



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

FINANCIAL AUDIT REPORT

on the

**Norzagaray Water District,
Norzagaray, Bulacan**

For the Year Ended December 31, 2021



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

June 06, 2022

Engr. TARCILA S. CRUZ
Chairperson of the Board of Directors
Norzagaray Water District
Norzagaray, Bulacan

NORZAGARAY WATER DISTRICT
RECEIVED
BY: *RORINDA C. FALATIGAN*
DATE: 6/22/2022 TIME: 9:00am

Dear **Chairperson Cruz**:

We are pleased to transmit the Financial Audit Report on the audit of the Norzagaray Water District, Norzagaray, 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 a qualified 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 virtual exit conference that was held on May 31, 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,

A stylized handwritten signature in black ink, consisting of a large loop on the left and a vertical line extending downwards, with a horizontal stroke at the top.

OMAR S. ROQUE
Regional Director

A small, handwritten mark or flourish, possibly a stylized 'R' or a similar character, located below the printed name.



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

June 06, 2022

Engr. AIMER B. CRUZ
General Manger
Norzagaray Water District
Norzagaray, Bulacan

NORZAGARAY WATER DISTRICT
RECEIVED
BY: *Rorinda C. Fajatigan*
DATE: 6/22/2022 TIME: 9:00 am

Dear **Manager Cruz**:

We are pleased to transmit the Financial Audit Report on the audit of the Norzagaray Water District, Norzagaray, 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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We appreciate the invaluable support and cooperation extended by the officials and staff of the District during the audit engagement.

Very truly yours,

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OMAR S. ROQUE
Regional Director

A small, simple handwritten flourish or mark at the end of the signature line.



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

June 03, 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 Norzagaray Water District, Norzagaray, Bulacan for the Calendar Year 2021 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

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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 a qualified 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
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

May 31, 2022

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

Sir:

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

Very truly yours,

A handwritten signature in cursive script, appearing to read "Rose Ann A. Polintan".

ROSE ANN A. POLINTAN
OIC-Audit Team Leader

EXECUTIVE SUMMARY

A. INTRODUCTION

The Norzagaray Water District is a government-owned and/or controlled corporation created pursuant to Sangguniang Bayan Resolution No. 86-10-48 dated October 1, 1986. The Local Water Utilities Administration (LWUA) issued the District's Certificate of Conditional Conformance No. 261 on October 24, 1986 and the latter commenced its operations on the said date.



The District is chartered under Presidential Decree No. 198 known as the "Provincial Water Utilities Act of 1973". It is mandated to deliver safe, potable and quality water to the people of Norzagaray.

As of December 31, 2021, the District has 20,796 service connections, eight pump station with booster station, six booster stations, 11 water tank, and one bulk water supply agreement with Philhydro. The District supplies treated water which covers nine out of 13 barangays and serving 69.2% based on the total population of Norzagaray.

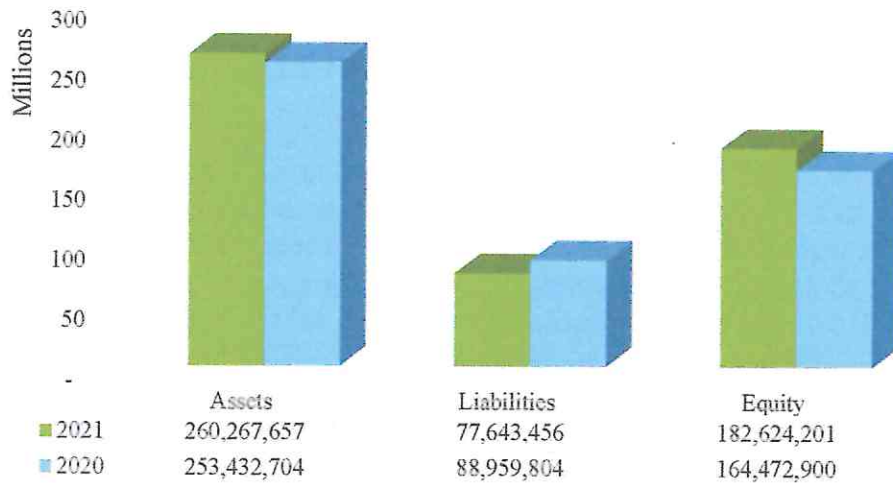
At present, the District is under the management of Engr. Aimer B. Cruz and the Board of Directors (BOD) which serves as the policy-making body of the District. The BOD is composed of:

<u>Name</u>	<u>Position</u>
Engr. Tarcila S. Cruz	Chairperson
Dir. Marissa C. Tolentino	Vice-Chairperson
Dir. Danilo S. Leonardo	Member
Engr. Noli E. Palad	Member
Engr. Rodelio C. Dela Merced	Member

