



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

FINANCIAL AUDIT REPORT

on the

**ANGAT WATER DISTRICT
Angat, Bulacan**

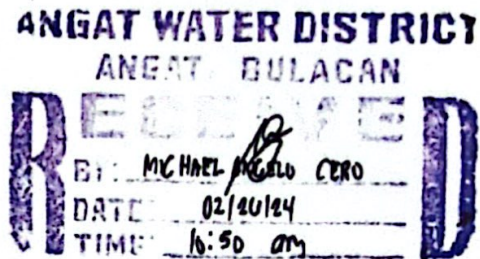
For the Year Ended December 31, 2023



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

February 22, 2024

Engr. FRANCISCO G. VICENTE
Chairperson of the Board of Directors
Angat Water District
Angat, Bulacan



Dear **Chairperson Vicente**:

We are pleased to transmit the Financial Audit Report on the audit of the Angat Water District, Angat, Bulacan for the Calendar Year 2023 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

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

We rendered an unmodified opinion on the fairness of presentation of the financial statements.

The audit report consists of Part I - Audited Financial Statements, Part II - Audit Observations and Recommendations and Part III - Status of Implementation of Prior Year's Unimplemented Audit Recommendations.

The audit observations and recommendations were discussed with the officials concerned of the District in the exit conference held on February 14, 2024. Management's comments were incorporated in the report, where appropriate.

We request that a status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 99 of the General Provisions of the General Appropriations Act for FY 2023.

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

Very truly yours,



OMAR S. ROQUE
Regional Director

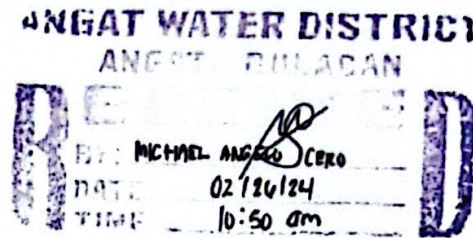




REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

February 22, 2024

Mr. ARTURO S. TORRES
General Manager
Angat Water District
Angat, Bulacan



Dear Manager Torres:

We are pleased to transmit the Financial Audit Report on the audit of the Angat Water District, Angat, Bulacan for the Calendar Year 2023 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

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

Very truly yours,


OMAR S. ROQUE
Regional Director



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

February 20, 2024

Mr. OMAR S. ROQUE
Regional Director
COA Regional Office No. III
City of San Fernando, Pampanga

Dear Director Roque:

We are pleased to submit herewith the Financial Audit Report on the audit of the Angat Water District, Angat, Bulacan for the Calendar Year 2023 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

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

The attached report consists of Part I - Audited Financial Statements, Part II - Audit Observations and Recommendations and Part III - Status of Implementation of Prior Year's Unimplemented Audit Recommendations.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the audit results. We rendered an unmodified opinion on the fairness of presentation of the financial statements.

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,

OSCAR G. JACINTO, JR.
Supervising Auditor



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

February 19, 2024

Mr. OSCAR G. JACINTO, JR.
Supervising Auditor
CGS A - Water Districts Audit Group
This Region

Sir:

We are pleased to submit herewith the Financial Audit Report on the audit of the Angat Water District, Angat, Bulacan for the Calendar Year 2023 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).


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

The attached report consists of Part I - Audited Financial Statements, Part II - Audit Observations and Recommendations and Part III - Status of Implementation of Prior Year's Unimplemented Audit Recommendations. The audit observations and recommendations were discussed with the officials concerned in the exit conference held on February 14, 2024.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the audit results.

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,


MIRASOL F. FLORENDO
OIC-Audit Team Leader

EXECUTIVE SUMMARY

A. Introduction

Pursuant to Presidential Decree (PD) No. 198, otherwise known as the “Local Water Utilities Administration Act of 1973” as amended by PD Nos. 768 and 1479, and by virtue of the Sangguniang Bayan Resolution, Angat Water District was created in 1987. On June 11, 1987, the Conditional Certificate of Conformance No. 292 was issued by Local Water Utilities Administration (LWUA) to the newly-formed water district to operate under the standard specification.

As at December 31, 2023, the District has 15 pumping stations, eight elevated steel tanks, two steel bolted tanks, and one concrete tank which serve 14 barangays, with 12,274 total active service connections. The District was re-categorized as a “Category B” water district on June 27, 2019, pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO).

Its mission is to develop more water sources and maintain the highest level of operations. It envisions itself to have one hundred percent coverage and full satisfaction among its consumers. Its primary goal is to provide sewage services and continuous supply of water by 2021 and beyond.

