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Republic of the Philippines
DEPARTMENT OF TRANSPORTATION

STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS
CEBU BUS RAPID TRANSIT PROJECT
FUND CLUSTER 02

The management of **Department of Transportation – Central Office (DOTr-CO)** for the **Cebu-Bus Rapid Transit (Cebu-BRT)** Project is responsible for all information and representations contained in the accompanying **Statement of Financial Position as of 31 December 2018 and the related Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amount and Notes to Financial Statements for the Year then Ended**. The financial statements have been prepared in conformity with Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

MA MARISA P. MALABAG
Officer-In-Charge
Director for Comptrollership Service

3-14-2019
Date Signed

ATTY. GARRY V. DE GUZMAN, CPA
Undersecretary for Finance

3-15-2019
Date Signed

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DEPARTMENT OF TRANSPORTATION - CENTRAL OFFICE
STATEMENT OF FINANCIAL POSITION
CEBU BUS RAPID TRANSIT
Fund Cluster 02
As of December 31, 2018

	Notes		2018		2017
Assets					
Current Assets					
Cash and Cash Equivalents	4	₱	448,979,399.81	₱	591,799,324.58
Receivables	5		460,262,213.29		460,262,213.29
Other Current Assets	7		18,000,021.78		10,765,842.94
Total Current Assets			**927,241,634.88**		**1,062,827,380.81**
Non - Current Assets					
Property, Plant and Equipment	6		216,896,991.19		149,337,399.94
Total Non-Current Assets			**216,896,991.19**		**149,337,399.94**
Total Assets			**1,144,138,626.07**		**1,212,164,780.75**
Liabilities					
Current Liabilities					
Financial Liabilities	8		928,442.04		689,934.58
Inter-Agency Payables	9		870,456.00		29,082.87
Total Current Liabilities			**1,798,898.04**		**719,017.45**
Total Liabilities			**1,798,898.04**		**719,017.45**
Total Assets Less Total Liabilities			**1,142,339,728.03**		**1,211,445,763.30**
Net Assets/Equity					
Equity			1,142,339,728.03		1,211,445,763.30
Accumulated Surplus/(Deficit)			1,142,339,728.03		1,211,445,763.30
Total Net Assets/Equity		₱	**1,142,339,728.03**	₱	**1,211,445,763.30**

This statement should be read in conjunction with the accompanying notes to financial statements

DEPARTMENT OF TRANSPORTATION - CENTRAL OFFICE
STATEMENT OF FINANCIAL PERFORMANCE
CEBU BUS RAPID TRANSIT
Fund Cluster 02
For the Year ended December 31, 2018

	Notes	2018	2017
Revenue			
Service and Business Income	10	₱ 632,702.79	₱ 762,938.67
Total Revenue		632,702.79	762,938.67
Less Current Operating Expenses			
Non-Cash Expenses	11	-	878.75
Current Operating Expenses		-	878.75
Surplus (Deficit) from Current Operations		632,702.79	762,059.92
Net Financial Assistance/Subsidy	12	-	460,364,089.09
Gains		-	864,482.12
Losses	13	(69,047,168.47)	-
Surplus (Deficit) for the period		₱ (68,414,465.68)	₱ 461,990,631.13

This statement should be read in conjunction with the accompanying notes to financial statements

DEPARTMENT OF TRANSPORTATION - CENTRAL OFFICE
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
CEBU BUS RAPID TRANSIT
Fund Cluster 02
For the Year Ended December 31, 2018

	Accumulated Surplus/(Deficit)	
	2018	**2017**
Balance at January 1	₱ 1,211,445,763.30	₱ 750,199,149.64
Prior Period Adjustments/Unrecorded Income and Expenses	-	-
Restated balance	**1,211,445,763.30**	**750,199,149.64**
Changes in net assets/equity for Calendar Year 2018		
Adjustment of net revenue recognized directly in net assets/equity [1]	(691,569.59)	(744,017.47)
Surplus for the period	(68,414,465.68)	461,990,631.13
Total recognized revenue and expense for the period	**(69,106,035.27)**	**461,246,613.66**
Balance at December 31	**₱ 1,142,339,728.03**	**₱ 1,211,445,763.30**

