

1 Preparation and Filing of the Annual Report

1.1 General Rules

The Annual Report is a compilation of data pertaining to a water utility operator who has been issued a Certificate of Public Convenience/ Certificate of Public Convenience and Necessity (CPC/CPCN)¹. It depicts the financial condition and other essential data relative to the operation of the water utility. It contains vital information that will be used in the regular performance monitoring of the water utility and also in the formulation of water tariff. As such, the Annual Report must be audited by an external auditor and sworn to, by a notary public.

The Annual Report must be filed annually before the NWRB on or before May 31 of every year. The report must be prepared in at least two copies, with the original to be submitted to NWRB, and the duplicate retained by the CPC/CPCN grantee for its files. Failure to submit on time will result to the imposition of corresponding penalty charges on the CPC/CPCN grantee.

The Annual Report may be prepared using the MS Excel template that is available from NWRB. This template already includes the formulas that may be needed in filling in some data. The contents of the Annual Report may not be altered, especially the format for the Auditor's Certificate and the Affidavit. But the CPC/CPCN Grantee may add additional information that it deems important to be known by NWRB for regulation and monitoring purposes.

It is advised that Section 18 - Financial and Technical Data Sheet be prepared monthly to facilitate the collection of the year-to-date data, although it is not required to be submitted to NWRB. Only the end of the year sheet is required to be attached to the Annual Report.

The Annual Report format is shown in Annex A.

1.2 Detailed Implementing Guidelines

1.2.1 Information Sheet

1. Business Name or Name of the Authorized Water Operator

State the exact name of the registered business name of the water utility or the name of the authorized water operator.

2. Office Address

State the complete office address of the water utility where all communications relative to operation shall be forwarded.

¹ This is in accordance with Section 17 of the Public Service Law and as specified under NWRB's Board Resolution No. 04-0588 dated May 13, 1988.

3. Telephone, Fax Numbers and Email Addresses

List down all telephone and fax numbers including email address, if any, on the space provided. The contact numbers that will be placed here shall be for water utility business operations only.

4. Service Area

Identify and indicate the location of the service area/s (name of barangays) currently served by the water utility.

5. CPC/CPCN Case Number

Indicate the original case number of the CPC granted by NWRB and write down the date of validity.

Indicate also the existing CPC case number and the date of validity. This applies to water utilities which have renewed their license to operate.

6. Form of Business Organization

In Item 6a, place a check on the box provided for the appropriate form of business organization of the water utility. Water utilities are classified either as a single proprietorship, partnership, corporation, LGU managed, association, or cooperative.

If your water utility is not classified in the foregoing, place a check on the box provided for "Others" and specify the nature of your business operation.

In Item 6b, write the exact date of registration or incorporation of the water utility with the Security and Exchange Commission (SEC), Department of Trade and Industry (DTI) or with the Cooperative Development Authority (CDA) for water cooperatives.

7. Custodian of Books of Accounts

Indicate the name and position of the person who is responsible in keeping and maintaining the books of accounts of the water utility. The person appointed as custodian shall be responsible for all the financial transactions related to the water utility. He/she shall also be responsible in addressing all the queries/comments from NWRB with regards to the data inputted in this Annual Report.

8. Last Annual Report

State the year of the last Annual Report filed and submitted to NWRB and the exact date it was sent to NWRB office.

9. Latest Payment of Supervision and Regulation Fee (SRF) and Annual Water Charge (AWC)

In Item 9a, indicate the applicable year of payment, amount paid, official receipt number and date of payment of the latest payment made for the water utility's supervision and regulation fee (SRF).

The SRF is billed annually between June 1 to September 30 of every year to all CPC grantees based on the actual amount of property and equipment or cost of capital stock whichever is higher. The SRF is due and payable on or before September 30 of every year. A corresponding penalty is imposed on the operator for failure to pay on time.