The three-storey office building of the District is located at 269 M.A. Fernando St., Barangay Sta. Cruz, Angat, Bulacan. An image of the said structure is shown below:



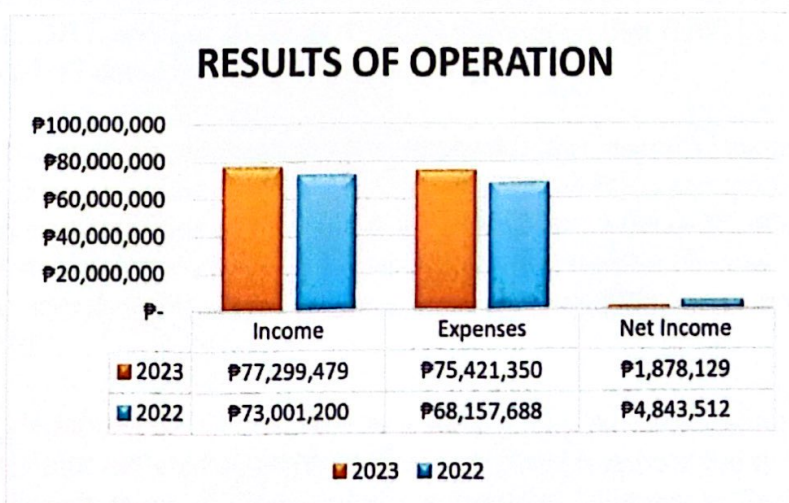
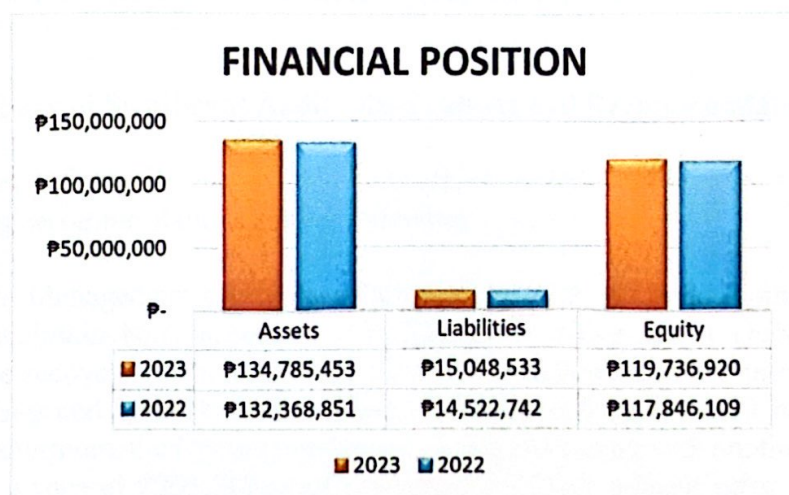
The District's Board of Directors is composed of the following:

<u>Name</u>	<u>Position/Designation</u>	<u>Sector</u>
Engr. Francisco G. Vicente	Chairperson	Professional
Ms. Erlinda V. Carpio	Vice Chairperson	Women
Ms. Priscilla P. Rigoroso	Secretary	Education
Ms. Leonor S. Sarmiento	Member	Civic
Mr. Wilfredo C. Santos	Member	Business

The District has 45 permanent employees and nine job order personnel under the stewardship of General Manager Arturo S. Torres.

B. Financial Highlights

The comparative analyses of the District's Financial Position and Results of Operation for CYs 2023 and 2022 are shown below:



C. Scope of Audit

We conducted an audit of the financial transactions and operations of the Angat Water District for the year ended December 31, 2023 using a risk-based approach in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated October 4, 2022 prescribing for the General Audit Instructions for the conduct of CY 2023 Audit of Water Districts and for other matters. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion. The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

D. Independent Auditor's Report

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the District for the year ended December 31, 2023.

E. Summary of Significant Audit Observations and Recommendations

The summary of significant audit observations noted during the audit and the corresponding recommendations are the following:

1. Due to Management's continued failure to implement audit recommendations to exclusively maintain bank accounts with Authorized Government Depository Banks (AGDBs), the recovery of the remaining ₱2,454,999 deposited in the previously closed Farmers Savings and Loan Bank, Inc. (Farmers Bank) on May 12, 2022 may already be unlikely. Furthermore, the District persists in holding an account with another private bank with a cash balance of ₱205,517 as of December 31, 2023 without prior approval from Department of Finance (DOF) in violation of DOF Department Circular (DC) No. 01-2017 dated May 11, 2017 and Local Water Utilities Administration (LWUA) Memorandum Circular No. 007-17 dated May 8, 2017. (*Observation No. 1*)

We reiterated our previous year's recommendations that the General Manager (a) diligently follow up and closely monitor progress of its claims with the PDIC to expedite the recovery of remaining deposits; (b) pursue the request for approval from the DOF; otherwise, initiate the closure of the bank account with Country Bank and transfer the cash balance to an AGDB; and (c) strictly enforce the revised guidelines on AGDBs pursuant to Section 2 of DOF DC 01-2017.

