475,623	(1,172,902,404)	5,661,573,219
b. Used Water Facilities and Transmission Lines			
House Service Connection	87,564,842	(35,422,499)	52,142,343
Transmission and Discharge Mains	7,475,743,327	(1,148,044,553)	6,327,698,774
Sewer Network Improvement	70,541,857	(13,712,080)	56,829,777
Sewer Treatment & Pumping Station	8,662,459,520	(1,128,395,823)	7,534,063,697
c. Land	712,083,696	(95,517,401)	616,566,295
d. Construction in Progress	21,842,955,322	0	21,842,955,322
e. General and Admin Building and Structure	580,459,679	(341,437,558)	239,022,121
Total	90,584,651,539	(19,312,358,085)	71,272,293,454

Based on December 31, 2019 audited financial statements

MWSI

Particulars	Cost	Amortization	Net Book Value
a. Completed			
Water Utility Plant	59,181,514,118	(14,545,899,786)	44,635,614,332
Sewer Utility Plant	7,420,294,272	(1,823,793,434)	5,596,500,838
Concession Rehabilitated Facilities	4,274,492,707	(1,050,604,120)	3,223,888,587
Common Purpose Facilities	645,736,702	(158,712,083)	487,024,619
Improvements	913,335,397	(224,483,698)	688,851,699
Land	3,549,533,500	(872,420,372)	2,677,113,128
b. In-Progress			
Construction in Progress	27,770,749,729	0	27,770,749,729
Inventories	531,832,383	0	531,832,383
Total	104,287,488,808	(18,675,913,493)	85,611,575,315

Based on December 31 audited financial statements

The newly acquired and/or developed Concession Assets by the MWCI and MWSI are subject to validation by the MWSS before recording in the books of accounts. As of December 31, 2019, the Concessionaires have yet to submit documents that can be used as basis of the MWSS for its validation.

11. FINANCIAL LIABILITIES

11.1. Payables

Particulars	2019	2018 (As restated)
Accounts Payable	566,256,516	574,250,778
Interest Payable	138,926,296	159,425,008
Due to Officers and Employees	17,528,720	13,295,467
Total	722,711,532	746,971,253

Accounts payable includes accrued maintenance and other operating expenses.

Due to officers and employees refers to accrued personal services to be paid the following year.

11.2. Loans Payable

Particulars	2019		2018 (As restated)	
	Current	Non-Current	Current	Non-Current
Loans Payable – Domestic	26,718,094	396,016,334	27,735,423	441,989,261
Loans Payable – Foreign	901,306,988	6,566,447,926	849,507,713	6,635,390,592
Total	928,025,082	6,962,464,260	877,243,136	7,077,379,853

The current and non-current portion of Loans Payable are detailed as follows:

Source	Maturity Date	Currency	Annual Interest Rate	2019		2018	
				Current	Non-Current	Current	Non-Current
Domestic							
SPIAL	05-15-26	\$	9.65%	13,333,107	135,295,552	13,840,784	161,208,299
ADB 1746-PHI	02-01-22	P	floating	13,384,987	88,796,936	13,894,639	106,072,646
NHA		P	floating	0	98,795,399	0	98,795,399
IBRD 1272/1282	07-15-20	\$	8.50%	0	73,128,447	0	75,912,917
Sub Total				26,718,094	396,016,334	27,735,423	441,989,261
Foreign							
ADB 1379-PHI	07-15-20	\$	floating	472,985,481	0	445,345,274	490,995,080
JBIC Loan PH 110	02-20-20	Y	2.70%	38,982,852	0	0	132,669,646
China Eximbank AWUAIP II	01-21-30	\$	labor rate	389,316,550	3,698,507,217	404,140,334	4,243,473,499
French Protocol	12-31-18	FF	3%-6.8%	22,105	0	22,105	0
ADB 3377-PHI	03-15-41	\$	floating	0	2,867,940,709	0	1,768,252,367
Sub Total				901,306,988	6,566,447,926	849,507,713	6,635,390,592
Total				928,025,082	6,962,464,260	877,243,136	7,077,379,853

The *Special Project Implementation Assistance Loan (SPIAL)* is a portion of the National Government's multi-currency loans from the ADB under Loan Nos. 779 and 780. This was relent to MWSS to partly finance the following projects: Manila Water Supply Rehabilitation Project I (MWSRP I), Manila Water Supply Project II (MWSP II), and Metro Manila Sewerage Project (MMSP).