In Item 9b, indicate the water permit number, year of applicability of the annual water charge payment, amount paid, official receipt number, and date of payment of the latest payment made for the Annual Water Charge/s (AWC).

The AWC is billed annually based on the water permit granted and the pressure/volume of water extracted from the deepwell (in terms pounds per square inch, PSI). If the water utility has more than one water permit, all the pertinent data for all the water permits must be indicated in the Annual Report. Likewise, for failure to pay the AWC on time a corresponding penalty is imposed on the operator.

10. Board of Directors

For a water utility corporation, list down the names and corresponding position (i.e. Chairman, Vice-Chairman, Treasurer, Member, etc.) of the present members of the board of directors of the water utility only.

Specify the term of office of each director (number of years stay in the board) and the inclusive date of appointment.

For single proprietorship or partnership, list down the names and positions of the owner and/or partners who is/are responsible in the policy making of the utility and the inclusive dates of appointment, if applicable.

For the other forms of business organization, list down the names, corresponding position, term and inclusive dates of appointment, if applicable, of persons who are members of the governing or policy making body of the utility.

Note: *If the space provided in the report is insufficient, use a separate sheet and attach them to the Annual Report.*

11. Executive Officers

List the complete names of all executive officers who are responsible in running the day-to-day operations of the water operations only. Executive officers include the top management officials such as the President (or General Manager), Vice-President or equivalent position, Treasurer and other officers included in the top management.

Indicate the corresponding position, date of appointment and status of appointment (permanent, contractual, etc) of each officer of the water utility.

Note: *If the space provided in the report is insufficient, use a separate sheet and attach them to the Annual Report.*

12. Water Tariff Structure

The water tariff that will be placed here must be the rates recently approved by NWRB and is presently implemented by the water utility.

Write down the date (month and year) of effectivity and the period of validity of the existing water rates.

For piped water consumers, write down in the appropriate column the water rates in pesos per cubic meter billed for the applicable consumption block.

For bulk water sales (water peddlers or shipchandlers), indicate the price per liter, per gallon, etc. on the column provided. If you are using other unit of measurement (other than liter or gallon) state the price under the "Other Measurement" column and specify the unit of measurement currently used by the water operator.

13. Customers' Blocking

For each customer's classification, indicate the number of active connections and the monthly average consumption (in cubic meters) of all these connections for every water meter size. The sum of all the connections should tally with the total connections declared in Item 18.1 on Service Connection Data. Ensure that these data are accurately stated since these will be used for water rate increases.

1.2.2 Income Statement

Figures to be used in this section shall come from the audited financial statements of the water utility for the end of the current year (year of the Annual Report) with comparative figures for the previous year. Operating revenues and expenses pertaining to non-regulated operations of the water utility should be excluded.

The "This Year" column pertains to figures for the current year. The "Last Year" column pertains to figures for the previous year. If an account title is not used, or there is no expense for the year, write zero (0).

The "% Increase / Decrease" column pertains to the variance in percent between the two years. It is calculated as follows:

$$\% \text{ Increase (Decrease)} = \frac{\text{This year} - \text{Last year}}{\text{Last year}} \times 100\%$$

The Income Statement accounts are grouped into Operating Revenues and Operating Expenses. Their details are itemized below.

1. Operating Revenues

The operating revenues are composed of the following accounts:

- a. Water Sales
- b. Penalty Charges
- c. New Connection Fees
- d. Other Water Revenues

All other revenue accounts used by the water utility but not mentioned above (such as reconnection fees, service connection materials, water meters, etc.) shall be classified and lumped into the "Other Water Revenues" account.

Sum-up all the revenue accounts and placed the total under "Total Operating Revenues".

