



**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, 2021**



*Republic of the Philippines*  
**COMMISSION ON AUDIT**  
**Regional Office No. III**  
City of San Fernando, Pampanga

*Tel No. (045) 455-4274 • Telefax No. (045) 455-4273 • Website: www.coa.gov.ph*

May 04, 2022

**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 2021 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 concerned officials of the District in the exit conference held on April 27, 2022. 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 91 of the General Provisions of the General Appropriations Act for FY 2021.

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





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**COMMISSION ON AUDIT**  
**Regional Office No. III**  
City of San Fernando, Pampanga

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Tel No. (045) 455-4274 • Telefax No. (045) 455-4273 • Website: [www.coa.gov.ph](http://www.coa.gov.ph)

May 04, 2022

**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 2021 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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**OMAR S. ROQUE**  
Regional Director





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April 29, 2022

**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 2021 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.**  
OIC - Supervising Auditor





Republic of the Philippines  
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April 28, 2022

**Mr. OSCAR G. JACINTO, JR.**  
OIC - 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 2021 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

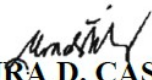
The audit was conducted to (a) ascertain the degree of reliance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's unimplemented audit recommendations.

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 April 27, 2022.

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,

  
**MAURA D. CASTILLO**  
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, the 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 a newly-formed water district to operate under the standard specification.

As of December 31, 2021, the District has 13 pumping stations, six elevated steel tanks, two steel bolted tanks, and one concrete tank serving 14 barangays with 11,368 total active service connections. The District is recognized as “Category C” water district pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO) in March 2012. On June 27, 2019, the District was re-categorized as “Category B” water district.

Its mission is to develop more water sources and maintain highest level of operations. It envisioned 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 and the picture 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. Priscilla P. Rigoroso	Secretary	Education
Ms. Erlinda V. Carpio	Member	Women
Ms. Leonor S. Sarmiento	Member	Civic
Mr. Wilfredo C. Santos	Member	Business

The District has 42 permanent employees and seven job orders, headed by General Manager Arturo S. Torres.

### **B. Financial Highlights**

The comparative analysis of the District's Financial Position and Results of Operation for CYs 2021 and 2020 are shown below.

	<b>2021</b>	<b>2020</b>
<b>Financial Position</b>		
Assets	₱129,206,416	₱120,767,410
Liabilities	15,219,867	15,330,514
Equity	113,986,549	105,436,896
<b>Results of Operation</b>		
Income	67,795,754	65,538,682
Expenses	59,649,009	50,571,176
<b>Net Income</b>	<b>₱8,146,745</b>	<b>₱14,967,506</b>

### **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, 2021 on a sampling basis in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated September 30, 2020 prescribing for the General Audit Instructions for the conduct of CY 2021 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, 2021.

#### **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. The recovery of inactive receivables amounting to ₱3,490,183 or 47.15% of the outstanding balance of Accounts Receivables as at year-end is already be considered remote due to Management's failure to implement more effective collection strategies contrary to Section 64 of the Government Accounting and Auditing Manual (GAAM), 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 in their registered addresses; (b) intensify efforts to collect the inactive accounts receivables including those with existing accounts and take appropriate legal action, if necessary; and (c) evaluate the status of the past due dormant accounts and consider the preparation of the request for write-off from the Commission on Audit, after exhausting all measures to collect pursuant to COA Circular No. 2016-005 dated December 19, 2016.

2. Properties of the District with carrying value of ₱46,326,234 as of December 31, 2021 were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) contrary to COA Circular No. 2018-002 dated May 31, 2018 and Republic Act No. 656, (as amended), thus exposing the District to risk of non-indemnification in case of natural and man-made calamities. **(Observation No. 4)**

We recommended that the General Manager require the General Services Officer A to (a) strictly comply with the laws and regulations on property insurance; (b) submit the Property Inventory Form of all insurable properties showing their latest appraised values/valuation to the GIF of the GSIS as basis for the assessment of general insurance coverage; and (c) check ensure that all insurable properties are adequately insured to protect the interest of the District in case of natural or man-made calamities.