ADB Loan No. 1746 PHI is a sub-loan agreement entered into by and between the Department of Finance and the MWSS on October 13, 2003 for the implementation of the Pasig River Environmental Management and Rehabilitation Sector, a sanitation component of the loan.

National Housing Authority (NHA) Loan was transferred by NHA to MWSS before the privatization that financed the transfer of water and sewer systems of Tondo Foreshore, Dagat-Dagatan and Kapitbahayan. The validity of the account is still subject to confirmation with NHA and Bureau of the Treasury (BTr) and subsequent preparation of MOA between MWSS, NHA and the two Concessionaires. MWSS will be coordinating with the BTr to reconcile all outstanding loans including the NHA Loan.

International Bank for Reconstruction and Development (IBRD) Loan No. 1272/1282-Manila Urban Development Project – are likewise a national government loan relent to MWSS on October 1, 1976. Per subsidiary loan agreement dated October 1, 1976, MWSS shall repay the principal of the subsidiary loan that started on November 15, 1981.

ADB Loan No. 1379 PHI was obtained on November 27, 1995. The primary objectives of the project were to divert an average annual flow of about 15.7 cubic meters per second from the Umiray river basin to the Angat reservoir and to augment the treated water supply capacity of MWSS by about nine cubic meters per second by 1999. The secondary objective of the project was to reduce Non-Revenue Water (NRW) by providing support for leak detection and repair activities. It is a twenty (20) year loan with a grace period of five (5) years which will mature on July 15, 2020.

JBIC Loan PH 110 – contracted by Japan and the National Government of the Republic of the Philippines in 1990 intended for Angat Water Supply Optimization Project. The proceeds of the loan were treated by MWSS as government equity. In CY 2018, MWSS remitted a total amount of P2,098,072,916.13 to the National Treasury as repayment of the JBIC Loan. The Loan will mature on February 20, 2020.

China Eximbank - Angat Water Utilization and Aqueduct Improvement Project Phase II (AWUAIP-II) is being financed through a loan from the Export-Import Bank of China on May 7, 2010 in the amount of USD116,602,000. The Angat Water Utilization and Aqueduct Improvement Project Phase 2 is an offshoot of the Angat Water Utilization and Aqueduct Improvement Project (AWUAIP). To be implemented by the MWSS, the AWUAIP is targeted to maintain and optimize the water conveyance from Angat Dam to the Water Treatment Plants via the Ipo Dam-Bicti-La Mesa Portal system. The project involves the rehabilitation of AQ-5, which supplies half of the raw water for Metro Manila, as well as the construction of AQ-6 in order to recover around 394 million liters of raw water lost to leakages. AWUAIP Phase 2 on the other hand involves the construction of the remaining 9.9 km section of AQ-6, and the rehabilitation of AQ-5. The AQ-6 extension aims to completely recover the lost water due to leakages in AQ-5. Repayment period is fifteen (15) years on a semi-annual basis starting January 21, 2015 and will mature on January 21, 2030.

The French Protocol is a French Treasury Credit Facility from the French Republic intended to finance the implementation of the Rizal Province Water Supply Improvement Project (RPWSIP) payable within a period of 10 years that started December 2002. In CY 2018, a total of P2,936,064.41 of repayment of the loan was made. The loan matured last December 2018.