*1 - Net revenue deposited with the National Treasury (revenue including constructive receipt of income by DFA and income of BIR remitted by agencies thru TRA)

This statement should be read in conjunction with the accompanying notes to financial statements

DEPARTMENT OF TRANSPORTATION - CENTRAL OFFICE
STATEMENT OF CASH FLOWS
CEBU BUS RAPID TRANSIT
Fund Cluster 02
For the Year Ended December 31, 2018

	Notes	2018	2017
Cash Flow From Operating/Investing Activities:			
Cash Inflows:			
Receipt of Notice of Cash Allocation		₱ -	₱ 460,260,500.00
Collection of Income/Revenues		632,702.79	762,938.67
Total Cash Inflows		632,702.79	461,023,438.67
Cash Outflows from Operating Activities			
Remittance to National Treasury		690,569.59	744,017.47
Remittance of Personnel Benefit Contributions and Mandatory Deductions		10,309,918.20	8,061,484.44
Release of Inter-Agency Fund Transfers		-	460,260,500.00
Total Cash Outfows from Operating Activities		11,000,487.79	469,066,001.91
Net Cash Provided by (Used in) Operating Activities		(10,367,785.00)	(8,042,563.24)
Cash Outflows from Investing Activities			
Purchase /Construction of Property, Plant and Equipment		63,404,971.30	18,835,295.10
Total Cash Outfows from Investing Activities		63,404,971.30	18,835,295.10
Net Cash Provided by (Used in) Investing Activites		(63,404,971.30)	(18,835,295.10)
Increase (Decrease) in Cash and Cash Equivalents		(73,772,756.30)	(26,877,858.34)
Effects of Exchange Rate Changes on Cash and Cash Equivalents		(69,047,168.47)	864,482.12
Cash and Cash Equivalents, January 1		591,799,324.58	617,812,700.80
Cash and Cash Equivalents, December 31	4	₱ 448,979,399.81	₱ 591,799,324.58

This statement should be read in conjunction with the accompanying notes to financial statements

DEPARTMENT OF TRANSPORTATION - CENTRAL OFFICE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
CEBU BUS RAPID TRANSIT
Fund Cluster 02
For the Year Ended December 31, 2018

Particulars		Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
RECEIPTS					
Tax Revenue					
Services and Business Income		P 0.00	P 0.00	P 632,702.79	P (632,702.79)
Assistance and Subsidy					
Shares, Grants and Donations					
Gains					
Others					
Total Receipts		**0.00**	**0.00**	**632,702.79**	**(632,702.79)**
PAYMENTS					
Personnel Services					
Maintenance and Other Operating Exp.					
Capital Outlay	3.7	3,659,450,314.31	3,080,755,000.00	3,411,529.46	3,077,343,470.54
Financial Expenses					
Other					
Total Payments		**3,659,450,314.31**	**3,080,755,000.00**	**3,411,529.46**	**3,077,343,470.54**
NET RECEIPTS/PAYMENT		**(P3,659,450,314.31)**	**(P3,080,755,000.00)**	**(P2,778,826.67)**	**(P3,077,976,173.33)**

This statement should be read in conjunction with the accompanying notes to financial statements

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY – CENTRAL OFFICE
NOTES TO FINANCIAL STATEMENTS
CEBU BUS RAPID TRANSIT
Fund Cluster 02
For the Year Ended December 31, 2018

1. General Information/Agency Profile

1.1 The financial statements of the Department of Transportation (DOTr) were authorized for issue on March 15, 2019 as shown in the Statement of Management Responsibility signed by OIC-Director for Comptrollership Service Ma. Marisa P. Malabag and Undersecretary for Finance Atty. Garry V. De Guzman, CPA, the authorized representatives of the DOTr-Central Office (CO).