3. Due to the design/format of the District's Official Receipts where the prenumbered Billing Notice, Official Receipt (OR) and Office Copy of the OR are printed in one perforated paper sheet, issuance of the OR in numerical sequence becomes impossible, contrary to Section 73 of Government Accounting and Auditing Manual, Volume I, making the reporting and recording process prone to errors. **(Observation No. 5)**

We recommended that the General Manager instruct the Customers' Account Section to (a) redesign the District's billing/collection system taking into consideration the requirements of Section 73, GAAM Volume I, on the sequential issuance of ORs; (b) require the Tellers (i) to use and issue Official Receipt (Form No. 51C) or other authorized official receipts in numerical sequence for collection(s) of water bills; and (ii) remit all collections made during the day to the Cashier.

**F. Summary of Audit Suspensions, Disallowances and Charges**

There were no audit suspensions, disallowances and charges issued for the audited transactions for CY 2021. Unsettled audit disallowances amounting to ₱12,143,799.65 as of December 31, 2021 pertained to audited transactions for CY 2011 to 2020.

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

Of the 35 audit recommendations embodied in the CY 2020 Financial Audit Report, 23 were fully implemented, eight were partially implemented and four were not implemented.

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**PART I – AUDITED FINANCIAL STATEMENTS**



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

## **INDEPENDENT AUDITOR'S REPORT**

### **The Board of Directors**

Angat Water District  
Angat, Bulacan

### *Unmodified Opinion*

We have audited the financial statements of the Angat Water District, Angat, Bulacan, which comprise the Statement of Financial Position as at December 31, 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Angat Water District as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Unmodified Opinion*

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 District in accordance with the Code of Ethics for Government Auditors together with the ethical requirements that are relevant to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Those charged with governance are responsible for overseeing the District'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 guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**COMMISSION ON AUDIT**

**By:**



**OSCAR G. JACINTO, JR.**

OIC - Supervising Auditor

April 27, 2022



# 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, 2021, 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

01/26/2022

Date Signed

**Ms. RUBIE BIANCA S. IGNACIO**

Division Manager B

01/26/2022

Date Signed

**Mr. ARTURO S. TORRES**

General Manager

01/26/2022

Date Signed

**ANGAT WATER DISTRICT**  
**Angat, Bulacan**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2021  
*(With Comparative Figures for CY 2020)*  
*(In absolute Pesos)*

	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	₱ 10,160,155	₱ 8,347,919
Receivables, Net	5	7,229,144	9,897,071
Inventories	6	4,468,915	2,924,698
Other Assets	7	91,755	0
<b>Total Current Assets</b>		<b>21,949,969</b>	<b>21,169,688</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment, Net	8	99,937,181	93,909,368
Computer Software, Net	9	139,350	187,050
Other Assets	7	7,179,916	5,501,304
<b>Total Non-Current Assets</b>		<b>107,256,447</b>	<b>99,597,722</b>
<b>TOTAL ASSETS</b>		<b>₱129,206,416</b>	<b>₱120,767,410</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	10	₱ 4,000,151	₱ 3,942,021
Inter - Agency Payables	11	958,690	776,686
Trust Liabilities		57,410	0
Other Payables		1,335	0
<b>Total Current Liabilities</b>		<b>5,017,586</b>	<b>4,718,707</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	10	3,329,793	4,777,469
Trust Liabilities	12	0	57,410
Leave Benefits Payable		6,872,488	5,776,728
Other Payables		0	200
<b>Total Non-Current Liabilities</b>		<b>10,202,281</b>	<b>10,611,807</b>
<b>TOTAL LIABILITIES</b>		<b>15,219,867</b>	<b>15,330,514</b>
<b>EQUITY</b>			
Government Equity		217,052	217,052
Retained Earnings		113,769,497	105,219,844
<b>TOTAL EQUITY</b>		<b>113,986,549</b>	<b>105,436,896</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱129,206,416</b>	<b>₱120,767,410</b>

*The notes on pages 8 to 29 form part of these statements.*

**ANGAT WATER DISTRICT**  
**Angat, Bulacan**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the Year Ended December 31, 2021  
*(With Comparative Figures for CY 2020)*  
*(In absolute Pesos)*

	Note	2021	2020
<b>INCOME</b>			
Service and Business Income	13	P67,789,754	P65,220,308
Gain on Sale of Property, Plant and Equipment		0	222,762
Miscellaneous Income		6,000	95,612
<b>TOTAL INCOME</b>		<b>67,795,754</b>	<b>65,538,682</b>
<b>EXPENSES</b>			
Personnel Services	14	26,332,176	25,617,758
Maintenance and Other Operating Expenses	15	27,348,593	19,416,645
Financial Expenses	16	445,107	555,908
Non-Cash Expenses	17	5,523,133	4,980,865
<b>TOTAL EXPENSES</b>		<b>59,649,009</b>	<b>50,571,176</b>
<b>NET INCOME</b>		<b>P 8,146,745</b>	<b>P 14,967,506</b>