ADB Loan 3377-PHI is a negotiated loan agreement between MWSS and Asian Development Bank for the Angat Water Transmission Improvement Project in the amount of USD123.30 million on May 27, 2016. This loan is guaranteed by the National Government and payable semi-annually in 25 years inclusive of 6.5 years grace period. MWSS shall pay 0.25 percent Guarantee Fee per annum on the outstanding obligation pursuant to DC 1-2016 to the National Government. The expected closing date is June 30, 2022.

12. INTER-AGENCY PAYABLES

Particulars	2019	2018 (As restated)
Due to Treasurer of the Philippines	55,606,320	68,303,271
Due to BIR	22,617,680	21,552,541
Due to GSIS	1,983,897	1,186,673
Due to PhilHealth	80,910	117
Due to Pag-IBIG	70,028	60,245
Due to Government Corporations	1,395	1,395
Total	80,360,230	91,104,242

Due to Treasurer of the Philippines pertains to the guarantee fee on existing loans while *Due to Government Corporations* refers to payable to the National Home Mortgage Finance Corporation.

The accounts *Due to Bureau of Internal Revenue (BIR)*, *Government Service Insurance System (GSIS)*, *Philippine Health Insurance Corporation (PhilHealth)* and *Home Development Mutual Fund (Pag-IBIG)* refer to balances of withheld amounts as of December 31, 2019 which were remitted in January 2020.

13. INTRA-AGENCY PAYABLES

Particulars	2019	2018 (As restated)
Due to Operating Units	0	41,585
Due to Other Funds	0	(12,542)
Due to Central/Home/Head Office		130,672
Total	0	159,715

The balances of accounts *Due to Operating Units* and *Due to Other Funds* pertain to other intra-agency payables of the Regulatory Office.

14. TRUST LIABILITIES

Particulars	2019	2018 (As restated)
Trust Liabilities	129,837,662	82,227,147
Bail Bonds Payable	4,064,803	3,785,803
Guaranty/Security Deposits Payable	170,631,641	170,631,641
Total	304,534,106	256,644,591

The increase in the balance of *Trust Liabilities* account pertains to receipt for the National Commission on Indigenous People (NCIP) Work and Financial Plan relative to the Kaliwa Dam Project.

15. OTHER PAYABLES

Particulars	2019	2018 (As restated)
Dividends Payable	358,549,752	254,239,027
Other Payables	485,788,175	405,709,794
Total	844,337,927	659,948,821

Other Payables account includes 10 percent retention from contractors' claims, unreturned borrowed materials, cost of flushing, attorneys' fees, guaranty deposits and depository liabilities. It also includes liabilities with existing lawsuits and money claims.

16. DEFERRED CREDITS

Particulars	2019	2018 (As restated)
Deferred Service Concession Revenue	1,213,561,850	1,772,895,824
Other Deferred Credits	139,256,206	116,415,133
Total	1,352,818,056	1,889,310,957

Deferred Service Concession Revenue account consists of:

Deferred credits to income – COB account represents annual income concession fee – corporate operating budget received in advance from concessionaires pursuant to the concession agreement. Said account is amortized fully within the year to the appropriate income account.

Deferred credits to income – Penalty/Interest on delayed payment of Concession Fee is the penalty previously charged to MWSI computed based on 364 Treasury bills rate. The amount was disallowed by the Rehabilitation Court in Court Order approving the Prepayment and Settlement Agreement (PSA) dated December 19, 2007 and Court Order confirming the termination of the corporate rehabilitation proceedings on account of successful implementations of the 2005 Revised Rehab Plan dated February 6, 2008.