1.2 The Department (then Ministry) of Transportation and Communications (DOTC) was created by virtue of Executive Order No. 546, series of 1979. It was later re-organized, both structurally and functionally by the issuance of subsequent legislations, as follows: (a) Executive Order No. 125 dated January 30, 1987, which was promulgated in conformance to Executive Order No. 5, series of 1986; (b) Executive Order No. 125-A dated April 13, 1987, to give further impetus to the declared policy of the State towards the maintenance and expansion of viable, efficient and dependable transportation and communication systems as effective instruments for the Department's objectives; (c) Executive Order No. 202, dated June 19, 1987, creating the Land Transportation Franchising and Regulatory Board as a sectoral office of the Department; (d) Executive No. 220, dated October 1988, creating the Cordillera Administrative Region, compelling the DOTC to establish a DOTC-CAR as its regional office; (e) Republic Act No. 7354, dated April 2, 1992, which took effect June 3, 1992, creating the Philippine Postal Corporation as an attached corporation to the DOTC from the former sectoral office, Postal Service Office; (f) Department Order No. 96-912 dated January 15, 1996, establishing the DOTC-CARAGA as its regional office; (g) Executive Order No. 477 dated April 15, 1988, transferring the Philippine Coast Guard to the DOTC as a sectoral office; (h) Republic Act No. 9497, dated March 4, 2008, creating the Civil Aviation Authority of the Philippines as an attached corporation to the DOTC from the former sectoral office, Air Transportation Office; (i) Executive Order No. 780 dated January 29, 2009, transferring the sectoral office, Telecommunications Office, from the DOTC to the Commission of Information and Communications Technology (CICT); (j) Republic Act No. 9993, dated July 27, 2009, establishing the Philippine Coast Guard as an armed and uniformed service to the DOTC from a former sectoral office, and (k) Republic Act No. 10844, dated May 23, 2016 creating the

Department of Information and Communications Technology (DICT) and renaming the DOTC to Department of Transportation (DOTr). Its registered office is located at Apo Court, Pinatubo corner Osmeña Road, Clark Freeport Zone, Pampanga, Philippines.

1.3 The mandate of the DOTr is to act as the primary policy, planning, programming, coordinating, implementing, regulating and administrative entity of the executive branch of the government in the promotion, development and regulation of dependable and coordinated networks of transportation systems, as well as, in the fast, safe, efficient and reliable transportation services.

1.4 The Cebu Bus Rapid Transit Project (CBRTP) is the establishment of a transport system with around 33 bus stations and 176 buses that will run through the 23-km. corridor from Bulacao to Ayala, with link to Cebu's South Road Properties (SRP) via dedicated and exclusive bus-ways and mixed traffic operation from Ayala to Talamban in Cebu City. Its objective is to improve overall performance of the urban passenger transport system in the Project Corridor in Cebu City in terms of quality and level of service, safety and environmental efficiency.

2. Statement of Compliance and Basis of Preparation of Financial Statement

The financial statements have been prepared, in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit per COA Resolution No. 2014-003 dated January 24, 2014.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

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

3.2 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 amount of cash and are subject to insignificant risk of change 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.

3.3 Property, Plant and Equipment

Recognition

An item is recognized as property, plant and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of fair value of the item can be measured reliably.

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:

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

Measurement after Recognition

After recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When significant parts of property. plant and equipment are required to be replaced at intervals, the DOTr 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 plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation Method

The straight line method of depreciation shall be adopted unless another method is more appropriate for agency operation.

Estimated Useful Life

The DOTr uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

The DOTr uses a residual value equivalent to at least 5% of the cost of the PPE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount. However, the DOTr has not recognized

any impairment in 2018. The effect of the recognition of impairment of PPE shall be recorded as an adjustment to Accumulated Surplus in 2019.