*The notes on pages 8 to 29 form part of these statements.*

**ANGAT WATER DISTRICT**  
**Angat, Bulacan**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2021  
*(With Comparative Figures for CY 2020)*  
*(In absolute Pesos)*

	Note	2021	2020
<b>Cash Flows from Operating Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Sale of Goods and Services		P 593,209	P 626,513
Collection of Income/Revenue		1,991,397	1,480,320
Collection of Receivables		67,940,512	57,216,933
Receipts of Customer's Deposits		250	0
Other Receipts		15,251	2,735
Other Adjustments		1,496,506	4,603,553
<b>Total Cash Inflows</b>		<b>72,037,125</b>	<b>63,930,054</b>
<b>Cash Outflows</b>			
Payment of personnel services		19,257,547	20,328,398
Payment of maintenance and other operating expenses		21,253,685	14,864,873
Purchase of Inventories		1,208,248	903,135
Grant of Cash Advance		109,592	113,026
Payments of Accounts Payable		11,151,010	6,670,068
Remittance of Personnel Benefits			
Contributions and Mandatory Deductions		7,956,416	7,640,241
Other Disbursements		917,299	1,068,609
Other Adjustments		334,130	1,764,726
<b>Total Cash Outflows</b>		<b>62,187,927</b>	<b>53,353,076</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>		<b>9,849,198</b>	<b>10,576,978</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash Inflows</b>			
Receipts of Interest Earned		13,696	10,473
Other Income		147,973	250
Transfer of Funds		5,510,000	0
<b>Total Cash Inflows</b>		<b>5,671,669</b>	<b>10,723</b>
<b>Cash Outflows</b>			
Purchase/Construction of PPE		5,726,415	4,669,403
Transfer of Funds		5,510,000	3,300,000
<b>Total Cash Outflows</b>		<b>11,236,415</b>	<b>7,969,403</b>
<b>Net Cash Provided by (Used in) Investing Activities</b>		<b>(5,564,746)</b>	<b>(7,958,680)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Cash Inflows</b>			
Miscellaneous Receipts		57,840	44,520
<b>Total Cash Inflows</b>		<b>57,840</b>	<b>44,520</b>
<b>Cash Outflows</b>			
Payment of Principal		2,530,056	2,226,340
Payment of Interest and Other Finance Charges		0	42,075
<b>Total Cash Outflows</b>		<b>2,530,056</b>	<b>2,268,415</b>
<b>Net Cash Provided by (Used in) Financing Activities</b>		<b>(2,472,216)</b>	<b>(2,223,895)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		<b>1,812,236</b>	<b>394,403</b>
Cash and Cash Equivalents - January 1		8,347,919	7,953,516
<b>Cash and Cash Equivalents - December 31</b>	<b>4</b>	<b>P10,160,155</b>	<b>P8,347,919</b>

*The notes on pages 8 to 29 form part of these statements.*

**ANGAT WATER DISTRICT**  
**Angat, Bulacan**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended December 31, 2021  
*(In absolute Pesos)*

	<b>GOVERNMENT EQUITY</b>	<b>RETAINED EARNINGS</b>	<b>TOTAL</b>
<b>BALANCE AT DECEMBER 31, 2020</b>	P217,052	P105,219,844	P105,436,896
Add(Deduct):			
Net Income for the year	0	8,146,745	8,146,745
Prior Year's Adjustments	0	402,908	402,908
<b>BALANCE AT DECEMBER 31, 2021</b>	<b>P217,052</b>	<b>P113,769,497</b>	<b>P113,986,549</b>

*The notes on pages 8 to 29 form part of these statements.*

## **NOTES TO FINANCIAL STATEMENTS**

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### **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, the 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 a newly-formed water district to operate under the standard specification.

As at December 31, 2021, the District has 13 pumping stations, six elevated steel tanks, two steel bolted tanks, and one concrete tank which serve 14 barangays with 11,368 total active service connections. The District is recognized as “Category C” water district pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO) in March 2012. On June 27, 2019, the District was re-categorized as “Category B” water district.