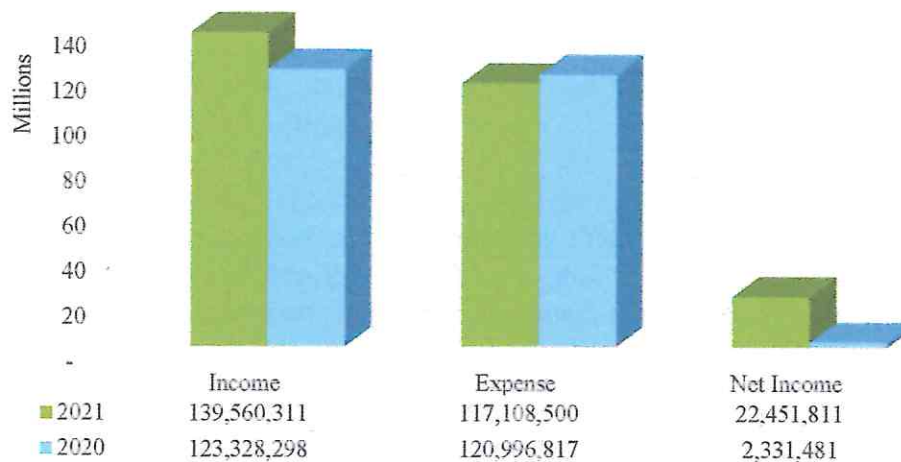
The District has a total of 90 personnel consisting of 51 regular and 39 job order/contract of services employees.

B. FINANCIAL HIGHLIGHTS

Financial Condition



Results of Operation



C. SCOPE OF AUDIT

We conducted an audit of the financial transactions and operations of the District for the year ended December 31, 2021, using risk-based audit approach in accordance with the

International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated September 30, 2020 prescribing 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 accuracy of the reported balances of the assets, liabilities and equity accounts was doubtful due to the accounting errors and deficiencies that significantly misstated/misrepresented the accounts, as follows: (a) unreliable balance of Inventory account due to (i) discrepancies between the balances per General Ledger (GL) and Report on the Physical Count of Inventories (RPCI) of Chemicals and Filtering Supplies Inventory and Supplies and Materials for Water Systems Operations amounting to ₱958,854 and ₱1,479,467, respectively; (ii) misclassification of accounts resulted in overstated Chemicals and Filtering Supplies Inventory and understated Supplies and Materials for Water Systems Operations both by ₱964,304; (iii) erroneous use of FIFO method instead of Weighted Average in costing Inventories; (b) understated Property, Plant and Equipment account and Accounts Payable both by ₱6,000,000; (c) doubtful accuracy of Construction in Progress (CIP) account due to (i) absence of detailed schedule and non-maintenance of CIP Ledger Card to support its balance; (ii) overstated CIP Infrastructure Assets and understated Plant-Utility Plant in Service (UPIS) both by 4,296,473; (iii) overstated CIP-Buildings and Other Structure and understated Buildings and Other Structures both by ₱7,935,278.

For the above deficiencies, we recommended that Management require the responsible personnel to perform the following actions:

- a. For the Inventories account, (i) reconcile the balances between the GL and the RPCI of the aforementioned inventory accounts for their fair presentation in the financial statements; and (ii) abandon the use of FIFO and instead apply the weighted average method in costing inventories pursuant to Section 6, Chapter 8 of the GAM.
- b. For the Property, Plant and Equipment account, require the Financial Planning Specialist B to be more attentive and prudent in the dispatch of her duties to ensure the fair presentation of the accounts in the financial statements.
- c. For the Construction in Progress account, (i) prepare an adjusting entry to reclassify the cost of completed projects from CIP-Infrastructure Assets to Plant-Utility Plant in Service (UPIS) account and Buildings account; (ii) coordinate with the Engineering Department for the status of the projects before end of every reporting period; and (iii) maintain a Construction in Progress Ledger Card for each project.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The significant audit observations noted during the audit and the corresponding recommendations are the following.

1. The District maintains three bank accounts in two private/commercial banks in violation of DOF-Department Circular No. 001-2017 dated May 11, 2017 and LWUA Memorandum Circular No. 007-17 dated May 8, 2017. (*Observation No.4*)

We recommended the General Manager to (a) strictly implement the revised guidelines on authorized government depository banks pursuant to Section 2 of DOF Circular No. 001-2017; and (b) make representation with the authorized depository banks, such as LBP – Sta. Maria Branch, for a Memorandum of Agreement for the daily pick-up of the District's collections for deposit.

2. The reported balance of Accounts Receivable (AR) as appearing in the Financial Statements (FS) amounting to ₱10,337,301 as at December 31, 2021 showed an unresolved discrepancy of ₱1,189,632 between the balances per General Ledger (GL) and Subsidiary Ledger (SL) contrary to Section 121 paragraph 2 of PD 1445; while the collectability of the inactive accounts amounting to ₱5,160,804 is remote contrary to Section 64 of the Government Auditing and Accounting Manual (GAAM), Volume I, thereby affecting accuracy and validity of the reported balances. (*Observation No.5*)

We recommended Management thru the Finance Section of the Administrative Division and the Commercial Division (a) exert efforts to reconcile the discrepancies between the GL and SAAR; (b) conduct monthly reconciliation of accounting and billing records to ensure correctness of balances and monitor the status of AR; (c) assess the Billing and Collection system if it still conforms to the District's needs and requirements and consider upgrading or replacing the system to facilitate capturing and generating more reliable data; (d) intensify collection strategies and institute appropriate legal action, if necessary; and (e) request for authority from COA to write-off the District's long dormant receivables that are deemed uncollectible.