Derecognition

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

3.4 Changes in accounting policies and estimates

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

The DOTr recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The DOTr corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net asset/equity for the earliest prior period presented.

3.5 Foreign currency transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the function currency and the foreign currency at the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate;
- Nonmonetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- Nonmonetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficits in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.6 Revenue from Exchange Transactions

Measurement of revenue

Revenue shall be measured at the fair value of the consideration received or receivable.

Interest Income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

3.7 Budget information

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

As a result of the adoption of the cash basis for budgeting purposes, a separate Statement of Comparison of Budget and Actual Amounts is presented showing the basis, timing or entity differences. Explanatory comments are provided in the notes to the annual financial statements; first, the reason for overall growth or decline in the budget is stated, followed by details of overspending or under spending on line items.

The annual budget figures included in the financial statements are for the DOTr-CO and therefore exclude the budget for its attached agencies. These budget figures are those approved by the governing body at the beginning and during the year following a period of consultation with the public.

The actual amounts under Receipts pertains to other cash collections and do not include receipt of NCAs, while Payments pertain to cash/check/ADA disbursements.

4. Cash and Cash Equivalents

Accounts	2018	2017
	(in Php)	
Petty Cash Fund	43,282.19	100,000.00
Cash in Bank - Local Currency	41,393,434.76	5,642,174.62
Cash in Bank - Foreign Currency	407,542,682.86	586,057,149.96
Totals	**448,979,399.81**	**591,799,324.58**

4.1 **Petty Cash Fund** as of December 31, 2018 with a balance of ₱43,282.19 was set-up to defray expenses for the immediate purchase of supplies and materials transportation expenses, conferences/meetings, operations and other incidental expenses relative to the implementation of CBRTP.

4.2 Cash in Bank – Local Currency

Account	Amount
Cash in Bank-Local Currency	**₱ 41,393,434.76**
Cash in Bank-Local Currency, Current Account	₱ 41,393,464.76

4.2.1 **Cash in Bank – Local Currency, Current Account** balance as of 31 December 2018 amounting to ₱41,393,434.76 represents balance of the peso equivalent of the USD1,000,000.00 transferred from the Dollar Savings Account authorized per Loan Agreement.

4.3 Cash in Bank – Foreign Currency

Account	Amount
Cash in Bank-Foreign Currency	**₱ 407,542,682.86**
Cash in Bank-Foreign Currency, Savings Account	₱ 407,542,682.86

4.3.1 **Cash in Bank – Foreign Currency Savings Account** balance as of 31 December 2018 amounting to ₱407,542,682.86 represents balance of the funding requirement for the CBRTP under the International Bank for Reconstruction and Development (IBRD) and Credit Facility Agreement (CFA).

5. Receivables

5.1 Inter-Agency Receivables

Accounts	Amount
Due from National Government Agencies (NGAs)	₱ 1,713,29
Due from Local Government Units (LGUs)	460,260,500.00
Totals	**₱ 460,262,213.29**

5.1.1 **The Due from NGAs** account balance of ₱1,713,29 as of 31 December 2018 represents fund transfer to Procurement Service (PS) for the 3rd & 4th quarter supply requirements of Bus Rapid Transit-National Program Management Office (BRT-NPMO).

5.1.2 **The Due from LGUs** account balance of ₱460,260,500.00 as of 31 December 2018 represents transfer of funds to the City of Cebu for the 50% equivalent of the approved amount to cover the cost of land acquisition for the right of way of the CBRTP, including relocation of displaced landowners, residents, tenants & dwellers/informal settlers.

6. Property, Plant and Equipment

Accounts	2018	2017
	(in Php)	
Machinery and Equipment	47,434.59	57,599.59
Furniture, Fixtures and Books	12,861.73	14,355.61
Construction in Progress	216,836,694.87	149,265,444.74
Totals	**216,896,991.19**	**149,337,399.94**

6.1 Machinery and Equipment

6.1.1 **Information and Communications Technology Equipment** account balance of ₱18,929.17 as of 31 December 2018 pertains to one (1) unit Document Scanner for the use of BRT-NPMO. The acquisition cost amounted to ₱35,000.00 and with accumulated depreciation of ₱16,070.83 as of year-end.