2. The collectability of inactive Accounts Receivable (AR) amounting to ₱4,046,258 or 58.99% of the outstanding balance of AR as at year-end is remote due to Management's failure to implement more effective collection strategies contrary to Section 64 of the

Government Accounting and Auditing Manual, Volume I, thus, depriving the District of the funds tied up to these receivables. (*Observation No. 2*)

We recommended that the General Manager instruct the Division Manager-Customer Accounts and Services in coordination with the Billing and Collection Section to (a) send at least three to four confirmation/demand letters to verify the existence of the concessionaires with past due accounts at their registered addresses; (b) intensify efforts and improve collection strategies to collect the inactive AR including those with existing accounts and take appropriate legal action, if necessary; and (c) evaluate the status of the dormant accounts and consider filing the request for write-off of dormant accounts with the Commission on Audit (COA), after all measures to collect are exhausted pursuant to COA Circular No. 2023-008 dated August 17, 2023.

3. The District has consistently implemented its Septage Management Plan (SMP) in partnership with the Baliwag Water District through a three-year Memorandum of Agreement which started on September 1, 2022; thus, the objectives of Republic Act (RA) No. 9275 and Supreme Court Mandamus of 2008 to prevent water contamination that could lead to unsafe drinking water and spread of various diseases have been achieved. However, its inability to recover costs associated therewith may hinder the program's sustainability. (*Observation No. 8*)

We recommended that the General Manager through the (a) Water Maintenance General Foreman, to continue its current implementation of Septage Management pending the grant from LWUA for the construction of Septage Treatment Plant/Facility in Norzagaray; and (b) Division Manager B-Accounting, Cash Management and Budget, to follow up the approval of septage fee of ₱3 per cu. m. of water consumption in order to recover the cost of SMP implementation.

4. Lapses in the procurement activities as well as Management's failure to display the project tarpaulin signboard in the position where the public can see defeated the principle of transparency and deprived the general public and other interested parties of their right to information contrary to RA No. 9184 and its 2016 Revised Implementing Rules and Regulations and COA Circular No. 2013-004 dated January 30, 2013. Likewise, incomplete documentation was also observed casting doubt on the validity and propriety of the disbursement contrary to Section 4(6) of PD No. 1445 and COA Circular 2012-001 dated June 14, 2012, as amended by COA Circular No. 2023-004 dated June 14, 2023. (*Observation No. 10*)

We recommended that the General Manager (a) instruct the Bids and Awards Committee (BAC) to ensure that all activities and timeframe for each procurement stage/activity are strictly followed; (b) direct the personnel concerned to coordinate with the contractor to comply with the requirements of COA Circular 2013-004 on the proper posting of information and project tarpaulin signboards and to inform the Audit Team within ten (10) days after the award of the project or before the start of the programs, activities and projects that the appropriate project signboards and/or public notices are already posted at the project site; and (c) require the Division Manager B-Accounting, Cash Management and

Budget to coordinate with the BAC for the completion of the requisite documents and submit/present to the Audit Team for review and evaluation and check and verify the supporting documents attached to the succeeding disbursement vouchers before payment using COA Circular No. 2023-004 dated June 14, 2023 as guide.

F. Summary of Audit Suspensions, Disallowances and Charges

As of December 31, 2022, the audit disallowances amounted to ₱12,069,225.65. During CY 2023, audit settlements totaling ₱88,278.00 were issued, leaving an outstanding balance of ₱11,980,947.65 as of December 31, 2023.

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

Of the 30 audit recommendations embodied in the CY 2022 Financial Audit Report, 14 were fully implemented, 10 were partially implemented, and six were not implemented.



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

FINANCIAL AUDIT REPORT

on the

**ANGAT WATER DISTRICT
Angat, Bulacan**

For the Year Ended December 31, 2023

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PART I – AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Angat Water District
Angat, Bulacan

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Angat Water District, Angat, Bulacan**, which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Angat Water District** as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics)* together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS and for such internal control as management

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the agency's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the agency or to cease operations, or has no alternative but to do so.

Those charged with governance are responsible for overseeing the agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Angat Water District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Angat Water District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate,

to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Angat Water District to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

COMMISSION ON AUDIT



OSCAR G. JACINTO, JR.
Supervising Auditor

February 14, 2024



ANGAT WATER DISTRICT

269 M.A. Fernando St. Sta. Cruz
Angat, Bulacan, Philippines
Tel. No. (044) 671-1204 Fax No. (044)769-1529

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Angat Water District is responsible for the preparation of the financial statements as at December 31, 2023, including the additional components attached thereto in accordance with prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to regulators, creditors and other users.

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

Engr. FRANCISCO G. VICENTE

Chairperson
Board of Director

02-07-2024

Date Signed

Ms. RUBIE BLANCA S. IGNACIO
Division Manager B

02-07-2024

Date Signed

Mr. ARTURO S. TORRES
General Manager

02-07-2024

Date Signed

ANGAT WATER DISTRICT
Angat, Bulacan
STATEMENT OF FINANCIAL POSITION
As at December 31, 2023
(With Comparative Figures for CY 2022)
(All amounts are rounded off to the nearest peso)