The *Other Deferred Credits* include the following:

Account	Particulars	Amount
Deferred Credits to Income	Others	54,611,273
Disposal/Public Auction	Sale from disposal of Assets which needs to be reconciled with the various subsidiary accounts for identification of assets, its depreciation and gain or loss on sale of assets.	35,804,104
Rental of MWSS Properties	Advance payment for rental of various MWSS properties	13,994,589
Cost of Lot Housing	Collection from employees for Cost of Lot payment (MWSS Housing)	13,219,098
Other Deferred Credits	Unreconciled balances	12,623,799
Interest	Interest on Materials on Site Advances	8,423,623
BID Documents	Sale of bid documents	290,172
Miscellaneous – Others	Pasig River Environmental Mgt. & Rehab Sector Development Program (PREMSDP)	263,843
Amount withheld for liquidated damages	Amount withheld from contractors under dispute	25,705
Total		139,256,206

17. SHARE CAPITAL

The MWSS has an authorized capital stock of P8 billion corresponding to 80 million shares at P100 par value, of which P6,095,486,784 were issued and outstanding equivalent to 60,954,867.84 shares.

18. DONATED CAPITAL

This account represents the costs of waterworks facilities turned over by private subdivisions by way of a Deed of Donation. It also includes the grant from the Japan International Cooperation Agency (JICA) for the rehabilitation of Balara Water Treatment Plant.

19. SERVICE AND BUSINESS INCOME

Particulars	2019	2018 (As restated)
Service Concession Revenue		
Concession Income	1,098,650,105	1,044,339,302
Debt Service	2,347,705,870	1,218,193,862
Progress Billing	464,822,241	111,836,250
Business Income		
Rent Income	127,854,083	127,372,113
Income from Raw Water	83,834,305	88,293,557
Interest Income	58,127,808	62,180,371
Total	4,180,994,412	2,652,215,455

Concession Income – is the annual Current Operating Budget being paid by the Concessionaires to MWSS for administrative expenditures subject to annual Consumer Price Index adjustment.

Debt Service and Progress billings – are concession fees received from the Concessionaires that are intended for MWSS loan amortization and payments to contractors/suppliers, respectively. These are pass-on payment without any margin in favor of MWSS.

Business Income – is income resulting from operation, including interest earned from deposits.

Income from Raw Water – is business income from sale of raw water on service areas not covered by the service areas of the MWSI.

20. PERSONNEL SERVICES

These expenses include the following:

Particulars	2019	2018 (As restated)
Salaries and Wages	118,490,060	81,539,109
Other Compensation	46,396,284	35,533,020
Personnel Benefit Contributions	15,439,432	10,600,988
Other Personnel Benefits	11,442,901	80,215,079
Total	191,768,677	207,888,196

20.1. Salaries and Wages

Particulars	2019	2018 (As restated)
Salaries and Wages - Regular	113,350,176	77,699,374
Salaries and Wages – Casual/Contractual	5,139,884	3,839,735
Total	118,490,060	81,539,109

20.2. Other Compensation

Particulars	2019	2018 (As restated)
Other Bonuses and Allowances	11,125,158	6,420,832
Year End Bonus	9,977,677	6,523,370
Honoraria	6,463,000	6,170,000
Personnel Economic Relief Allowance (PERA)	4,247,913	3,502,423
Representation Allowance (RA)	3,509,875	2,858,379
Transportation Allowance (TA)	2,811,060	2,462,164
Overtime and Night Pay	2,599,900	1,983,935
Productivity Incentive Allowance	1,596,089	714,000
Longevity Pay	1,302,039	1,491,073
Clothing/Uniform Allowance	1,104,000	966,500
Cash Gift	1,029,794	693,500
Subsistence Allowance	629,779	1,746,844
Total	46,396,284	35,533,020

20.3. Personnel Benefit Contributions

Particulars	2019	2018 (As restated)
Retirement and Life Insurance Contributions	14,035,662	9,573,093
PhilHealth Contributions	988,670	683,445
Employees Compensation Insurance Premium	212,700	173,000
Pag-IBIG Contributions	202,400	171,450
Total	15,439,432	10,600,988

20.4. Other Personnel Benefits

Particulars	2019	2018 (As restated)
Other Personnel Benefits	6,994,104	6,522,267
Terminal Leave Benefits	3,637,066	10,008,258
Retirement Gratuity	811,731	63,684,554
Total	11,442,901	80,215,079

The *Retirement Gratuity* account refers to payments made to employees who availed of the Early Retirement Investment Plan (ERIP) during the year.