3. The Transfer Certificate of Title (TCT) of the six lots with total area of 11,409 square meters acquired through purchase costing ₱32,975,000 and four lots acquired through donation with total area of 2,025 square meters valued at ₱708,750 were still not transferred under the name of the District, leaving no absolute ownership thereto, contrary to Section 39(2) of PD No. 1445. (*Observation No.7*)

We recommended Management to facilitate the transfer of the titles of the lots in the name of the District to protect its interest.

4. The accuracy of the balance of Customers' Deposit Payable amounting to ₱4,991,514 cannot be established due to discrepancy of ₱35,014 between the General

Ledger (GL) balance and its schedule contrary to Section 111(1) of PD No. 1445 and Section 75 of the Manual on the NGAS, Volume I. (*Observation No.8*)

We recommended Management to require the Finance Division and Commercial Division to exert diligent effort to (a) reconcile the balance of Customers' Deposits Payable per GL with the Meter/Customers' Deposits Report; (b) perform monthly reconciliation of the balance of Customers' Deposits Payable per books and per schedule from Commercial Division; and (c) set off any balance of guaranty deposit payable against the AR balance of inactive concessionaires.

F. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

There were no disallowable expenditures in the audit of transactions for CY 2021. The Statement of Audit Suspensions, Disallowances and Charges had a balance of ₱0.00 as of December 31, 2021.

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the 31 audit recommendations embodied in the CY 2020 Financial Audit Report, 19 were fully implemented, and 12 were not implemented.



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

FINANCIAL AUDIT REPORT

on the

**Norzagaray Water District,
Norzagaray, Bulacan**

For the Year Ended December 31, 2021

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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
Norzagaray Water District
Norzagaray, Bulacan

Qualified Opinion

We have audited the financial statements of the Norzagaray Water District, Norzagaray, 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, except for the effects and possible effects of the matter described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Norzagaray 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).

Bases for Qualified Opinion

The accuracy of the reported balances of the assets, liabilities and equity accounts was doubtful due to the accounting errors and deficiencies that significantly misstated/misrepresented the accounts, as follows: (a) unreliable balance of Inventory account due to (i) discrepancies between the balances per General Ledger (GL) and Report on the Physical Count of Inventories (RPCI) of Chemicals and Filtering Supplies Inventory and Supplies and Materials for Water Systems Operations amounting to ₱958,854 and ₱1,479,467, respectively; (ii) misclassification of accounts resulted in overstated Chemicals and Filtering Supplies Inventory and understated Supplies and Materials for Water Systems Operations both by ₱964,304; (iii) erroneous use of FIFO method instead of Weighted Average in costing Inventories; (b) understated Property, Plant and Equipment account and Accounts Payable both by ₱6,000,000; (c) doubtful accuracy of Construction in Progress (CIP) account due to (i) absence of detailed schedule and non-maintenance of CIP Ledger Card to support its balance; (ii) overstated CIP Infrastructure Assets and understated Plant-Utility Plant in Service (UPIS) both by 4,296,473; (iii) overstated CIP-Buildings and Other Structure and understated Buildings and Other Structures both by ₱7,935,278.

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.

Key Audit Matters

Except for the matters described in the *Bases for Qualified Opinion* section, we have determined that there are no key audit matters to communicate in our report.

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

June 02, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Norzagaray 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 the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the **Norzagaray Water District** in accordance with 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. TARCILA S. CRUZ

*Chairperson
Board of Director*

219/22

Date Signed


VILMA S. PAGULAYAN

Admin and Finance Head

219/22

Date Signed


ENGR. AIMER B. CRUZ

General Manager

219/22

Date Signed



NORZAGARAY WATER DISTRICT
Norzagaray, Bulacan
Statement of Financial Position
As at December 31, 2021
(With Comparative Figures for CY 2020)



	Note	2021	2020
Assets			
Current Assets			
Cash and Cash Equivalents	4	₱14,266,301	₱10,322,627
Receivables, Net	5	13,922,990	25,064,640
Inventories	6	7,129,828	9,014,146
Other Assets	7	117,491	21,934
Total Current Assets		35,436,610	44,423,347
Non-Current Assets			
Investments	8	1,000,000	1,000,000
Property, Plant and Equipment, Net	9	217,834,315	203,032,454
Intangible Assets	10	1,080,542	1,111,500
Other Assets	11	4,916,190	3,865,403
Total Non-Current Assets		224,831,047	209,009,357
Total Assets		₱260,267,657	₱253,432,704
Liabilities and Equity			
Liabilities			
Current Liabilities			
Financial Liabilities	12	31,759,757	42,839,961
Inter-Agency Payables	13	2,236,714	2,003,631
Total Current Liabilities		33,996,471	44,843,592
Non-Current Liabilities			
Financial Liabilities	12	30,173,684	31,829,790
Trust Liabilities	14	4,991,514	4,484,014
Provisions	15	8,421,835	7,742,456
Deferred Credits	16	59,952	59,952
Total Non-Current Liabilities		43,646,985	44,116,212
Total Liabilities		77,643,456	88,959,804
Equity			
Government Equity		61,568,819	61,568,819
Retained Earnings		121,055,382	102,904,081
Total Equity		182,624,201	164,472,900
Total Liabilities and Equity		₱260,267,657	₱253,432,704

The notes on pages 8 to 30 form part of these statements.