	Note	2023	2022
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	P 7,720,001	P 8,862,028
Receivables, Net	5	9,108,976	8,792,741
Inventories	6	3,611,921	3,757,187
Other Current Assets	7	126,552	136,361
Total Current Assets		20,567,450	21,548,317
Non-Current Assets			
Property, Plant and Equipment, Net	8	105,981,731	102,966,506
Intangible Assets, Net	9	186,970	91,650
Other Non-Current Assets	7	8,049,302	7,762,378
Total Non-Current Assets		114,218,003	110,820,534
TOTAL ASSETS		P134,785,453	P132,368,851
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	P 2,844,178	P 2,423,495
Inter-Agency Payables	11	1,155,072	1,136,848
Other Payables		1,335	1,335
Total Current Liabilities		4,000,585	3,561,678
Non-Current Liabilities			
Financial Liabilities	10	3,329,794	3,329,793
Deferred Credits/Unearned Revenue/Income		14,000	0
Provisions		7,704,154	7,631,271
Total Non-Current Liabilities		11,047,948	10,961,064
TOTAL LIABILITIES		15,048,533	14,522,742
EQUITY			
Government Equity		217,052	217,052
Retained Earnings		119,519,868	117,629,057
TOTAL EQUITY		119,736,920	117,846,109
TOTAL LIABILITIES AND EQUITY		P134,785,453	P132,368,851

The notes on pages 9 to 30 form part of these statements.

ANGAT WATER DISTRICT
Angat, Bulacan
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2023
(With Comparative Figures for CY 2022)
(All amounts are rounded off to the nearest peso)

	Note	2023	2022
INCOME			
Service and Business Income	12	P77,299,479	P73,001,200
TOTAL INCOME		77,299,479	73,001,200
EXPENSES			
Personnel Services	13	29,247,723	28,744,823
Maintenance and Other Operating Expenses	14	39,932,678	33,505,355
Financial Expenses	15	132,893	234,198
Non - Cash Expenses	16	6,108,056	5,673,312
TOTAL EXPENSES		75,421,350	68,157,688
NET INCOME		P 1,878,129	P 4,843,512

The notes on pages 9 to 30 form part of these statements.

ANGAT WATER DISTRICT
Angat, Bulacan
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2023
(With Comparative Figures for CY 2022)
(All amounts are rounded off to the nearest peso)

	GOVERNMENT EQUITY	RETAINED EARNINGS	TOTAL
BALANCE AT JANUARY 1, 2022	₱ 217,052	₱ 112,492,337	₱ 112,709,389
Add(Deduct):			
Net Income for the year	0	4,843,512	4,843,512
Other Adjustments	0	293,208	293,208
BALANCE AT DECEMBER 31, 2022	217,052	117,629,057	117,846,109
Add(Deduct):			
Net Income for the year	0	1,878,129	1,878,129
Other Adjustments	0	12,682	12,682
BALANCE AT DECEMBER 31, 2023	₱ 217,052	₱ 119,519,868	₱ 119,736,920

The notes on pages 9 to 30 form part of these statements.

ANGAT WATER DISTRICT
Angat, Bulacan
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023
(With Comparative Figures for CY 2022)
(All amounts are rounded off to the nearest peso)

	Note	2023	2022
Cash Flows from Operating Activities			
Cash Inflows			
Proceeds from Sale of Goods and Services		P 687,895	P 1,011,294
Collection of Income/Revenue		2,060,184	1,947,071
Collection of Receivables		74,691,513	72,126,651
Receipts of Customer's Deposits		0	140
Refund of Cash Advances		727,699	0
Other Adjustments		411,209	2,434,890
Total Cash Inflows		78,578,500	77,520,046
Cash Outflows			
Payment of personnel services		19,177,539	19,879,487
Payment of maintenance and other operating expenses		33,360,664	29,176,384
Purchase of Inventories		1,210,526	1,035,735
Grant of Cash Advance		314,069	112,354
Payments of Accounts Payable		6,506,790	9,083,143
Remittance of Personnel Benefits			
Contributions and Mandatory Deductions		11,542,165	9,055,586
Other Disbursements		2,258,747	2,355,627
Other Adjustments		1,185,026	2,679,455
Total Cash Outflows		75,555,526	73,377,771
Net Cash Provided by (Used in) Operating Activities		3,022,974	4,142,275
Cash Flows from Investing Activities			
Cash Inflows			
Receipts of Interest Earned		3,752	3,665
Proceeds from Matured Investments		0	300
Transfer of Funds		43,300,000	18,680,000
Total Cash Inflows		43,303,752	18,683,965
Cash Outflows			
Construction in progress		2,489,040	2,534,110
Purchase of other property, plant and equipment		1,574,345	479,838
Payment of guaranty deposit		0	267,791
Transfer of Funds		43,300,000	18,680,000
Total Cash Outflows		47,363,385	21,961,739
Net Cash Provided by (Used in) Investing Activities		(4,059,633)	(3,277,774)
Cash Flows from Financing Activities			
Cash Inflows			
Miscellaneous Receipts		4,515	19,475
Total Cash Inflows		4,515	19,475
Cash Outflows			
Payment of Principal		0	2,182,103
Payment of Interest on Loans and Other Financial Charges		109,883	0
Total Cash Outflows		109,883	2,182,103
Net Cash Provided by (Used in) Financing Activities		(105,368)	(2,162,628)
Increase (Decrease) in Cash and Cash Equivalents		(1,142,027)	(1,298,127)
Cash and Cash Equivalents - January 1		8,862,028	10,160,155
Cash and Cash Equivalents - December 31	4	P7,720,001	P8,862,028

The notes on pages 9 to 30 form part of these statements.