2. Operating Expenses

Operating expenses are composed of the following accounts:

- a. Personnel Costs
- b. Management Fees
- c. Power
- d. Chemicals
- e. Repairs and Maintenance
- f. Bulk Water Purchase
- g. Bad Debts
- h. Annual Water Charge
- i. Supervision and Regulation Fee (SRF)
- j. Franchise Tax
- k. Depreciation
- l. Interest Expense
- m. Other O & M Costs

In filling up this portion, classification of expenses of the water utility is limited to the above accounts. All other expenses not mentioned above but part of the regular expenses of the water utility shall be totaled and placed under "Other O & M Costs". Note that the foregoing are also the account titles used in tariff model formulation.

All expenses related to salaries such as overtime pay, SSS/GSIS contributions, pag-ibig contribution, 13th month pay, bonuses, Phil-health, etc, shall be lumped or summarized into "personnel costs".

Sum-up all expense accounts and placed the total under "Total Operating Expenses".

1.2.3 Balance Sheet

Figures to be used in this section shall come from the audited financial statements of the water utility for the end of the current year (year of the Annual Report) with comparative figures for the previous year.

The “This Year” column pertains to figures for the current year. The “Last Year” column pertains to figures for the previous year. If an account title is not used, or there is no expense for the year, write zero (0).

The “% Increase / Decrease” column pertains to the variance in percent between the two years. It is calculated as follows:

$$\% \text{ Increase (Decrease)} = \frac{\text{This year} - \text{Last year}}{\text{Last year}} \times 100\%$$

The classification of Balance Sheet accounts in the Annual Report has been simplified to reflect only those accounts that are considered significant for monitoring purposes. The water utility operator must reclassify its accounts to fit into these classifications. Other accounts may be lumped in the appropriate accounts, such as “Other Current Assets”, “Other Assets”, “Other Long-term Liabilities”, “Other Current Liabilities”, and “Other Liabilities and Deferred Credits”.

The amount declared in the property and equipment in service must reconcile with the total amount stated in Item 16 “Breakdown of Property and Equipment in Service”.

The net book value of equipment in service and/or the cost of capital stock that will be declared shall be the basis of computing the Supervision and Regulation Fee (SRF). Improper statement or mis-declaration of actual amounts will cause erroneous billing of the SRF.

For water utility operators who have other lines of business that are not regulated by NWRB (like sale of bottled water or sale of plumbing materials), the Balance Sheet accounts for the water utility operations must be declared. If this is not feasible, the following accounts must be declared:

- a. Accounts Receivable – Water Supply
- b. Materials Inventory
- c. Property and Equipment In Service, at cost
- d. Accumulated Depreciation
- e. Customers’ Deposits

The difference between the assets and liabilities will be assumed as the capital for the water supply operations.

1.2.4 Breakdown of Property and Equipment in Service

This section pertains to property and equipment of the water utility that are used in service, regardless of their funding source (donated or received as grant, loan, internal cash generation or other source), and whether they are entitled to return or not.

For uniformity of charging depreciation, assets of the water utility operator should be classified according to the recommended accounts in Section 16 of the Annual Report, and to use the NWRB-recommended useful life in determining depreciation.

Columns that are required to be filled up in Section 16 are enumerated below. The other columns are automatically calculated under Excel, should the Excel version of the Annual Report be used.

- a. Year of the annual report at the heading
- b. Year the asset was acquired (column c)
- c. Cost of the asset (column d)
- d. Classification of the asset by funding source, into:
 - Donations or grant (column e)
 - Loan (column f)

The Excel version of this Annual Report contains formulas in Section 16 that would automatically compute the amount of assets funded by other sources (column g), classify assets whether entitled to return (column i) or not (column h). It also calculates depreciation expense (column i) based on the useful life of the asset (column b), accumulated depreciation (column k) and net book value (column l). This is why the year of the annual report is important to be filled up, especially the Excel version, since this year is compared with the acquisition year of the asset to calculate the accumulated depreciation.

Useful life

The useful life (column b) stated in the report is the estimated life of each asset as approved by NWRB. Verify/check each item and compare with the useful life being used by your water utility in computing the annual depreciation. In case of discrepancy, (and for uniformity of all CPC grantees), follow the useful life indicated in the Annual Report and adjust your accounting records accordingly.