NORZAGARAY WATER DISTRICT
Norzagaray, Bulacan
Statement of Comprehensive Income
For the Year Ended December 31, 2021
(With Comparative Figures for CY 2020)



	Note	2021	2020
Income			
Service and Business Income	17	₱130,853,321	₱121,728,298
Shares, Grants and Donations		8,706,990	1,600,000
Total Income		139,560,311	123,328,298
Expenses			
Personnel Services	18	24,422,515	25,052,002
Maintenance and Other Operating Expenses	19	82,451,985	83,880,827
Financial Expenses	20	2,111,079	2,404,964
Non-Cash Expenses	21	8,122,921	9,659,024
Total Expenses		117,108,500	120,996,817
Net Income		₱22,451,811	₱2,331,481

The notes on pages 8 to 30 form part of these statements.



NORZAGARAY WATER DISTRICT
Norzagaray, Bulacan
Statement of Changes in Equity
For the Year Ended December 31, 2021



	Note	2021	2020
Government Equity			
Government Equity		₱61,568,819	₱61,568,819
Retained Earnings			
Balance at beginning of the Year		102,904,081	90,622,915
Add (Deduct):			
Net Income for the year		22,451,811	2,331,481
Prior Period Adjustments	22	(4,300,510)	9,949,685
Balance at the end of the Year		121,055,382	102,904,081
TOTAL EQUITY		₱182,624,201	₱164,472,900

The notes on pages 8 to 30 form part of these statements.



NORZAGARAY WATER DISTRICT
Norzagaray, Bulacan
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Figures for CY 2020)



	Note	2021	2020
Cash Flows From Operating Activities			
Cash Inflows			
Proceeds from Sale of Goods and Services			
Collection of Income/Revenue		P118,108,207	P103,778,563
Other Receipts		22,942,396	11,643,695
Total Cash Inflows		141,050,603	115,422,258
Cash Outflows			
Payment of Expenses		22,032,126	22,731,156
Purchase of Inventories		3,695,084	2,171,230
Payments of Accounts Payable		79,970,875	56,772,159
Advances for Operating Expenses		1,255,441	621,500
Advances for special purpose/time-bound undertaking		4,231,990	3,626,721
Advances to Officers and Employees		0	10,000
Remittance of Personnel Benefits Contributions and Mandatory Deductions		5,548,898	5,081,615
Remittance of Franchise Tax/Other Taxes		9,298,719	7,002,076
Purchase of Semi-Expendable Machinery and Equipment		69,145	8,196
Other Disbursement/Refund of Deposits		738,407	17,017
Total Cash Outflows		126,840,685	98,041,670
Net Cash Provided by/(Used in) Operating Activities		14,209,918	17,380,588
Cash Flows From Investing Activities			
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		4,505,555	5,667,807
Purchase of Intangible Assets		14,550	13,440
Total Cash Outflows		4,520,105	5,681,247
Net Cash Provided by/(Used in) Investing Activities		(4,520,105)	(5,681,247)
Cash Flows From Financing Activities			
Cash Outflows			
Payment of Long-Term Liabilities		3,639,444	2,424,964
Payment of Interest on Loans and Other Financial Charges		2,106,695	3,611,134
Total Cash Outflows		5,746,139	6,036,098
Net Cash Provided by/(Used in) Financing Activities		(5,746,139)	(6,036,098)
Increase/(Decrease) In Cash And Cash Equivalents		3,943,674	5,663,243
Cash And Cash Equivalents, January 1		10,322,627	4,659,384
Cash And Cash Equivalents, December 31	2.3.3; 4	P14,266,301	P10,322,627

The notes on pages 8 to 30 form part of these statements.



NORZAGARAY WATER DISTRICT
Norzagaray, Bulacan
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Figures for CY 2020)



	Note	2021	2020
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Payment of Interest on Loans and Other Financial Charges		2,106,695	3,611,134
Total Cash Outflows		5,746,139	6,036,098
Net Cash Provided by/(Used in) Financing Activities		(5,746,139)	(6,036,098)
Increase/(Decrease) In Cash And Cash Equivalents		3,943,674	5,663,243
Cash And Cash Equivalents, January 1		10,322,627	4,659,384
Cash And Cash Equivalents, December 31	2.3.3; 4	₱14,266,301	₱10,322,627

The notes on pages 8 to 30 form part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Agency Background

The Norzagaray Water District is a government-owned and/or controlled corporation created pursuant to Sangguniang Bayan Resolution No. 86-10-48 dated October 1, 1986. The Local Water Utilities Administration (LWUA) issued the District's Certificate of Conditional Conformance No. 261 on October 24, 1986 and the latter commenced its operations on the said date.

The District is chartered under Presidential Decree No. 198 known as the "Provincial Water Utilities Act of 1973". It is mandated to deliver safe, potable and quality water to the people of Norzagaray.

At present, the district has 20,796 service connections, eight (8) pumpstation with booster station, six (6) booster station only, eleven (11) water tank, and one (1) bulk water supply agreement with Philhydro. The district supplies treated water which covers nine (9) out of thirteen (13) barangays and serving 69.2% based on the total population of Norzagaray.

As of December 31, 2021, the District is under the management of Engr. Aimer B. Cruz and the Board of Directors (BOD) which serves as the policy-making body of the District. The BOD is composed of:

<u>Name</u>	<u>Position</u>
Dir. Marissa C. Tolentino	Chairperson
Engr. Tarcilla S. Cruz	Vice - Chairperson
Dir. Danilo S. Leonardo	Member
Engr. Noli E. Palad	Member
Engr. Rodelio C. Dela Merced	Member

The District has a total of 90 personnel consisting of 51 regular and 39 job order/contract of services employees.