6.1.2 **Other Machineries and Equipment** account balance of ₱28,505.42 as of 31 December 2018 represent one (1) unit LCD Projector for the use of BRT-NPMO. The acquisition cost amounted to ₱37,000.00 and with accumulated depreciation of ₱8,494.58 as of year-end.

6.2 Furniture, Fixtures and Books

6.2.1 **Furniture and Fixtures** account balance of ₱12,861.73 as of 31 December 2018 pertains to one (1) piece of couch/sofa acquired for use of the BRT-NPMO. The acquisition cost amounted to ₱15,725.00 and with accumulated depreciation of ₱2,863.27 as of year-end.

6.3 Construction in Progress

6.3.1 **Construction in Progress-Infrastructure Assets** account balance of ₱216,836,694.87 as of 31 December 2018 covers mainly payments of consulting services, remuneration of services rendered by the job order

personnel of the BRT-NMPO and various expenses relative to the project.

7. Other Assets

7.1 Prepayments

Account	Amount
Advances to Contractors	₱ 18,000,021.78
Total Prepayments	**₱ 18,000,021.78**

7.1.1 The Advances to Contractors Account balance of ₱18,000,021.78 as of December 31, 2018 are un-recouped balance of Advance Payment made to various contractors in connection with the implementation of the CBRTP.

Payee	Particulars	Amount
EGIS International S.A. Philippine Branch Office	15% Advance Payment for the Technical Support Consultant.	₱ 10,323,776.55
Kunhwa Engineering & Consulting Co., Ltd	15% advance payment for the Detailed Engineering Design and Construction Supervision (Local Portion).	2,238,308.15
	15% advance payment for the Detailed Engineering Design and Construction Supervision (Dollar Portion).	1,142,470.81
University of San Carlos	15% Advance Payment for the Social Management Consultant Services.	4,295,466.27
Total		**₱ 18,000,021.78**

8. Financial Liabilities

Accounts	2018	2017
	(in Php)	
Accounts Payable	913,695.04	591,328.14
Due to Officers and Employees	14,747.00	98,606.44
Totals	**928,442.04**	**689,934.58**

8.1 Accounts Payable account balance of ₱913,695.04 as of December 31, 2018 represents various obligations to cover the operational requirements of the CBRTP.

8.2 **Due to Officers and Employees** account balance of ₱14,747.00 as of December 31, 2018 represents various obligations to cover the operational requirements of the CBRTP.

9. Inter-Agency Payables

Account	2018	2017
	(in Php)	
Due to Bureau of Internal Revenue (BIR)	870,456.00	29,082.87
Totals	**870,456.00**	**29,082.87**

9.1 **Due to BIR** account balance as of 31 December 2018 of ₱870,456.00 represents unremitted taxes withheld from the payments for remuneration and other expenses relative to the project.

10. Service and Business Income

Account	2018	2017
	(in Php)	
Business Income		
Interest Income	632,702.79	762,938.67
Total Business Income	**632,702.79**	**762,938.67**

11. Non-Cash Expenses

Account	2018	2017
	(in Php)	
Depreciation		
Depreciation-Machinery & Equipment	0.00	878.75
Total Depreciation	**0.00**	**878.75**

Since the project is still on-going, the above expenses shall be reclassified to Construction-In-Progress account.

12. Net Financial Assistance/Subsidy

Accounts	2018	2017
	(in Php)	
Subsidy from National Government	**0.00**	**460,364,089.09**
Less: Financial Assistance/Subsidy to LGUs, GOCCs NGOs/POs	0.00	0.00
Net Financial Assistance/Subsidy	**0.00**	**460,364,089.09**