21. MAINTENANCE AND OTHER OPERATING EXPENSES

These expenses include the following:

Particulars	2019	2018 (As restated)
Professional Services	59,175,673	90,055,539
Taxes, Insurance Premiums and Other Fees	134,137,707	80,759,844
General Services	36,263,799	29,672,228
Utility Expenses	10,555,929	7,521,084
Supplies and Materials Expenses	7,975,470	6,163,725
Training and Scholarship Expenses	4,756,850	4,744,034
Communication Expenses	2,040,648	2,206,980
Repairs and Maintenance	3,144,107	1,564,256
Extraordinary and Miscellaneous Expenses	1,037,400	1,054,272
Traveling Expenses	3,226,729	719,881
Other Maintenance and Operating Expenses	16,249,393	17,642,027
Total	278,563,705	242,103,870

21.1. Professional Services

Particulars	2019	2018 (As restated)
Other Professional Services	24,241,782	18,749,964
Consultancy Services	20,653,744	54,158,353
Auditing Services	14,280,147	15,435,722
Legal Services	0	1,711,500
Total	59,175,673	90,055,539

21.2. Taxes, Insurance Premiums and Other Fees

Particulars	2019	2018 (As restated)
Taxes, Duties and Licenses	132,175,155	77,842,808
Insurance Expenses	1,862,279	2,836,771
Fidelity Bond Premiums	100,273	80,265
Total	134,137,707	80,759,844

The increase in *Taxes, Duties and Licenses* refers to the input taxes attributable to exempted income i.e. concession fees which are charged to expenses.

21.3. General Services

Particulars	2019	2018 (As restated)
Security Services	32,018,809	26,176,240
Janitorial Services	4,244,990	3,495,988
Total	36,263,799	29,672,228

21.4. Utility Expenses

Particulars	2019	2018 (As restated)
Electricity Expenses	7,937,063	5,185,614
Water Expenses	2,618,866	2,335,470
Total	10,555,929	7,521,084

21.5. Supplies and Materials Expenses

Particulars	2019	2018 (As restated)
Other Supplies and Materials Expenses	3,275,334	2,272,317
Fuel, Oil and Lubricants Expenses	2,686,694	2,419,890
Office Supplies Expenses	1,968,784	1,453,283
Medical, Dental and Laboratory Supplies	44,658	18,235
Total	7,975,470	6,163,725

21.6. Training and Scholarship Expenses

Particulars	2019	2018 (As restated)
Training Expenses	4,756,850	4,744,034

21.7. Communication Expenses

Particulars	2019	2018 (As restated)
Telephone Expenses	1,684,181	1,661,261
Internet Expenses	243,881	440,351
Postage and Courier Services	92,818	69,376
Cable, Satellite, Telegraph, and Radio Expenses	19,768	35,992
Total	2,040,648	2,206,980

21.8. Repairs and Maintenance

Particulars	2019	2018 (As restated)
Repairs and Maintenance – Buildings and Other Structures	1,256,450	374,895
Repairs and Maintenance – Transportation Equipment	953,697	870,442
Repairs and Maintenance – Machinery and Equipment	933,740	315,719
Repairs and Maintenance – Furniture and Fixtures	220	3,200
Total	3,144,107	1,564,256

21.9. Extraordinary and Miscellaneous Expenses

Particulars	2019	2018 (As restated)
Extraordinary and Miscellaneous Expenses	1,037,400	1,054,272

21.10. Traveling Expenses

Particulars	2019	2018 (As restated)
Travelling Expenses – Local	3,209,229	538,612
Travelling Expenses – Foreign	17,500	181,269
Total	3,226,729	719,881