1.2 Authorization to Issue 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 thru Board Resolution No. 25 dated February 9, 2022 as reflected in the Statement of Management's Responsibility for FS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Financial Statements Preparation

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 two (2) decimal places, except when otherwise indicated.

For all periods up to and including the year ended December 31, 2016, the District prepared its financial statements in accordance with generally accepted accounting principle in the Philippines and New Government Accounting System (NGAS) prescribed by the Commission on Audit on January 1, 2005. The financial statements for the year ended December 31, 2021 is in accordance with Philippine Financial Reporting Standards (PFRS).

2.2 Statement of Compliance

The financial statements were prepared in compliance with Philippine Financial Reporting Standards (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, 2016-006 and 2020-002.

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.

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 amortization is included in "Interest income" in profit or loss. The losses arising from impairment of such loans and receivables are recognized as "Provision for probable losses and doubtful accounts" in profit or loss.

Other financial liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the District having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset.

After initial measurement, other financial liabilities are subsequently measured at amortized cost 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.

This accounting policy applies to the District's long-term debt, accounts and other payables except statutory liabilities.

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.

Where 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.

Where 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.

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.

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.

2.3.7 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 FIFO 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 Prepaid expenses

Prepaid expenses are carried at cost less the amortized portion. These typically include prepayments for business taxes, insurance, and rental.

23.11 Property, Plant and Equipment

Recognition

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

- tangible items;
- are held for use in the production or supply of goods 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 ₱15,000.00.

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

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

Expenditures incurred after the property, plant and equipment 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 property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related property, plant and equipment.

Depreciation of property, plant and equipment commences once the property and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the property, plant and equipment after deducting 5% salvage value applied prospectively, as follows:

<u>Category</u>	<u>Number of years</u>
Infrastructure Assets	6-50 years
Office furniture and fixtures	2-10 years
Transportation equipment	6-12 years

Machinery and equipment	2-5 years
Building and other structures	10-50 years
Leased Assets Improvement	50 years

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 property, plant and equipment.

Unserviceable assets no longer used in operation shall be classified as Other Assets and shall not be subject to depreciation.

When property, plant and equipment 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.

2.3.12 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.

Intangible assets are amortized using the straight line method without any salvage value, for computer software 5 years or per estimate of MIS.

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

When an intangible asset is retired or otherwise be disposed of, the cost and the related accumulated amortization and accumulated impairment, if any, are removed from the accounts.

23.13 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. Where 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 is 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.

23.14 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.

2.3.15 Income from Waterworks System

Water revenue are recognized when the related water services are rendered to customers. Water is billed every month according to the bill cycles of the customers.

2.3.16 Fines and Penalties not related to taxes

The District recognizes revenue for fines and penalties charge 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 grace period.

2.3.17 Other Business Income

Other customer related fees such as connection, reconnection and disconnection fees are recognized when these services have been rendered.

2.3.18 Interest Income

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

2.3.19 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 risen other than distributions to equity participants that can be measured reliably. Cost and expenses are recognized in the profit and 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.

2.3.20 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 carryforward 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, 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.

2.3.21 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where 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.

2.3.22 Employee Benefits

The employees of the District are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. Employee entitlements to annual earned leave are recognized as a liability when they are accrued to the employees.

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 (property, plant and equipment, 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 and 2020, 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 quarterly 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 following is the basis of the District in computing the Allowance for Impairment-Accounts Receivable, to wit:

Age of Accounts	Percentage
Active: 1-30 days	1%
Active: 31-60 days	1%
Active: 61-90 days	2%
Active: 91-120 days	3%
Active: Over 120 days	3%
Inactive accounts	50%

Determination of estimated useful lives of property, plant and equipment

The useful life of each of the District's item of property, plant and equipment 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 property and equipment would increase the recorded depreciation expense and decrease the carrying value of property, plant and equipment.

4. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

	2021	2020
Cash - Collecting Officer	₱70,489	₱235,455
Cash in Bank LBP Current	3,981,018	6,695,690
Cash in Bank FSLB Current	20,000	20,000
Cash in Bank FSLB Savings	870,011	41,580
Cash in Bank CRBTI Savings	154,637	40,484
Cash in Bank LBP Savings - Customer Deposits	2,378,298	283,291
Cash in Bank LBP Savings - Reserves	3,007,346	3,006,127
Cash in Bank LBP Current - VTU	30,001	0
Cash in Bank LBP Current - Grant	3,754,501	0
Total Cash and Cash Equivalents	₱14,266,301	₱10,322,627

Cash - Collecting Officer pertains to collections of collecting officer not yet deposited in the District's current account as of the end of the reporting period.

Cash in banks earn interest at the respective bank deposit rates, 1% for Landbank accounts, 0.25% for Country Bank and Farmer's Bank based on average daily balance. The District maintains bank account with private banks due to unavailability of government banks in the area.

