



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

FINANCIAL AUDIT REPORT

on the

SANTA MARIA WATER DISTRICT **Santa Maria, Bulacan**

For the Year Ended December 31, 2023

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
Santa Maria Water District
Santa Maria, Bulacan

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the **Santa Maria Water District** as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Qualified Opinion

The accuracy of the balance of the following assets, liability and equity accounts was doubtful due to the accounting errors and deficiencies that significantly misstate/misrepresent the accounts, as follows: (a) non-recognition of the costs/value of the three donated lots and their improvements with a total appraised value of ₱7,172,615 in the books of accounts; (b) inadequate provision of allowance for impairment losses on accounts receivable, contrary with the prescribed standards of measurement using expected credit losses (ECL) under PFRS 9; (c) non-reconciliation of Property, Plant and Equipment (PPE) balances per Financial Statements (FS) and Report on Physical Count of Property, Plant and Equipment (RPCPPE); and (d) the failure of the Finance Division to recognize in the books of accounts the costs of the properties located in Sonoma Residences which are used by the District in its operations, contrary to COA Circular No. 2020-006 dated January 31, 2020, Presidential Decree (PD) No. 1445 and Philippine Accounting Standards (PAS) 16, respectively.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Santa Maria Water District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Santa Maria Water District's, ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Santa Maria Water District's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

COMMISSION ON AUDIT

By:



OSCAR G. JACINTO, JR.
Supervising Auditor

March 13, 2024

SANTA MARIA WATER DISTRICT
STATEMENT OF FINANCIAL POSITION
As at December 31, 2023
(With Comparative Figures for CY 2022)

(All amounts are rounded off to the nearest peso)

	Note	2023	2022
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	P152,068,245	P123,855,439
Receivables, Net	5	10,655,051	8,360,875
Inventories	6	29,091,910	43,329,484
Other Assets	7	5,098,775	20,307,862
Total Current Assets		196,913,981	195,853,660
Non-Current Assets			
Investments		0	148,932
Property, Plant and Equipment, Net	8	723,458,181	644,949,706
Intangible Assets, Net		5,000	5,000
Other Assets	7	5,356,253	2,022,985
Total Non-Current Assets		728,819,434	647,126,623
TOTAL ASSETS		P925,733,415	P842,980,283
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	9	P94,174,919	P84,359,206
Inter-Agency Payables	10	4,988,937	4,098,942
Trust Liabilities	11	25,119,545	25,269,958
Other Payables	12	526,005	540,130
Total Current Liabilities		124,809,406	114,268,236
Non-Current Liabilities			
Financial Liabilities	9	196,794,601	193,562,107
Provisions	13	16,042,054	13,865,290
Deferred Credits/Unearned Income	14	1,554,153	1,568,808
Total Non-Current Liabilities		214,390,808	208,996,205
TOTAL LIABILITIES		339,200,214	323,264,441
EQUITY			
Government Equity	15	289,562	289,562
Retained Earnings	16	586,243,639	519,426,280
TOTAL EQUITY		586,533,201	519,715,842
TOTAL LIABILITIES AND EQUITY		P925,733,415	P842,980,283

The notes on pages 9 to 39 form part of these statements.

SANTA MARIA WATER DISTRICT
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2023
(With Comparative Figures for CY 2022)

(All amounts are rounded off to the nearest peso)

	Note	2023	2022
INCOME			
Service and Business Income	17	P364,312,200	P321,692,000
Shares, Donations and Grants	18	6,092,200	0
Other Non-Operating Income	19	2,235,329	1,783,152
Total Income		372,639,729	323,475,152
EXPENSES			
Personnel Services	20	79,557,667	69,991,600
Maintenance and Other Operating Expenses	21	194,380,707	169,365,101
Financial Expenses	22	7,187,326	7,960,180
Non-Cash Expenses	23	21,778,820	19,702,529
Total Expenses		302,904,520	267,019,410
NET INCOME		P69,735,209	P56,455,742

The notes on pages 9 to 39 form part of these statements.