21.11. Other Maintenance and Operating Expenses

Particulars	2019	2018 (As restated)
Other Maintenance and Operating Expenses	9,068,238	8,436,407
Representation Expenses	2,698,641	2,650,621
Subscription Expenses	1,792,029	1,946,537
Rent/Lease Expenses	1,077,985	1,121,042
Printing and Publication Expenses	1,046,766	287,758
Advertising, Promotional and Marketing Expenses	527,466	785,756

Particulars	2019	2018 (As restated)
Membership Dues and Contributions to Organizations	38,268	65,718
Donations	0	2,348,032
Transportation and Delivery Expenses	0	156
Total	16,249,393	17,642,027

22. FINANCIAL EXPENSES

Particulars	2019	2018 (As restated)
Interest Expenses	176,967,363	228,278,059
Other Financial Charges	52,670,270	60,620,764
Bank Charges	391,964	271,922
Total	230,029,597	289,170,745

23. NON-CASH EXPENSES

Depreciation

Particulars	2019	2018 (As restated)
Depreciation – Service Concession Assets	827,055,940	857,639,693
Depreciation – Building and Other Structures	85,062,631	85,320,480
Depreciation – Machinery and Equipment	2,917,326	2,135,435
Depreciation – Transportation Equipment	1,948,703	1,156,877
Depreciation – Furniture and Fixtures	106,300	123,289
Total	917,090,900	946,375,774

24. NON-OPERATING INCOME, GAIN OR LOSSES

These accounts comprise the following:

Particulars	2019	2018 (As restated)
Other Non-Operating Income		
Miscellaneous Income	92,800,986	1,230,102
Gains		
Gain on Foreign Exchange (FOREX)	294,423,192	924,714
Gain on Sale of Property, Plant and Equipment	0	267,657
Sub Total	294,423,192	1,192,371

Particulars	2019	2018 (As restated)
Losses		
Loss on Sale of Property, Plant and Equipment	17,237,321	0
Loss on Foreign Exchange (FOREX)	641,298	454,721,791
Sub Total	17,878,619	454,721,791
Total, Net of Losses	369,345,559	(452,299,318)

Miscellaneous Income refers to the payment received from PSALM for the net claims of MWSS from various projects affecting the generation of the Angat Hydroelectric Power Plant.

25. INCOME TAX

Section 18 of the MWSS Charter (R.A. 6234) provides that “All articles imported by the Metropolitan Waterworks and Sewerage System xxx, shall be exempt from the imposition of import duties and other taxes.”

BIR Ruling No. DA-088-2001 dated May 16, 2001 ruled that the concession fees paid by the Concessionaires to MWSS, if at all they are in the nature of income, shall be excluded from the gross income subject to tax.

Categorically, MWSS is taxable with respect to its other income other than concession fees received from the concessionaires.

The account Taxes, Duties and Licenses is used to recognize the amount of taxes, duties and licenses and other fees due to regulatory agencies except income tax. This also includes taxes on interest income on savings deposits, time deposits and government securities of the bond sinking fund/other funds. (*COA Circular No. 2001-008 and the New Government Accounting Manual*)

26. CONTINGENT LIABILITIES

The MWSS is contingently liable for lawsuits or claims filed by third parties which either are pending in the courts or under negotiations. These cases involve, among others, lease of properties, collection of sum of money, water use conflict issues, payments of claims, protest on real property taxes and tax consequences resulting from revaluation/appraisal of its Property, Plant and Equipment.