Its mission is to develop more water sources and maintain highest level of operations. It envisioned 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 District’s Board of Directors is composed of the following:

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

The District has 42 permanent employees and seven job orders, headed by General Manager Arturo S. Torres.

#### **1.1 Authorization for Issue of the 2021 Financial Statements**

The financial statements of the District for the year ended December 31, 2021 were authorized for issue by the Board of Directors on January 26, 2022 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, 2021, 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 Nos. 2015-010 and 2016-006 dated December 1, 2015 and December 29, 2016, respectively.

### 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.

As at December 31, 2021, the District has no impaired financial assets.

### 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 ₱15,000.

### *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.



### *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, 2021, 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, 2021, 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, 2021, Fines and Penalties was 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 and 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, 2021, 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 198, under 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 two percent (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 2021, 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 property, plant and equipment*

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, breakdown as follows:

	<b>2021</b>	<b>2020</b>
Cash – Collecting Officers	₱ 15,386	₱ 1,544
Petty Cash Fund	10,000	10,000
Cash in Bank – Local Currency		
Current Account	8,195,998	6,331,891
Savings Account	86,649	152,599
Time Deposits, Local Currency	1,852,122	1,851,885
<b>Total Cash and Cash Equivalents</b>	<b>₱10,160,155</b>	<b>₱8,347,919</b>

**5. Receivables, Net**

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

	<b>2021</b>	<b>2020</b>
Accounts Receivable (AR)	₱ 7,402,443	₱ 10,011,491
Allowance for Impairment – AR	(1,011,904)	(1,093,694)
Receivables – Disallowances/Charges	820,641	945,435
Due From Officers and Employees	89	15,964
Other Receivables	17,875	17,875
<b>Receivables, Net</b>	<b>₱ 7,229,144</b>	<b>₱ 9,897,071</b>

Other Receivables pertain to the balance of materials purchased by concessionaires.

Below is the aging/analysis of AR:

<b>Status of AR</b>	<b>2021</b>	<b>2020</b>
Non Past Due Accounts	₱2,060,854	₱ 2,044,997
Past Due Accounts		
31 – 60 days	965,137	1,473,675
61 – 90 days	350,979	775,148
91 – 120 days	336,529	877,517
over 120 days	3,688,944	4,840,154
<b>Total AR</b>	<b>₱7,402,443</b>	<b>₱10,011,491</b>

## 6. Inventories

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

	<b>2021</b>	<b>2020</b>
Office Supplies Inventory	₱ 70,525	₱ 10,719
Accountable Forms, Plates and Stickers Inventory	216,008	0
Chemical and Filtering Supplies Inventory	148,700	114,933
Construction Materials Inventory	2,795,618	1,625,046
Other Supplies and Materials Inventory	1,238,064	1,174,000
<b>Total Inventories</b>	<b>₱4,468,915</b>	<b>₱2,924,698</b>

## 7. Other Assets

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

	<b>2021</b>	<b>2020</b>
<b>Current</b>		
Prepaid Insurance	₱ 91,755	₱ 0
<b>Total Other Assets – Current</b>	<b>91,755</b>	<b>0</b>



	2021	2020
<b>Non – Current</b>		
Prepaid Insurance	0	74,079
Guaranty Deposits	90,000	90,000
Other Deposits	5,911,132	4,676,329
Other Assets	1,178,784	660,896
<b>Total Other Assets – Non Current</b>	<b>7,179,916</b>	<b>5,501,304</b>
<b>Total Other Assets</b>	<b>₱7,271,671</b>	<b>₱5,501,304</b>

## 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.

CY 2021					
PPE Account	Balance at January 1	Additions/ Acquisitions	Deductions/ Disposals	Accumulated Depreciation	PPE, Net
Land	₱ 2,428,125	₱ 271,460	₱ 0	₱ 0	₱ 2,699,585
Other Land Improvements	2,941,359	192,107	0	777,261	2,356,205
Plant - Utility Plant in Service	69,313,188	5,479,261	0	27,564,387	47,228,062
Buildings	10,877,690	8,623,211	0	4,225,433	15,275,468
Machinery and Equipment	34,859,322	4,338,082	1,352,968	17,677,574	20,166,862
Motor Vehicles	6,056,164	294,632	0	3,113,722	3,237,074
Furniture and Fixture	1,134,563	87,137	245,100	260,508	716,092
Other PPE	21,578	0	0	0	21,578
Construction in Progress	15,605,932	7,042,745	14,412,422	0	8,236,255
<b>Total</b>	<b>₱143,237,921</b>	<b>₱26,328,635</b>	<b>₱16,010,490</b>	<b>₱53,618,885</b>	<b>₱99,937,181</b>