NOTES TO FINANCIAL STATEMENTS

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

Pursuant to Presidential Decree (PD) No. 198, otherwise known as the “Local Water Utilities Administration Act of 1973” as amended by PD Nos. 768 and 1479, and by virtue of the Sangguniang Bayan Resolution, Angat Water District was created in 1987. On June 11, 1987, the Conditional Certificate of Conformance No. 292 was issued by Local Water Utilities Administration (LWUA) to the newly-formed water district to operate under the standard specification.

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

<u>Name</u>	<u>Position/Designation</u>	<u>Sector</u>
Engr. Francisco G. Vicente	Chairperson	Professional
Ms. Erlinda V. Carpio	Vice Chairperson	Women
Ms. Priscilla P. Rigoroso	Secretary	Education
Ms. Leonor S. Sarmiento	Member	Civic
Mr. Wilfredo C. Santos	Member	Business

The District has 45 permanent employees and nine job order personnel under the stewardship of General Manager Arturo S. Torres.

1.1 Authorization for Issue of the 2023 Financial Statements

The financial statements of the District for the year ended December 31, 2023 were authorized for issue by the Board of Directors on February 07, 2024 as reflected in the Statement of Management’s Responsibility for Financial Statements signed by the BOD Chairperson.

2. Summary of Significant Accounting Systems and Policies

2.1 Basis of Financial Statements Presentation

The financial statements of the District have been prepared using historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the District's functional and presentation currency. All values are rounded off to nearest peso, except when otherwise indicated.

For the year ended December 31, 2023, the District prepared its financial statements (FS) in accordance with generally accepted accounting principle in the Philippines, Philippine Financial Reporting Standards (PFRS) and New Government Accounting System (NGAS) prescribed by the Commission on Audit on January 1, 2005.

2.2 Statement of Compliance

The financial statements were prepared in compliance with PFRS, which includes statements named PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council and Revised Chart of Accounts (RCA) for Government Corporations prescribed in COA Circular No. 2020-002 dated January 28, 2020.

2.3 Summary of Significant Accounting Policies

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

2.3.1 Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;

- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The District classifies all other liabilities as noncurrent.

2.3.2 Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the District. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

2.3.3 Cash and Cash Equivalents

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

2.3.4 Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

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

Loans and Receivables

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

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that

are an integral part of the effective interest rate. The losses arising from impairment of such receivables are recognized as “doubtful accounts” in profit or loss.

Financial Liabilities Measured at Amortized Cost

These are the financial liabilities which are not designated at FVPL. Financial liabilities not designated as FVPL are measured at amortized cost after initial measurement using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Included in this category are the District’s accounts payable, accrued expenses, inter-agency payables, loans payable, other payables and guarantee deposits payable to customers.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. The amortization is included in the interest expense in the District’s Statement of Comprehensive Income.

2.3.5 Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

When the District has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the District’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the District could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

When an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Loans and receivables

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

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

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

2.3.6 Impairment of Financial Assets

The District assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition

of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with default. For the District's receivables from customers, evidence of impairment may include non-collection of water bills despite of sending series of demand letters to delinquent concessionaires.

2.3.7 Offsetting Financial Instruments

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

2.3.8 Classification of Financial Instruments between Debt and Equity

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

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

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

2.3.9 Inventories

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

Inventories are recognized as an expense when deployed for the utilization or consumption in the ordinary course of operations of the District.

2.3.10 Property, Plant and Equipment (PPE)

PPE, except land, are stated at cost less accumulated depreciation. A residual value equivalent to ten percent (10%) for prior years until June 2020 and five percent (5%) for July 2020 and onwards of the purchase cost is being set up.

The initial cost of PPE comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the PPE to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period.

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

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

<u>Category</u>	<u>Number of years</u>
Furniture and Fixtures	10
Transportation equipment	7
Machinery and equipment	10
Building and other structures	30

The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of PPE.

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

When PPE is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated impairment, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE. The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity;
- The cost or fair value of the item can be measured reliably; and
- The cost is at least ₱50,000.

Measurement at recognition

An item recognized as PPE is measured at cost. Cost includes the following:

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

Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the District recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use.

Depreciation method

Depreciation is computed on a straight-line method less 10% residual value for items purchased prior and until June 2020, and 5% residual value for those purchased from July 2020 and onwards, over the estimated useful lives of the property, and commences on the month subsequent to acquisition.

Estimated useful life

The District uses the life span of PPE in determining the specific estimated useful life for each asset based on its experience.