- a. The System has pending court litigations concerning project contracts and land disputes totaling P29.71 million prior to its privatization in 1997. The MWSS has also disputed the real estate taxes charged by the local government of Quezon City in the amount of P264 million. In 2010, the Quezon City government auctioned some of the properties located in the area. To prevent the inclusion of MWSS property in the auction held in December 2010, the System deposited P30 million. The legal issues on the matter are elevated before the Supreme Court and subsequently a temporary restraining order

(TRO) was issued on January 21, 2011 enjoining Quezon City government from proceeding with the levy of the subject properties until further orders from the court.

b. Other significant legal cases are as follows:

- MWSS vs. Maynilad Water Services Civil Case R-QZN-15-06702-CV
- Neri Colmenares and Carlos Zarate of Bayan Muna partylist vs Cesar Purisima, MWSS, et.al GR. 219352
- Lina Francia F. Badeo vs. MWSS for reinstatement with back wages and others
- Lease of MWSS property along Katipunan Ave by SM Prime Holdings
- Water for all Refund Movement vs. MWSS GR. 207444/208207/210147
- Gabriel Advincula vs. MWSS; GR. 179217, Re: Severance Pay
- Alexander Lopez, et.al vs. MWSS, GR 198693, Re: Contract Collectors Claim
- CSC vs MWSS; indirect Contempt on Alexander Lopez, et.al, Separation Pay and Terminal Leave of Contract Collectors
- Various cases regarding Unlawful Detainer on Land Properties of MWSS

27. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION NO. 15-2010

In compliance with the above regulation, MWSS' taxes and withholding taxes paid and accrued during the year are categorized as follows:

a. Income Tax

For the Year 2019 the MWSS incurred P11,983,161 Corporate Income Tax payable.

b. VAT Output Tax

MWSS is a VAT registered company with VAT Output Tax declaration of P1,677,350 for the year based on the amount reflected in the Income/Receivables Account of P21,265,915.

c. VAT Input Tax

The amount of VAT Input taxes claims is broken down as follows:

Particulars	Amount
Beginning of the year	7,593,858
Current year's purchases	194,467,183
Total	202,061,041
Claim for tax credits and other adjustments	
Input VAT for 2019 (January)	7,583,858

d. The amount of withholding taxes categorized into:

Particulars	Amount
i. Tax on Compensation and Benefits	17,544,359
ii. Creditable Withholding Tax/es	118,003,795
iii. Final Withholding Tax/es	83,198,925

28. UNRECONCILED ASSET AND LIABILITY ACCOUNT BALANCES

The summary of the unreconciled balances in the Asset and Liability accounts are as follows:

Particulars	2019	2018 (As restated)
Asset Accounts		
Loans and Receivable Accounts	21,596,858	21,596,858
Other Receivables	1,108,354	1,108,354
Other Current Assets	96,513,125	96,513,125
Property, Plant and Equipment, net	474,832,332	474,832,332
Other Non-Current Assets	(19,575,783)	(19,575,783)
Total Unreconciled Assets	574,474,886	574,474,886
Liability Accounts		
Financial Liabilities	533,802,867	533,802,867
Trust Liabilities	171,961,336	171,961,336
Other Payables	156,151,332	156,151,332
Deferred Credits	22,632,720	22,632,720
Total Unreconciled Liabilities	884,548,255	884,548,255
Net Unreconciled Balances	(310,073,369)	(310,073,369)

The unreconciled balances refer to carryforward balances from prior years and most were dated before the privatization in 1997. Previous reconciliations have already been conducted which substantially reduced the balances to their current amounts. In view of the difficulty in finding the supporting documents and lack of manpower, Finance Department finds it difficult to conduct reconciliation of the accounts.

29. RESTATEMENT OF ACCUMULATED SURPLUS/(DEFICIT)

The Accumulated Surplus/(Deficit) as of January 1, 2019 has been restated as follows:

Balance, January 1, 2018 (Unrestated)	38,169,183,664
Prior Period Adjustments	(64,833)
Other Adjustment	0
Adjusted Balance, January 1, 2018 (Restated)	38,169,118,831
Changes in Net Assets/Equity for CY 2018, net	(393,124,378)
Adjusted Balance, January 1, 2019 (Restated)	37,775,994,453

30. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The budget was on an accrual basis, covering the period from January 1, 2019 to December 31, 2019. The MWSS-Corporate and Regulatory Offices have a separate budget approval from the Department of Budget and Management (DBM).