5. **RECEIVABLES, Net**

This account consists of the following:

	2021	2020
Accounts Receivable	₱10,337,301	₱21,946,725
Allowance for Impairment - Accounts Receivable	(2,687,713)	(2,186,040)
Due from Officers and Employees	4,000	655
Other Receivables	6,269,402	5,303,300
Total Receivables, Net	₱13,922,990	₱25,064,640

This account represents balances of amount due from consumers for water service, which has been billed to the concessionaires, net of Allowance for Impairment. It also includes penalty charges imposed on delinquent accounts.

Other Receivables are the amount due from customers for new service connection fee and claims for royalty fee coming from Philhydro, Inc.

The assessed impairment of the District are for accounts receivable based on Management prescribed policy on allowance for impairment-accounts receivable.

Below is the aging/analysis of receivables:

Age of Accounts Receivable	2021	2020
Active Accounts		
1 to 30 days	₱2,635,863	₱2,650,108
31 to 60 days	1,286,862	2,324,396
61 to 90 days	521,819	1,251,861
91 to 120 days	382,674	1,081,959
Over 120 days	1,538,911	2,618,133
Sub-total	6,366,129	9,926,457
Inactive Accounts		
1 to 30 days	81,858	73,005
31 to 60 days	145,344	124,443
61 to 90 days	152,678	138,355
91 to 120 days	154,186	198,926
Over 120 days	4,626,738	3,465,781
Sub-total	5,160,804	4,000,510
Total Aging of A/R	11,526,933	13,926,967
JEV Adjustments	0.00	8,801,070
Unreconciled Amount vs. GL	(1,189,632)	(781,312)
Total Accounts Receivable	₱10,337,301	₱21,946,725

An unreconciled amount between GL and aging of accounts receivable amounting to ₱1,189,632 for 2021 needs further analysis on a per customer account basis.

6. INVENTORIES

This account consists of un-issued materials and supplies, which are kept in the stock room and available for future use by the District in its operations. Breakdown is as follows:

	2021			
	Balance, January 1	Acquisitions during the year	Issuance during the year	Balance, December 31
Inventory Held for Consumption	₱9,011,176	₱7,590,559	(9,474,007)	₱7,127,728
Semi-Expendable Machineries and Equipment	2,970	38,895	(39,765)	2,100
Total	₱9,014,146	₱7,629,454	(9,513,772)	₱7,129,828

	2020			
	Balance, January 1	Acquisitions during the year	Issuance during the year	Balance, December 31
Inventory Held for Consumption	₱12,208,532	₱11,204,392	(14,401,748)	₱9,011,176

	2020			
	Balance, January 1	Acquisitions during the year	Issuance during the year	Balance, December 31
Semi-Expendable Machineries and Equipment	24,754	0	(21,784)	2,970
Total	₱12,233,286	₱11,204,392	(14,423,532)	₱9,014,146

7. OTHER ASSETS

Other Assets pertains to prepaid rental charges for the District's facilities.

8. INVESTMENTS

Sinking Fund pertains to cash or others asset set apart in reserve for specific long term purposes. It includes among others a debt service reserve which will be used for loan repayments, an operation and maintenance reserve for repairs of damage district's facilities due to natural calamities, public disorders, and the like and a capital reserve for expansion of the district's facilities.

9. PROPERTY, PLANT AND EQUIPMENT (PPE), Net

This account includes properties of relatively permanent character that are used in normal utility operations.

The breakdown of this account is as follows:

PPE Account	2021				
	Balance at January 1	Additions/ Acquisitions	Deductions/ Disposals	Accumulated Depreciation	PPE, Net
Land	₱23,274,871	₱15,600,000	₱0	₱0	₱38,874,871
Infrastructure Assets	208,866,068	7,727,563	7,993,671	54,305,243	154,294,717
Building and Other Structures	8,652,918	495,258	143,452	3,132,521	5,872,203
Other Land Improvements	2,395,333	0	0	133,482	2,261,851
Leased Assets Improvements	845,234	0	83,059	100,056	662,119
Machinery and Equipment	2,393,756	99,998	452,192	1,305,566	735,996
Furniture, Fixtures and Books	4,179,069	811,723	1,476,285	1,857,388	1,657,119
Transportation Equipment	7,377,545	208,625	452,733	3,795,869	3,337,568
Construction in Progress	11,651,175	5,890,175	7,403,479	0	10,137,871
Total	₱269,635,969	₱30,833,342	₱18,004,871	₱64,630,125	₱217,834,315

PPE Account	2020				
	Balance at January 1	Additions/ Acquisitions	Deductions/ Disposals	Accumulated Depreciation	PPE, Net
Land	₱23,274,871	₱0	₱0	₱0	₱23,274,871
Infrastructure Assets	203,946,460	4,963,388	43,780	55,963,456	152,902,612
Building and Other Structures	8,594,339	58,579	0	3,016,009	5,636,909
Other Land Improvements	2,395,333	0	0	63,464	2,331,869
Leased Assets Improvements	845,234	0	0	157,306	687,928

PPE Account	2020				PPE, Net
	Balance at January 1	Additions/ Acquisitions	Deductions/ Disposals	Accumulated Depreciation	
Machinery and Equipment	1,965,506	445,330	17,080	1,316,422	1,077,334
Furniture, Fixtures and Books	4,134,145	430,080	385,155	2,546,925	1,632,145
Transportation Equipment	7,283,920	93,624	0	3,539,933	3,837,611
Construction in Progress	3,637,638	11,412,619	3,399,082	0	11,651,175
Total	₱256,077,446	₱17,403,620	₱3,845,097	₱66,603,515	₱203,032,454