Residual value

The District uses a residual value equivalent to at least ten percent (10%) of the cost of the PPE for items purchased from prior years until June 2020 and five percent (5%) for items purchased starting July 2020 and onwards.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Derecognition

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

2.3.11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful

life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

2.3.12 Impairment of Non-Financial Assets

The District assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in

future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

As at December 31, 2023, the District has no reported impaired non-financial assets.

2.3.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the District and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

2.3.14 Income from Waterworks System

Sales revenue are recognized when the related water services are rendered. Water is billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month are estimated and accrued. These estimates are based on historical consumption of the customers.

For the period ending December 31, 2023, Income from Waterworks System was classified under Business Income in the Statement of Comprehensive Income.

2.3.15 Fines and Penalties not related to taxes

The District recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

The District charges fines and penalties to customers when there is a delay in the payment of water bill. A penalty of 10% of the water bill is automatically charged by the Billing and Collection System the day following the due date.

For the period ending December 31, 2023, Fines and Penalties were classified under Business Income in the Statement of Comprehensive Income.

2.3.16 Other Business Income

Other customer related fees such as service connection, reconnection, transfer meter and change meter are recognized when these services have been rendered.

2.3.17 Interest Income

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

2.3.18 Cost of Services and Operating Expenses

Cost of services and operating expenses are recognized as they are incurred. Cost and expenses are recognized in the profit or loss when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen other than distributions to equity participants that can be measured reliably. Cost and expenses are recognized in the profit or loss on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the statement of financial position as an asset.

For the period ending December 31, 2023, cost of services and operating expenses includes personnel services, maintenance and other operating expenses, financial expenses and non-cash expenses.

2.3.19 Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset shall be recognized for all deductible temporary differences and operating loss carry forward when it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. (PAS12.24)

Pursuant to Presidential Decree No. 198, Section 14 - Department of Justice ruling under case no. OSJ-2005-03 states that the Water Districts are exempted from Income tax and only liable to 2% Franchise Tax on its gross receipts. Recognition of deferred tax is not applicable as stated above.

2.3.20 Provisions and Contingencies

Provisions

A provision is recognized when the District has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the District expects a provision to be reimbursed, the reimbursement is not recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

2.3.21 Employee Benefits

The employees of the District are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. The District recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

3.1 Judgments

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

Determination of impairment of non-financial asset

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

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

In 2023, the District has not identified any impairment indicator, thus, no impairment was recognized.

3.2 Estimates and Assumptions

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

Determination of impairment of receivables

The District reviews its receivables at each reporting date to assess whether provision for doubtful accounts should be recorded in profit or loss. The District maintains an allowance for impairment - accounts receivable based on the results of the individual and collective impairment assessments under PAS 39. Allowance for impairment - accounts receivable is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. These factors include, but not limited to, age and status of receivables, the concessionaire's payment behavior and known market factors. An evaluation of receivables, designed to identify potential charges to the allowance is performed on a continuous basis throughout the year.

The District computes the Allowance for Impairment-Accounts Receivable based on the aging of receivables.

Determination of estimated useful lives of PPE

The useful life of each of the District's item of PPE is estimated based on the period over which the asset is expected to provide economic benefits. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of PPE would increase the recorded depreciation expense and decrease the carrying value of PPE.

4. Cash and Cash Equivalents

This account pertains to cash collecting officers, petty cash fund and cash in bank readily available in the payment of current obligations of the District and not subject to any restriction, contractual or otherwise, the breakdown of which is as follows:

	2023	2022
Cash-Collecting Officers	₱ 77,213	₱ 89,937
Petty Cash Fund	10,000	10,000
Cash in Bank-Local Currency, Current Account	7,632,788	8,762,091
Total Cash and Cash Equivalents	₱7,720,001	₱8,862,028

5. Receivables, Net

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

	2023	2022
Accounts Receivable (AR)	₱6,858,946	₱ 6,579,702
Allowance for Impairment-AR	(1,018,701)	(1,006,416)
Receivables-Disallowances/Charges	682,737	746,487
Due From Officers and Employees	94	94
Other Receivables	2,585,900	2,472,874
Receivables, Net	₱9,108,976	₱8,792,741

Other Receivables pertain to the balance of materials purchased by concessionaires and the District's deposit balance from the closed Farmers Savings Bank, Inc.

Below is the aging/analysis of AR:

Status of AR	2023	2022
Non Past Due Accounts	₱2,083,997	₱1,864,528
Past Due Accounts		
31-60 days	519,788	544,022
61-90 days	198,930	207,069
91-120 days	100,715	115,399
over 120 days	3,955,516	3,848,684
Total AR	₱6,858,946	₱6,579,702

6. Inventories

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

	2023	2022
Office Supplies Inventory	₱ 49,498	₱ 57,528
Accountable Forms, Plates and Stickers Inventory	585,210	176,683
Chemical and Filtering Supplies Inventory	371,220	198,100
Construction Materials Inventory	1,491,662	2,196,809
Other Supplies and Materials Inventory	1,114,331	1,128,067
Total Inventories	₱3,611,921	₱3,757,187

7. Other Assets

This represents amount of prepaid insurance, meter and bill deposits to Manila Electric Company (Meralco) and unserviceable properties.