**SANTA MARIA WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2023**

(All amounts are rounded off to the nearest peso)

	Government Equity	Retained Earnings	TOTAL
BALANCE AT DECEMBER 31, 2022	₱289,562	₱519,426,280	₱519,715,842
Add (Deduct):			
Net Income/(Loss) for the year	0	69,735,209	69,735,209
Other Adjustments	0	(2,917,850)	(2,917,850)
BALANCE AT DECEMBER 31, 2023	₱289,562	₱586,243,639	₱586,533,201

The notes on pages 9 to 39 form part of these statements.

SANTA MARIA WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023
(With Comparative Figures for CY 2022)

(All amounts are rounded off to the nearest peso)

	Note	2023	2022
Cash Flows from Operating Activities			
Cash Inflows			
Collection of Revenue	17	P380,314,245	P338,075,961
Trust Receipts	11	1,172,280	1,207,035
Other Receipts	10,14	7,804,869	6,302,840
Adjustments	4	95,896,758	98,027,192
Total Cash Inflows		485,188,152	443,613,028
Cash Outflows			
Payment of Expenses	20,21	229,584,679	178,502,607
Purchase of Inventories	6	37,509,385	52,805,807
Grant of Cash Advances	5	2,066,659	5,439,992
Prepayments	7	1,106,528	988,451
Remittance of Personnel Benefits Contributions and Mandatory Deductions	10	35,843,441	39,501,377
Other Disbursements	11	1,033,209	704,235
Adjustments	4	101,157,147	96,575,416
Total Cash Outflows		408,301,048	374,517,885
Net Cash Provided by (Used in) Operating Activities		76,887,104	69,095,143
Cash Flows from Investing Activities			
Cash Inflows			
Proceeds from sinking fund		0	8,500,000
Total Cash Inflows		0	8,500,000
Cash Outflows			
Purchase/Construction of PPE	8	45,000,491	60,653,422
Sinking fund	7	675,927	686,422
Total Cash Outflows		45,676,418	61,339,844
Net Cash Provided by (Used in) Investing Activities		(45,676,418)	(52,839,844)
Cash Flows from Financing Activities			
Cash Inflows			
Proceeds from Domestic and Foreign Loans	9	21,939,802	12,703,763
Interest Received	17	53,499	0
Total Cash Inflows		21,993,301	12,703,763
Cash Outflows			
Payment of Long-Term Liabilities	9	17,805,855	18,571,850
Payment of Interest Expenses	22	7,185,326	8,133,956
Total Cash Outflows		24,991,181	26,705,806
Net Cash Provided by (Used in) Financing Activities		(2,997,880)	(14,002,043)
Cash and Cash Equivalents, January 1		123,855,439	121,602,183
Increase (Decrease) in Cash and Cash Equivalents		28,212,806	2,253,256
Cash and Cash Equivalents, December 31		P152,068,245	P123,855,439

The notes on pages 9 to 39 form part of these statements.

NOTES TO FINANCIAL STATEMENTS

(All amounts are rounded off to the nearest peso)

1. AGENCY INFORMATION AND AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS

1.1 Agency Background

The original water system of the Santa Maria Water District (SMWD) was constructed in 1931, which was then managed and operated by the now-defunct National Waterworks and Sewerage System (NAWASA). Upon the dissolution of NAWASA in 1971, Management was turned over to the local government. However, the water system could not be maintained and operated efficiently due to lack of funds. To address this predicament, the District was established in September 1986, through Sangguniang Bayan Resolution No. 12.

The actual operation of the District began on September 23, 1987, upon the issuance of its Conditional Certificate of Conformance by the Local Water Utilities Administration (LWUA), becoming the 310th Water District in the Philippines. The District is one of the agencies that benefited from PD No. 198, the Local Water Utilities Act of 1973, which created LWUA in order to aid and assist provincial and urban water users through loans, technical assistance, trainings, and regulatory services. On September 23, 1987, the Municipality of Santa Maria turned over 241 service connections, three production wells and pump stations and one concrete reservoir to the District.