For disclosure purposes, 10 parcels of land with total land area of 13,434 square meters and with a total cost of ₱33,683,750 are not yet covered by Transfer of Certificate of Title (TCT) but only covered by Deed of Sale/Deed of Donation as proof of ownership. The details are as follows:

Description	Area	Date Acquired	Book Value
A. Purchased Lots			
1 T. Gener St. Meralco Post	50 sq.m.	03/03/2000	₱50,000
2 Bgy. Matictic, Matictic PS	500 sq.m.	10/03/2000	250,000
3 T. Gener St.	50 sq.m.	07/10/2003	75,000
4 Bgy. Tigbe	100 sq.m.	01/01/2009	100,000
5 Sitio Diliman, Brgy. Partida	3317 sq.m.	10/13/2017	1,900,000
6 Duhat, Brgy. Pob.	7392 sq.m.	07/11/2018	30,600,000
Sub-total	11,409 sq.m.		32,975,000
B. Donated Lots			
1 NHV Phase 1 Pumping Station	200 sq.m.	12/01/2003	70,000
2 NHV Phase 3 Pumping Station	857 sq.m.	12/01/2003	299,950
3 NHV Phase 5 Pumping Station	200 sq.m.	12/01/2003	70,000
4 NHV Phase 7 Pumping Station	768 sq.m.	12/01/2003	268,800
Sub-total	2,025 sq.m.		708,750
Grand Total	13,434 sq.m.		₱33,683,750

No disposal pertaining to property, plant and equipment was made in 2021. The adjustments in the schedule pertains to reclassification entry to proper account and transfer to Other Assets.

10. INTANGIBLES

The account pertains to computer software programs which is being amortized based on a finite useful life.

11. OTHER ASSETS

This account represents Meralco meter deposit in compliance with the requirements of service connection application which is subject to refund upon the conditions set by Meralco and unserviceable assets and fully depreciated serviceable equipment.

	2021	2020
Guaranty Deposits	₱ 1,653,119	₱1,708,559
Other Assets		3,263,071
	2,156,844	
Total Other Assets	₱4,916,190	₱3,865,403

12. FINANCIAL LIABILITIES

This account consists of the following:

	2021	2020
<i>Current</i>		
Accounts Payable	₱27,481,286	₱37,078,151
Due to Officer and Employees	519,154	19,154
Loans Payable - Domestic	3,759,317	5,742,656
Total Financial Liabilities - Current	31,759,757	42,839,961
<i>Non-current</i>		
Loans Payable - Domestic	30,173,684	31,829,790
Total Financial Liabilities - Non-Current	30,173,684	31,829,790
Total Financial Liabilities	₱61,933,441	₱74,669,751

This account pertains to current and non-current unpaid obligations of the District to its suppliers and officers and employees.

13. INTER-AGENCY PAYABLES

The amount consists of taxes and mandatory personnel deductions to be remitted to the government. Such dues would be remitted in accordance with the prescribed periods set by those agencies. Breakdown is as follows:

	2021	2020
Due to BIR	₱1,064,704	₱1,079,088
Due to GSIS	1,099,910	841,799
Due to PAG-IBIG	34,084	43,000
Due to PHILHEALTH	38,016	39,744
Total Inter-Agency Payables	₱2,236,714	₱2,003,631

Due to BIR refers to the withheld taxes on compensation of employees, expanded taxes on suppliers and franchise tax, which are due for remittance while Due to GSIS, Pag-IBIG and PhilHealth are the premiums and loans withheld for remittance.

14. TRUST LIABILITIES

The amount pertains to Guaranty/Security Deposits Payable used to recognize the incurrence of liability arising from the receipt of cash or cash equivalents to guaranty the performance by the winning bidder or by the contractor to follow terms of the contract. This account is subject for refund after the fulfillment of the purpose of the bond or forfeiture upon failure to comply with the purpose of the bond. The account also includes Customers' Deposits Payable used to recognize the incurrence of liability arising from the receipt of cash from customers as deposit for possible future obligations. The amount is subject for refund to customer upon permanent termination of service connection.

15. PROVISIONS

Leave Benefits Payable is used to recognize accrual of money value of the earned leave credits of government personnel. Debit this account for monetization of earned leave and payment of terminal leave benefits.

16. DEFERRED CREDITS

This account includes deferred credits not covered by other liability accounts, including advance billings and the amounts that cannot be entirely liquidated or classified until additional information is received.

17. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2021	2020
Service Income		
Waterworks System Fees	P117,618,146	P113,143,013
Sales Discounts	(223,987)	(205,180)
Net - Waterworks System Fees	117,394,160	112,937,833
Other Business Income	7,867,987	5,182,904
Fines and Penalties - Bus Income	4,463,463	2,895,422
Total Service Income	129,725,610	121,016,159
Business Income		
Royalty Fees	1,118,085	700,457
Interest Income	9,627	11,682
Total Business Income	1,127,711	712,139
Total Service and Business Income	P130,853,321	P121,728,298

Service Income includes metered sales to general concessionaires such as the billings for water deliveries to residential and commercial customers net of senior citizen discount. Also included are the penalties on billing for delinquent consumers, reconnection fee, installation of meters, and other services rendered by the district to its consumers.