Year Acquired

Indicate only the year when the asset was acquired or purchased. If under each classification, there are multiple years of acquisitions (such as in service connections, office equipment, vehicles etc.) insert additional rows for each acquisition year. If using the Excel version of the Annual Report, insert an entire row including the formulas, then copying the corresponding useful life for the asset. This is illustrated below.

Description	Useful Life	Year Acquired
Service Connection	5	1991
Service Connection	5	1994
Service Connection	5	1998

Amount per Balance Sheet

Indicate the exact amount of each property and equipment account per balance sheet (audited). The total of this column should tally with the amount declared in the Balance Sheet section of the Annual Report, Item 15.

Funding Source

Determine the source of funding used in the purchase of the property whether it was a grant (donated properties fall under this category), loan or procured from the internal funds or other sources of the water utility.

For each line of asset, indicate how much were acquired by grant, loan or from internal funds/other sources.

Classification if Entitled to Return

From the total amount of each asset category indicate how much are entitled to return or not. Assets acquired through donations or grants are automatically not entitled to return. All other assets funded otherwise are entitled to return.

Annual Depreciation

Under each asset category, compute the annual depreciation using the estimated useful life (column b) and straight line depreciation method or the existing method used by your water utility.

The water utility must be consistent in adopting the same depreciation method for all assets.

Accumulated Depreciation

Indicate the accumulated depreciation of each property. This is computed by multiplying the annual depreciation of the property by its age. The accumulated depreciation should not exceed the cost of the property. The sum of this column may be different from the operator's accounting records because of the rounding of the acquisition date and the useful life used. In case of differences, the calculations under this Section shall prevail.

Net Book Value

Calculate the "Net Book Value" of each line of asset by using this formula:

$$= \text{Cost per Balance Sheet} - \text{Accumulated Depreciation}$$

1.2.5 List of Capital Investments

This portion pertains to new capital investments put in by the water utility operator during the current year. These investments should be classified according to the asset classification in Section 17 of the Annual Report based on their useful lives.

1.2.6 Financial and Technical Data Sheet

The financial and technical data sheet contains vital information with regards to the operation of a water utility. It will be used in formulating the water industry averages and benchmarking for CPC grantees and likewise the basis of calculating Key Performance Indicators (KPIs).

This data sheet should be prepared monthly or quarterly by the water utility operator for regular monitoring of its financial performance. But for the purpose of preparing the annual report as required by NWRB, only the "December" figures shall be written in the "This Month" column and the accumulated figures to be stated in the "Year to Date" column. If the data sheet is for a given quarter, change the "This Month" column into "This Quarter" and indicate what quarter figures are used.

The Accounting and Administrative Units of the water utility shall be responsible in preparing/supplying the necessary data for items 1 to 4, while Engineering /Maintenance Unit shall be responsible for filling up the Water Production Data, Item 5.

1. Service Connection Data

Active Service Connection

Active service connections pertain to the actual number of connections that are presently or regularly billed, whether they are metered or flat rate customers.

Classify the customers according to residential, commercial/industrial and public taps.

Sum-up the figures and indicate the monthly and the year-to-date (YTD) totals in their corresponding columns.

The sum of all the active service connections in this section should be the same as the sum of the number of connections reported in Section 13, Customers' Blocking.

Changes

Calculate the monthly and annual changes with regards to new service connections, reconnected connections and disconnected services and place them properly under their respective lines in the report.

Customer in Arrears

Determine the total number of customers in arrears or who are not paying their bills on time.

Calculate the percentage (%) of connections in arrears in relation to the total number of service connections and indicate the result under the “% to total” section. The formula is:

$$\% \text{ to Total} = \frac{\text{Number of Customers in Arrears}}{\text{Total Number of Customers}}$$

Population

Determine the present population in the franchised service area/s and input them in the “Year-to-Date” column. (Monthly data with regards to population need not be stated).