	2023	2022
Current		
Prepaid Insurance	₱ 126,552	₱ 136,361
Total Other Current Assets	126,552	136,361
Non-Current		
Guaranty Deposits	290,000	290,000
Other Deposits	5,916,943	5,911,133
Other Assets	1,842,359	1,561,245
Total Other Non-Current Assets	8,049,302	7,762,378
Total Other Assets	₱8,175,854	₱7,898,739

8. Property, Plant and Equipment, (PPE) Net

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

2023					
PPE Account	Balance at January 1	Additions/ Acquisitions	Deductions/ Disposals	Accumulated Depreciation	PPE, Net
Land	P 2,849,585	P 1,170,000	P 0	P 0	P 4,019,585
Land Improvements	3,133,466	2,051,574	0	(1,329,019)	3,856,021
Infrastructure Assets	74,792,449	9,739,682	0	(31,447,888)	53,084,243
Buildings and Other Structures	19,500,901	0	0	(5,249,934)	14,250,967
Machinery and Equipment	38,577,897	2,680,968	(384,648)	(21,294,563)	19,579,654
Transportation Equipment	6,515,796	382,950	(80,453)	(4,181,024)	2,637,269
Furniture, Fixtures and Books	713,754	0	0	(255,092)	458,662
Construction in Progress	14,686,623	5,418,716	(12,010,009)	0	8,095,330
Total	P160,770,471	P21,443,890	(P12,475,110)	(P63,757,520)	P105,981,731

2022					
PPE Account	Balance at January 1	Additions/ Acquisitions	Deductions/ Disposals	Accumulated Depreciation	PPE, Net
Land	P 2,699,585	P 150,000	P 0	P 0	P 2,849,585
Land Improvements	3,133,466	0	0	(1,053,140)	2,080,326
Infrastructure Assets	74,792,449	0	0	(29,362,876)	45,429,573
Buildings and Other Structures	19,500,901	0	0	(4,737,684)	14,763,217
Machinery and Equipment	35,535,746	3,660,337	(618,186)	(18,815,137)	19,762,760
Transportation Equipment	6,350,796	165,000	0	(3,644,710)	2,871,086
Furniture, Fixtures and Books	713,754	0	0	(190,418)	523,336
Construction in Progress	8,236,255	6,525,356	(74,988)	0	14,686,623
Total	P150,962,952	P10,500,693	(P693,174)	(P57,803,965)	P102,966,506

The Land account as of CY 2023 under the possession of the District pertained to the following:

Mode of Acquisition	Qty.	Lot Area	Acquisition Cost
Acquired through Purchase:			
With Transfer Certificate of Title (TCT)	9	2,203	P1,023,790
Without TCT	15	3,075	2,821,135
Sub-total	24	5,278	3,844,925
Acquired through Donation:			
Without TCT	2	176	174,660
Total	26	5,454	P4,019,585

The following information pertains to the 17 parcels of land which have no Transfer Certificate of Title yet:

- Tugatog Lot-waiting for the release of TCT.
- Laog, Sto. Cristo, Pulong Yantok and Paltok lots were under Proclamation No. 573 otherwise known as Permanent Forest Reserve, thus, only Tax Declaration

for these lots were available but the District had already obtained certification from Forest Management Bureau.

- Laog 2 - the process to transfer the title to the District is still on-going.
- All remaining lots have a Tax Declaration Certificate named after the District as proof of ownership.

The Management is exerting utmost efforts to secure the covering TCTs on the lots located at Tugatog and Laog 2 while a certification from Forest Management Bureau will be requested in CY 2024 for all other lots which fell within Proclamation No. 573 to protect the District's interest and in order to document the absolute ownership thereon.

9. Intangible Assets, Net

This account consists of the following:

	2023	2022
Computer Software (CS)	P 797,750	P 663,750
Accumulated Amortization-CS	(610,780)	(572,100)
Intangible Assets, Net	P 186,970	P 91,650

10. Financial Liabilities (FL)

This account includes the amount payable to the suppliers, due to officers and employees and long-term obligations of the District, as follows:

	2023	2022
Current		
Accounts Payable	P2,844,177	P2,423,038
Due to Officers and Employees	1	457
Total FL-Current	2,844,178	2,423,495
Non-Current		
Loans Payable-Domestic	3,329,794	3,329,793
Total FL-Non-Current	3,329,794	3,329,793
Total FL	P6,173,972	P5,753,288

Loans Payable-Domestic represents the long-term obligations of the District to LWUA, the proceeds of which were used to finance various infrastructures and permanent improvements in order to meet the demands of the growing clientele.

11. Inter-Agency Payables

This represents contributions due, collections received, amounts withheld for remittance to the following government agencies.

	2023	2022
Due to BIR	P 619,577	P 694,573
Due to GSIS	414,135	317,052
Due to Pag-IBIG	72,309	65,215
Due to PhilHealth	49,051	60,008
Total Inter-Agency Payables	P1,155,072	P1,136,848

12. Service and Business Income

These are the water sales, penalty charges for late payments and violation and new connection fees generated by the District from its concessionaires net of Senior Citizens' Discount.