In 1992, by virtue of the Supreme Court en banc decision in the case of *Davao City Water District, et al. v. Civil Service Commission* (G.R. No. 95237 – 38), water districts were declared as government-owned and controlled corporations (GOCCs) with original charter and placed under the jurisdiction of the Civil Service Commission (CSC), the Department of Budget and Management (DBM), and the Commission on Audit (COA).

The District was created for the following purposes:

1. To acquire, install, improve, maintain and operate water supply and distribution systems for domestic, industrial, municipal and agricultural uses within the boundaries of the District;
2. To provide, maintain and operate wastewater collection, treatment and disposal facilities; and
3. To conduct other functions and operations incidental to water resource development, utilization, and disposal within the District.

The policy-making body of the District is its Board of Directors (BODs), which is composed of the following:

Name	Position/Sector
Ms. Amelia S. de Jesus	Chairperson, Education Sector
Ms. Ana Liza C. Ramirez	Vice-Chairperson, Women's Sector
Ms. Teodora J. Catiis	Secretary, Business Sector
Ms. Carmelita T. Francisco	Member, Civic Oriented Sector
Ms. Catalina M. Halili	Member, Professional Sector

1.2 Authorization for Issue of the 2023 Financial Statements

The financial statements of Santa Maria Water District for the year ended December 31, 2023 were authorized for issue by the Board of Directors on February 13, 2024 as reflected in the Statements of Management's Responsibility for Financial Statements signed by the BOD Chairperson.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING 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 the nearest peso, except when otherwise indicated. The financial statements were prepared in accordance with generally accepted accounting principles in the Philippines and Philippine Financial Reporting Standards (PFRS).

2.2 Statement of Compliance

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

2.3 Summary of Significant Accounting Policies

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

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 District 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.

Classification

The District classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at Fair Value through Other Comprehensive Income (FVOCI), and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the District's business model for managing the asset and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of Held to Maturity, Loans and Receivables and Available for Sale. Conversely, PFRS 9 retains the PAS 39 requirements for the classification and measurement of financial liabilities.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any 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. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023, this category includes cash and cash equivalents and receivables.

Debt instruments at FVOCI

For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2023, the District does not have debt instruments at FVOCI.

Equity instruments at FVOCI

For equity instruments that are not held for trading, the District may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, Financial Instruments: Presentation. This option is available and made on an instrument-by-instrument basis. Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings.

As at December 31, 2023, the District does not have equity instruments at FVOCI.

Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not “solely for payment of principal and interest”, and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The District may, at initial

recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets. This category also includes equity instruments which the District had not irrevocably elected to classify at FVOCI at initial recognition. After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2023, the District does not have financial assets at FVPL.

Financial liabilities at amortized cost

Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by considering any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2023, the District classifies its long-term debt, accounts and other payables except statutory liabilities under this category.

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 considering 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.

As at December 31, 2023, this category includes Receivables account.

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 accounts payable, accrued expenses, inter-agency payables, loans payable, other payables and guaranty deposits payable to customers.

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 also include non-collection of the District's trade receivables.

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 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

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 ₱50,000.

PPE, 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 PPE comprises its purchase price, including import duties, taxes, and any directly attributable cost 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:

Category	Number of years
Office Equipment	5
Furniture and Fixtures	5
Transportation Equipment	7
Machinery and Equipment	5-10

Building and Other Structures
Utility Plant in Service

10-20
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.

2.3.10 Construction in progress

Construction in progress is stated at cost. While the construction of the project is in progress, no provision for depreciation is recognized.

Construction in progress is transferred to the related Property, Plant and Equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use have been completed, and the property, plant and equipment are ready for service.

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 finite useful life of intangible assets shall be from 2 to 10 years. 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. Amortization shall begin when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 Other Assets

Current

This account includes prepayments and guaranty deposits.

Prepayments include advances to contractors and prepaid insurance. Guaranty deposits pertain to Meralco bill deposits on the District's various pumping stations.