Population data periodically issued by the National Statistics Office (NSO) or the latest survey conducted by the barangay council, if any, may be used to indicate the service area population..

Also, determine the total number of served population and input them in the “Year-to-Date” column (Monthly data with regards to population need not be stated). Served population is the actual number of persons presently benefiting from the services of the water utility, computed by multiplying the number of residential connections by the average persons per household.

Compute the “% served” to find out how much of the service area population is being served at present by the water utility. The resulting figure must be expressed in percentage. The formula to calculate % Served is:

$$\% \text{ Served} = \frac{\text{Served Population}}{\text{Service Area Population}} \times 100$$

2. Personnel Data

Indicate the total number of employees (include part-time employees) as of the year-end in the column provided. If the CPC grantee has business operations other than the regulated water utility operations, only the employees for the water utility operations shall be stated. For part-time employees, indicate only the time spent with the water utility, such that if 2 employees render 50% each of their time with the water utility, the 2 employees will be counted only as 1. Monthly data on number of employees need not be stated in this section.

Calculate the number of connections per employee and state the figure under the year-to-date column. The active number of service connections that will be used here shall be the same as the figure stated in 1.1 of the Financial and Technical Data Sheet. The formula is as follows:

$$\text{No. of Connections/Employee} = \frac{\text{Total Active Service Connections}}{\text{Total Employees}}$$

Also, calculate the average monthly salary per employee and indicate under the year-to-date column. The formula is:

$$\text{Average Monthly Salary} = \frac{\text{Total Personnel Costs}}{\text{Total Employees}}$$

Ensure that the amount of personnel costs used in the formula tally with the amount stated in the Income Statement.

3. Billing and Collection Data

As mentioned in the first paragraph of item 16, the December figures shall be placed under the "This Month" column while the accumulated water sales (total from January to December) shall be stated on the "Year-to-Date" column.

Billing (Water Sales)

Determine the total water sales for the month and the accumulated water sales for the year and place them on their respective columns. Only the billings with regards to water sales and penalty charges shall be stated in this section, other sources of revenues of the water utility need not be indicated here. A summary of monthly billings should be prepared regularly to facilitate filling up of this section.

Sum-up the revenues and put the total under the "Total" section.

Collection (Water Sales)

Classify the total collections for the month into current, arrears (current year) and arrears (previous years). "Current" refers to collections of bills made for the month or for the current year. "Arrears, current year" refers to collections of bills of the

For the monthly data:

Current accounts refer to collection of bills issued during the month.

Arrears (current year) refer to collections during the month out of bills issued during the year.

Arrears (previous years) refer to collections during the month out of bills issued during the past years.

For the Year-to-Date data, accumulate the figures report in the previous months fo

Collection Efficiency

Calculate the on-time payment and overall collection efficiency and express these in percentage. Below are the formulae:

On-Time Payment

$$\% \text{ of On Time Payment} = \frac{\text{Current Collections}}{\text{Total Collections}} \times 100$$

$$\text{Overall Overall Collection} = \frac{\text{Water Sales Total Collections}}{\text{Water Sales}} \times 100$$

4. Financial Data

Water Revenues

From the audited income statement, calculate the total operating revenues per month and year-to-date and indicate the total amount on their respective columns. Operating revenues refer to all regular income related to the water operation such as water sales, penalty charges, new connection fees, other water revenues.

Indicate also the total non-operating revenues per month and year-end figures. Non-operating revenues cover unusual income generated from the water utility operation (such as gain on sale of asset, dividend/interest arising from the investment funds of the water utility, etc).

Expenses

Also, based from the monthly/quarterly/annual income statement, indicate the individual cost of the expense accounts. Other expense items not specified in item 4.2 of the Financial Data (Expenses) but contains material amount, shall be added to the list of expenses (material amount is 5% of the total operation and maintenance costs). However, if the amount is in-material, classify/include under "Other O & M Costs".