	2023	2022
Fines and Penalties-Service Income	P 4,000	P 2,000
Waterworks Systems Fees	276,726	324,150
Sales Revenue	71,661,990	68,723,465
Sales Discounts	(126,841)	(114,295)
Interest Income	4,691	15,512
Fines and Penalties-Business Income	2,767,730	2,771,560
Other Business Income	2,711,183	1,278,808
Total Service and Business Income	P77,299,479	P73,001,200

13. Personnel Services

	2023	2022
Salaries and Wages-Regular	P16,092,798	P15,447,134
Salaries and Wages-Casual/Contractual	6,000	0
Personnel Economic Relief Allowance (PERA)	1,064,000	1,024,000
Representation Allowance (RA)	282,000	282,000
Transportation Allowance (TA)	282,000	282,000
Clothing/Uniform Allowance	270,000	294,000
Honoraria	0	651,456
Overtime and Night Pay	504,020	1,102,707
Year-End Bonus	1,249,383	1,248,194
Cash Gift	220,000	225,000
Mid-Year Bonus	1,246,066	1,276,052
Directors and Committee Members' Fees	651,456	0
Other Bonuses and Allowances	3,827,606	3,200,130

	2023	2022
Retirement and Life Insurance Premium	1,614,911	1,541,456
Pag-IBIG Contributions	51,900	49,700
PhilHealth Contributions	289,845	277,513
Employees Compensation Insurance Premium	52,000	50,000
Terminal Leave Benefits	1,418,075	1,686,765
Other Personnel Benefits	125,663	106,716
Total Personnel Services	P29,247,723	P28,744,823

Directors and Committee Members' Fees for CY 2022 were taken up in the Honoraria account.

14. Maintenance and Other Operating Expenses (MOOE)

	2023	2022
Travelling Expenses-Local	P 139,204	P 150,483
Training Expenses	343,350	249,300
Office Supplies Expenses	211,867	310,384
Accountable Form Expenses	183,473	189,885
Fuel, Oil and Lubricants Expenses	1,048,214	1,454,408
Chemical and Filtering Supplies Expenses	1,361,080	1,234,600
Semi-expendable Machinery and Equipment Expenses	337,637	345,244
Semi-expendable Furniture, Fixtures and Books Expenses	29,090	7,675
Supplies and Materials for Water Systems Operations Expense	2,972,134	0
Other Supplies and Materials Expenses	62,316	124,625
Electricity Expenses	16,993,769	15,460,172
Telephone Expenses	109,298	97,796
Internet Subscription Expense	15,000	14,191
Cable, Satellite, Telegraph and Radio Expenses	4,500	1,289
Awards/Rewards Expenses	61,000	87,000
Generation, Transmission and Distribution Expenses	4,440,240	6,379,313
Extraordinary and Miscellaneous Expenses	135,600	135,602
Legal Services	73,902	126,450
Auditing Services	253,941	249,555
Consultancy Services	682,680	264,000
Other Professional Services	108,099	35,000
Security Services	345,268	268,904
Repairs and Maintenance		
Infrastructure Assets	38,300	56,669
Buildings and Other Structures	919,276	175,745
Machinery and Equipment	630,545	107,975
Transportation Equipment	358,928	446,923
Furniture and Fixtures	0	3,200

	2023	2022
Other PPE	0	302,574
Assistance/Subsidies/Contribution-Others	22,692	22,340
Taxes, Duties and Licenses	1,846,811	1,662,170
Insurance Expenses	216,589	254,797
Advertising, Promotional and Marketing Expenses	8,000	4,982
Representation Expenses	1,764,647	1,820,897
Membership Dues and Contribution to Organization	69,146	62,602
Subscription Expenses	25,684	25,684
Donations	253,808	39,476
Other Maintenance and Operating Expenses	3,866,590	1,333,445
Total MOOE	₱39,932,678	₱33,505,355

Supplies and Materials for Water Systems Operations Expense and Repairs and Maintenance for Machinery and Equipment account for CY 2022 were recorded under Generation, Transmission and Distribution Expenses and Repairs and Maintenance-Other PPE accounts, respectively.

15. Financial Expenses

	2023	2022
Interest Expenses	₱132,253	₱222,458
Bank Charges	640	11,740
Total Financial Expenses	₱132,893	₱234,198

16. Non-Cash Expenses

	2023	2022
Depreciation Expenses		
Land Improvements	₱ 275,879	₱ 275,879
Infrastructure Assets	2,085,013	1,798,488
Buildings and Other Structures	512,250	512,251
Machinery and Equipment	2,582,961	2,432,190
Transportation Equipment	536,314	530,988
Furniture, Fixtures and Books	64,674	64,674
Amortization-Intangible Assets	38,680	47,700
Impairment Loss-Loans and Receivables	12,285	9,746
Losses	0	1,396
Total Non-Cash Expenses	₱6,108,056	₱5,673,312