Non-current

This account includes the carrying value of the unserviceable property, plant and equipment (PPE) of the District scheduled for disposal and LWUA-SMWD Joint Savings Account (JVSA)-Sinking Fund.

2.3.13 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 units (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 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.

2.3.14 Trust Liabilities

This account is credited to recognize the receipt of amount held in trust for specific purpose. This includes guaranty/security deposits payable, customers' deposits payable and other trust liabilities.

2.3.15 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.

2.3.16 Income from Waterworks System

Water revenues 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.

2.3.17 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.

2.3.18 Other Business Income

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

2.3.19 Interest Income

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

2.3.20 Expenses

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.

2.3.21 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 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.

2.3.23 Retained Earnings

Retained Earnings (RE) are the accumulated portion of the District's profits that are not yet use to finance projects but instead are reserved for future use into the business. Normally, these funds are used for working capital and fixed asset purchases (capital expenditures) or allotted for paying off debt obligations.

2.3.24 Related Party Transactions

These include various classes of entities and people as related parties. In the District's case these are the Board of Directors, General Manager and Department Manager.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of 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 2023, the District has not identified any impairment indicator, thus, no impairment was recognized.

3.2 Estimates and Assumptions

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

Determination of impairment of receivables

The District reviews its receivables at each reporting date to assess whether provision for doubtful accounts should be recorded in profit or loss. The District maintains an allowance for impairment - accounts receivable based on the results of the individual and collective

impairment assessments under PAS 39. Allowance for impairment - accounts receivable is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. These factors include, but not limited to, age and status of receivables, the concessionaire's payment behavior and known market factors. An evaluation of receivables, designed to identify potential charges to the allowance is performed on a continuous basis throughout the year.

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

Determination of estimated useful lives of PPE

The useful life of each of the District's item of 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.

There were no changes in the estimated useful lives of PPE in 2023.

4. CASH AND CASH EQUIVALENTS

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

	2023	2022
Petty Cash Fund	P 40,000	P 40,000
Cash Collecting Officers	421,093	168,725
Cash in Bank-Local Currency, Current Account	137,577,966	105,637,698
Cash in Bank-Local Currency, Savings Account	14,029,186	18,009,016
Total Cash and Cash Equivalents	P152,068,245	P123,855,439

The adjustments presented in the Statement of Cash Flows related on this account include the following:

<i>Cash inflows from Operating Activities</i>	2023	2022
Refund of overpayment of expenses and cash advances	₱ 908,643	₱ 174,838
Unreleased checks	94,988,115	97,852,354
Total adjustments	₱95,896,758	₱98,027,192

<i>Cash outflows from Operating Activities</i>	2023	2022
Release of checks	₱101,157,147	₱96,575,416
Total adjustments	₱101,157,147	₱96,575,416

5. RECEIVABLES, NET

This account includes the following:

	2023	2022
Accounts Receivable (AR)	₱ 7,115,990	₱6,979,352
Less: Allowance for Impairment - AR	(195,922)	(178,740)
Net AR	6,920,068	6,800,612
Notes Receivable	3,622,279	1,372,854
Receivables-Disallowances/Charges	74,000	98,000
Due from Officers and Employees	37,853	0
Other Receivables	851	89,409
Receivables, Net	₱10,655,051	₱8,360,875

Below is the aging or analysis of AR:

2023						
	1-60 days	61-180 days	181-365 days	Over 1 Year	Total	%
Active	₱2,610,174	₱325,827	₱ 2,940	₱ 17,952	₱2,956,893	42%
Inactive	522,223	203,316	410,650	3,022,908	4,159,097	58%
Total	₱3,132,397	₱529,143	₱413,590	₱3,040,860	₱7,115,990	100%
2022						
	1-60 days	61-180 days	181-365 days	Over 1 Year	Total	%
Active	₱2,697,231	₱13,484	₱3,514	₱15	₱2,714,244	39%
Inactive	621,486	246,117	865,155	2,532,350	4,265,108	61%
Total	₱3,318,717	₱259,601	₱868,669	₱2,532,365	₱6,979,352	100%

Account Receivable pertains to an open account arising from services rendered to the customers for water sales and incidental services.