CY 2020					
PPE Account	Balance at January 1	Additions/ Acquisitions	Deductions/ Disposals	Accumulated Depreciation	PPE, Net
Land	₱ 2,278,125	₱ 150,000	₱ 0	₱ 0	₱ 2,428,125
Other Land Improvements	1,791,253	1,150,106	0	518,085	2,423,274
Plant - Utility Plant in Service	69,313,188	0	0	25,884,988	43,428,200
Buildings	10,877,690	0	0	3,887,023	6,990,667
Machinery and Equipment	31,439,610	4,127,709	707,997	16,220,331	18,638,991
Motor Vehicles	5,603,987	2,778,288	2,326,111	2,409,392	3,646,772
Furniture and Fixture	968,443	166,120	0	408,734	725,829
Other PPE	21,578	0	0	0	21,578
Construction in Progress	13,950,406	3,153,207	1,497,681	0	15,605,932
<b>Total</b>	<b>₱136,244,280</b>	<b>₱11,525,430</b>	<b>₱4,531,789</b>	<b>₱49,328,553</b>	<b>₱93,909,368</b>

The Land account as of CY 2021 under the possession of the District pertained to the following:

Mode of Acquisition	Qty.	Lot Area	Acquisition Cost
<b>Acquired through Purchase:</b>			
With Transfer Certificate of Title (TCT)	8	2,103	₱ 873,790
Without TCT	14	2,975	1,651,135
Sub-total	22	5,078	2,524,925

Mode of Acquisition	Qty.	Lot Area	Acquisition Cost
<b>Acquired through Donation:</b>			
Without TCT	2	176	174,660
<b>Total</b>	<b>24</b>	<b>5,254</b>	<b>₱2,699,585</b>

The following information pertains to the 16 parcels of land which have no Transfer Certificate of Title yet:

- Tugatog Lot – the owner is still looking for the original mother title
- Laog, Sto. Cristo and Paltoc lot were under Proclamation No. 573 otherwise known as Permanent Forest Reserve, while Pulong Yantok lot falls within the Alienable and Disposable Project No. 2, 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 effort to secure the covering TCTs on the above parcel of land while all other lots which fell within Proclamation No. 573, a certification from Forest Management Bureau will be requested in CY 2022 to protect the District's interest and in order to document the absolute ownership thereon.

#### 9. Computer Software, Net

This account consists of the following:

	2021	2020
Computer Software (CS)	₱663,750	₱663,750
Accumulated Amortization – CS	(524,400)	(476,700)
<b>Computer Software, Net</b>	<b>₱139,350</b>	<b>₱187,050</b>

#### 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:

	2021	2020
<b>Current</b>		
Accounts Payable	₱1,867,033	₱1,838,577
Due to Officers and Employees	4,244	1,127
Loans Payable – Domestic	2,128,874	2,102,317
<b>Total FL – Current</b>	<b>4,000,151</b>	<b>3,942,021</b>

	2021	2020
<b>Non – Current</b>		
Loans Payable – Domestic	3,329,793	4,777,469
<b>Total FL – Non – Current</b>	<b>3,329,793</b>	<b>4,777,469</b>
<b>Total FL</b>	<b>₱7,329,944</b>	<b>₱8,719,490</b>

Loans Payable – Domestic represents the long – term obligations of the District from LWUA, the proceeds of which were used to finance various infrastructures and permanent improvements in order to meet the demands of the growing clientele. Repayments are made monthly based on the agreed terms and schedule provided in the loan agreement.

#### 11. Inter – Agency Payables

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

	2021	2020
Due to BIR	₱586,511	₱518,814
Due to GSIS	279,277	190,436
Due to Pag – IBIG	61,728	54,502
Due to PhilHealth	31,174	12,934
<b>Total Inter – Agency Payables</b>	<b>₱958,690</b>	<b>₱776,686</b>

#### 12. Trust Liabilities

These are meter deposits and payment of service connection materials from concessionaires.