The formulae to compute the sum of water revenues and operating expenses and to arrive at "net income (loss) before income tax" are already included in the program. Countercheck the formula for the accuracy of the results.

5. Water Production Data

The Engineering and/or Maintenance Unit of the water utility shall be responsible in providing the data in this portion.

The data required are for both the "This Month" and "YTD" columns.

Volume Produced and Purchased

Determine the volume of water produced and purchased (in cubic meters). Classify them into:

- a. pumped water,
- b. gravity-fed, or
- c. bulk water purchases

Volume of Billed Water

Determine the volume of water billed (in cubic meters) of the from the following classes of customers from the water bills issued:

- a. Metered customers
- b. Un-metered or flat rate customers

Sum-up the metered and flat rate billed water to arrive at volume of water billed.

Metered billed volume is the sum of the billed consumption (in cubic meters) from metered connections.

Unmetered billed volume is the estimated volume of water billed (in cubic meters) from flat rate customers who have no water meters installed. The average monthly consumption of the metered customers is generally used in the absence of a more accurate method. This average volume is multiplied by the number of un-metered customers to get their estimated billed volume.

Water Use Assessment

This section collects the following data:

- a. Average consumption per connection per month (in cubic meters), by consumer category
- b. Average consumption per capita per day (in liters)
- c. % of non-revenue water

Calculate the average monthly consumption per connection in terms of cubic meters of residential, commercial/industrial and public tap customers, as shown below. These averages must tally with the figures written in Section 13, Customers' Blocking.

$$= \frac{\text{Total volume billed or sold per category (for the month or for the year)}}{\text{Number of customers per category (for the month or for the year)}}$$

Place the average monthly consumption of each category (residential, commercial/industrial, public tap) under the "This Month" column. Ensure that the resulting figure for YTD shall not accumulate the monthly figure of average consumption.

Determine the average consumption per capita per day of residential customers only and express this in liters. Commercial/industrial and public tap consumers is not required. Per capita per day is the average water consumed by every member of the household within a day. Below is the formula:

Average consumption per capita/day (liters)

$$= \frac{\text{Ave. monthly consumption (in cu. m)} \times 1000}{\text{Ave. person per household} \times 30 \text{ days}}$$

Note: Use the average monthly consumption as computed in 5.3 .a.1 (residential) of the Financial and Technical Data Sheet. For the average person per household you may use the available data within the service area or the NSO data of your municipality/city.

Non-revenue water in percentage is computed as follows:

$$= \frac{\text{Total Volume Produced} - \text{Total Volume Billed}}{\text{Total Volume Produced}}$$

Other Water Production Data

Determine and indicate the actual data under each of the following:

- a. Capacity of reservoir/s (in cubic meters)
- b. Number of operating pumps

For each of the pumps, indicate the following:

- a. Average number of operating hours per pump
- b. Average production per pump (in GPM)
- c. Average number of kilowatt hours consumed per pump
- d. Total kilowatt hours consumed by all pumps

If there are more pumps than the number provided in the form, a separate sheet may be used and attached to the Annual Report.

1.3 Audit Certificate

The financial statements that should be presented in this annual report must be audited by an External Auditor. The External Auditor may be an auditing firm or an individual Certified Public Accountant (CPA).

The same auditor who signed the audited financial statements shall issue an audit certificate with regards to this annual report. He/she must also indicate his/her Professional Tax Receipt (PTR) number, and its date and place of issuance below his signature.

The absence of the audit certificate in the Annual Report shall invalidate its contents.

1.4 Affidavit

The affidavit shall be executed by the Operator of the water utility or any other authorized representative who can attest to the accuracy, validity, truthfulness, and completeness of all the information written in the Annual Report.

The affidavit shall be sworn to before a Notary Public. The absence of this notarized affidavit in the Annual Report shall likewise invalidate its contents.