Notes Receivable includes installments on water bills.

Receivables-Disallowances/Charges pertain to the balance of the disallowance that became final and executory.

Due from officers and employees are cash advances granted to bonded employees and officers of the District. For CYs 2023 and 2022, cash advances granted amounted to ₱2,066,659 and ₱5,439,992, respectively.

Other Receivables pertains to the amounts collectible from collecting agents other than water sales.

6. INVENTORIES

This account consists of unissued materials and supplies, which are kept in the stockroom and available for future use by the District in its operations.

	2023	2022
Office Supplies Inventory	₱ 582,139	₱ 501,506
Accountable Forms, Plates and Stickers Inventory	1,262,514	2,293,150
Medical, Dental and Laboratory Supplies Inventory	1,500,966	716,030
Construction Materials Inventory	25,380,702	39,818,798
Other Supplies and Materials for Distribution	106,448	0
Semi-Expendable Inventory	259,141	0
Total Inventories	₱29,091,910	₱43,329,484

Construction Materials Inventory consists of fittings, elbows, pipes and other materials to be used in various projects.

Payments of inventories for CYs 2023 and 2022 amounted to 37,509,385 and 52,805,807, respectively.

7. OTHER ASSETS

This account consists of the following:

	2023	2022
<i>Other Assets – Current</i>		
Advances to Contractors	₱1,038,239	₱10,669,845
Prepaid Rent	0	0
Prepaid Insurance	215,521	146,279

	2023	2022
Other Prepayments	11,995	2,469,830
Guaranty Deposits	3,833,020	4,551,788
Deferred Charges/Losses	0	2,470,120
Total Other Assets – Current	5,098,775	20,307,862
<i>Other Assets – Non-Current</i>		
Other Assets	5,356,253	2,022,985
Total Other Assets – Non -Current	5,356,253	2,022,985
Total Other Assets	₱10,455,028	₱22,330,847

Advances to contractors pertains to 10% mobilization paid to the District's various contractors and deducted per progress billing based on the percentage of accomplishment.

Prepaid Insurance is the unexpired portion of the District's insurance policy from Government Service Insurance System.

Prepayments for CYs 2023 and 2022 as shown in the statement of cash flows pertain to the following:

	2023	2022
Advances to Contractors	₱ 795,414	₱730,361
Prepaid Insurance	311,114	258,090
Total Prepayments	₱1,106,528	₱988,451

Guaranty Deposits are deposits made to guarantee compliance with the terms of agreement with Meralco.

Other Assets – Non-Current includes reserves as supported by a LWUA-WD Joint Savings Account (JSA) with an amount of ₱825,171. The remaining balance amounting to ₱4,531,082 pertains to unserviceable properties, which are recognized at residual/salvage values and derecognized upon disposal.

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

This account includes all properties of the District of relatively permanent character that are used in normal utility operations. The breakdown of this account is as follows:

CY 2023	Balance at Cost, January 1	Additions / Acquisitions	Disposals / Adjustments	Balance at Cost, December 31	Accumulated Depreciation, December 31	PPE, Net
Land	₱36,873,097	₱13,027,277	₱ 0	₱49,900,374	₱ 0	₱ 49,900,374

CY 2023	Balance at Cost, January 1	Additions / Acquisitions	Disposals / Adjustments	Balance at Cost, December 31	Accumulated Depreciation, December 31	PPE, Net
Infrastructure Assets	464,507,504	2,100,805	(1,038,039)	465,570,270	(160,580,950)	304,989,320
Buildings and Other Structures	24,653,691	8,944,657	(789,041)	32,809,307	(7,975,365)	24,833,942
Machinery and Equipment	7,127,083	10,929,982	(442,726)	17,614,339	(5,987,848)	11,626,491
Land Transportation Equipment	14,188,949	5,415,428	(422,249)	19,182,128	(12,750,573)	6,431,555
Furniture, Fixtures and Books	885,000	0	0	885,000	(585,516)	299,484
Other PPE	59,384,105	886,358	(5,634,060)	54,636,403	(18,888,324)	35,748,079
Construction in Progress	224,684,820	170,711,107	(105,766,991)	289,628,936	0	289,628,936
TOTAL	P832,304,249	P212,015,614	(P114,093,106)	P930,226,757	P206,768,576	P723,458,181