#### 13. 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.

	2021	2020
Fines and Penalties – Service Income	₱ 4,000	₱ 0
Waterworks Systems Fees	256,646	152,533
Sales Revenue	65,329,932	63,340,761
Sales Discounts	(108,844)	(102,900)
Interest Income	21,735	22,379
Fines and Penalties – Business Income	0	311,974
Other Business Income	2,286,285	1,495,561
<b>Total Service and Business Income</b>	<b>₱67,789,754</b>	<b>₱65,220,308</b>

#### 14. Personnel Services

	2021	2020
Salaries and Wages – Regular	₱13,808,460	₱11,724,888
Personnel Economic Relief Allowance (PERA)	944,000	840,000
Representation Allowance (RA)	282,000	252,000
Transportation Allowance (TA)	282,000	252,000
Clothing/Uniform Allowance	246,000	242,498
Honoraria	630,576	651,456
Overtime and Night Pay	473,685	2,495,072
Year End Bonus	0	410,000
Other Bonuses and Allowances	5,271,843	5,589,253
Retirement and Life Insurance Premium	1,345,087	1,289,472
Pag – IBIG Contributions	49,800	41,100
PhilHealth Contributions	180,318	152,615
Employees Compensation Insurance Premium	46,000	41,800
Terminal Leave Benefits	1,849,171	1,582,874
Other Personnel Benefits	923,236	52,730
<b>Total Personnel Services</b>	<b>₱26,332,176</b>	<b>₱25,617,758</b>

The Year End Bonus granted to Officials and Employees for CY 2021 was taken-up under Other Bonuses and Allowances.

#### 15. Maintenance and Other Operating Expenses (MOOE)

	2021	2020
Travelling Expenses – Local	₱ 26,839	₱ 127,020
Training Expenses	86,573	94,867
Office Supplies Expenses	192,844	216,694
Accountable Form Expenses	195,539	176,621
Fuel, Oil and Lubricants Expenses	908,891	569,788
Chemical and Filtering Supplies Expenses	1,236,733	936,867
Semi – expendable Machinery and Equipment Expenses	315,690	49,272
Other Supplies and Materials Expenses	78,581	88,173
Electricity Expenses	12,262,194	6,980,457
Telephone Expenses	98,738	88,305
Internet Subscription Expense	12,786	15,682
Cable, Satellite, Telegraph and Radio Expenses	0	1,100
Awards/Rewards Expenses	50,000	37,000
Generation, Transmission and Distribution Expenses	6,098,350	5,280,078
Extraordinary and Miscellaneous Expenses	94,002	94,000
Legal Services	12,650	17,200
Auditing Services	731,897	0
Consultancy Services	273,760	244,560
Other Professional Services	74,250	0
Security Services	322,730	375,200

	2021	2020
Repairs and Maintenance	0	0
Infrastructure Assets	29,428	19,870
Buildings and Other Structures	309,341	124,852
Machinery and Equipment	244,821	87,310
Transportation Equipment	463,287	261,849
Other PPE	312,115	411,152
Financial Assistance/Subsidy – Others	25,413	16,792
Taxes, Duties and Licenses	1,384,269	1,283,790
Insurance Expenses	211,965	155,831
Advertising, Promotional and Marketing Expenses	1,166	13,207
Representation Expenses	751,958	868,713
Membership Dues and Contribution to Organization	36,647	40,734
Subscription Expenses	19,684	16,770
Donations	65,550	283,500
Other Maintenance and Operating Expenses	419,902	439,391
<b>Total MOOE</b>	<b>₱27,348,593</b>	<b>₱19,416,645</b>

#### 16. Financial Expenses

	2021	2020
Interest Expenses	₱427,739	₱538,641
Bank Charges	17,368	17,267
<b>Total Financial Expenses</b>	<b>₱445,107</b>	<b>₱555,908</b>

#### 17. Non – Cash Expenses

	2021	2020
Depreciation Expenses		
Land Improvements	₱ 259,176	₱ 159,087
Infrastructure Assets	1,679,399	1,679,399
Buildings and Other Structures	449,788	346,874
Machinery and Equipment	2,005,333	1,971,781
Transportation Equipment	704,330	465,055
Furniture, Fixtures and Books	72,364	73,212
Amortization – Intangible Assets	47,700	101,700
Impairment Loss – Loans and Receivables	(6,458)	183,757
Loss of Assets	311,501	0
<b>Total Non – Cash Expenses</b>	<b>₱5,523,133</b>	<b>₱4,980,865</b>