Business Income includes royalty fee for giving rights to Philhydro, Inc. for utilizing the District's water resources. It also includes Interest Income on bank deposits.

18. PERSONNEL SERVICES

Breakdown of this account is as follows:

	2021	2020
Salaries and Wages	₱14,873,501	₱14,841,853
Other Compensation	6,313,105	6,448,513
Personnel Benefit Contributions	1,889,589	2,111,128
Other Personnel Benefit	1,346,320	1,650,508
Total Personnel Services	₱24,422,515	₱25,052,002

19. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following expenses necessary for the District's operation.

	2021	2020
Travelling Expenses - Local	₱77,742	₱68,889
Training Expenses	196,694	322,221
Supplies and Materials Expenses	6,722,872	5,572,011
Generation, Transmission and Distribution Expenses	52,951,018	57,067,347
Utility Expenses	7,088,118	6,158,385
Communications Expenses	248,682	273,347
Membership Dues and Contributions to Organization	45,262	18,652
Advertising, Promotion and Marketing Expenses	61,559	185,290
Printing and Publication Expenses	5,190	8,765
Rent/Lease Expenses	456,458	391,907
Representation Expenses	1,165,661	749,698
Transportation and Delivery Expenses	440	0
Donations	103,700	90,000
Directors and Committee Members Fees	752,544	752,544
Awards/Rewards Expenses	15,900	5,000
Professional Services	539,301	419,731
General Services	6,282,216	5,507,428
Repairs and Maintenance Expenses	3,005,462	3,989,808
Extraordinary and Miscellaneous Expenses	129,638	131,631
Taxes, Insurance Premiums and Other Fees	2,603,528	2,168,173
Total MOOE	₱82,451,985	₱83,880,827

20. FINANCIAL EXPENSES

Details of financial expenses are shown below:

	2021	2020
Bank Charges	₱74,810	₱76,902
Interest Expenses	2,014,085	2,328,062
Other Financial Charges	22,184	0
Total Financial Expenses	₱2,111,079	₱2,404,964

21. NON-CASH EXPENSES

This account pertains to allowance for impairment of uncollectible accounts, depreciation of agency's property, plant and equipment and amortization of intangible assets. It also includes loss of assets for the unaccounted cash on hand transaction of previous years.

	2021	2020
Impairment Loss-Loans and Receivables	₱501,673	₱610,346
Depreciation Expenses	7,587,320	9,027,729
Amortization for Intangible Assets	33,928	19,928
Loss of Assets	0	1,021
Total Non-Cash Expenses	₱8,122,921	₱9,659,024

22. PRIOR PERIOD ADJUSTMENTS

Details of the prior period adjustments are as follows:

	2021
Prior Period Adjustments:	
To take up Special Discount for 2021 water usage due to Typhoon Ulysses	₱(1,493,427)
Reversal of accrual of income for usage of water for December 2020 billed in January 2021	(8,019,357)
Correcting entry to charge to expense from inventory	(2,500)
Adjustment to 2020 Leave Benefits computation	19,133
To take up Special Discount for 2021 water usage due to Typhoon Ulysses	(56,760)
Payment of 2020 BAWD Association Dues	(36,304)
Adjustment to Philhydro accrual for Nov & Dec	7,240,068
Adjustment for excess depreciation for 2020 WSS	224,251
Various payment of materials to Salvaflix for Oct-Dec 2020	(36,556)
Adjustment of step increment for MC Mendoza and H. Bernardo as of December 2020	(5,178)
Payment of 2018 PBB for BOD	(376,758)
Refund of RATA for GM for year 2020	12,000

	2021
Prior Period Adjustments:	
Recognition of Depreciation Expense for 2020	(80,101)
Depreciation adjustment to reflect 5% residual value for 2020	(7,473)
Meralco electrical expenses for 2020	(207,162)
Under computation of depreciation expense Jan 2019-Dec 2020	(84,018)
Over computation of depreciation expense Jan 2019-Dec 2020	856
Percentage tax payment for 2017 BIR assessment	(241,160)
EWT tax payment for 2017 BIR assessment	(161,103)
Adjustment accrual of income for usage of water for December 2020 billed in January 2021	(781,713)
Final Withholding tax payment for 2017 BIR assessment	(206,248)
Alphalist of Employee payment for 2017 BIR assessment	(1,000)
Total	₱(4,300,510)

	2020
Prior Period Adjustments:	
Correcting entry to reclassify Other Supplies and Materials from expense to inventory	₱102,940
Correcting entry to reclassify Chemicals and Filtering Supplies from inventory to expense	(83,457)
Correcting entry to reclassify Office Supplies from inventory to expense	(9,780)
Adjustment for over accrual of Philhydro charges from September to December 2019	1,180,074
To correct beginning balance of Accountable Forms Inventory as of December 31, 2019	90,070
Correction on estimated useful life for NHV project	4,605
Correction on reversal of charges for Roadside view project	224
Various depreciation charges for prior period	(39,388)
To reclassify previous year's income accrual	861,063
Over accrual of Converge charges	(4,313)
Various depreciation charges for prior period	(21,052)
2019 Purchases from Salvaflix	(150,658)
Accrual of income from water service for December 2020 billed in January 2021	8,019,357
Total	₱9,949,685