CY 2022	Balance at Cost, January 1	Additions / Acquisitions	Disposals / Adjustments	Balance at Cost, December 31	Accumulated Depreciation, December 31	PPE, Net
Land	P36,873,097	P 0	P 0	P36,873,097	P 0	P 36,873,097
Infrastructure Assets	451,903,254	0	12,604,250	464,507,504	(143,254,387)	321,253,117
Buildings and Other Structures	18,528,941	244,430	5,880,320	24,653,691	(7,116,752)	17,536,939
Machinery and Equipment	8,135,224	364,981	(1,373,122)	7,127,083	(4,703,502)	2,423,581
Land Transportation Equipment	14,188,949	0	0	14,188,949	(11,706,558)	2,482,391
Furniture, Fixtures and Books	885,000	34,500	(34,500)	885,000	(495,266)	389,734
Other PPE	62,319,456	1,027,361	(3,962,712)	59,384,105	(20,078,078)	39,306,027
Construction in Progress	95,381,486	178,915,089	(49,611,755)	224,684,820	0	224,684,820
TOTAL	P688,215,407	P180,586,361	(P36,497,519)	P832,304,249	P187,354,543	P644,949,706

The land account as of December 31, 2023 pertained to the following:

TCT no.	Acquisition Date	Acquisition Cost	Location
<i>Acquired through purchase</i>			
TCT no. T-121059 (M)	May 30, 1990	P 369,900	PS 4, Molave St., Sta. Clara
TCT no. T-190180 (M)	May 18, 1994		PS 4, Molave St., Sta. Clara
TCT no. T-4194311 (M)	June 25, 2003	300,000	Sitio Bato, Guyong
TCT no. T-468346 (M)	March 6, 2015	4,000,000	Farmacia Emilia, General Services Division's Office
TCT no. T-521158 (M)	July 11, 2008	1,500,000	Bernardo, Operation, Procurement and Finance Office
TCT no. T-557269 (M)	March 16, 2010	345,000	PS 15, Gulod, San Jose Patag
TCT no. 040-2014011862	May 21, 2014	20,544,000	PS 21, Manggahan
TCT no. 040-2014011863	May 21, 2014		Lot of SMWD's Future Building J.P. Rizal St.
TCT no. T-040-2014011864	May 21, 2014		
TCT no. T-040-2014011865	May 21, 2014		

TCT no.	Acquisition Date	Acquisition Cost	Location
<i>Acquired through purchase</i>			
T-17904-P (M)	November 14, 2019	4,297,600	Lot of SMWD's Future Septage Water Treatment Plant Catmon
T-17907-P (M)			
Turned over by the municipality	September 1, 1987	1,097	
TCT No. 040-2018017213	December 27, 2023	4,260,000	Dulong Bayan, Poblacion, Santa Maria, Bualcan
Subtotal		₱36,572,397	
<i>Acquired through donation</i>			
TCT no.	Date of Donation	Market Value	Location
TCT no. T-50.910 (M)	August 11, 2008	₱1,140,000	Garden Village, Pulong Buhangin, Santa Maria Bulacan
TCT no. T-297615 (M)	February 17, 2006	164,500	Labanos, Tuman, Santa Maria, Bulacan
TCT-T-1648430	August 11, 2008	3,256,200	Garden Village, Pulong Buhangin, Santa Maria Bulacan
TCT no. T-16925-P	April 1, 2023	2,477,998	Sitio Putol, Bulac
TCT no. 040-2022020809	September 16, 2021	2,372,774	Dela Costa Homes, San Vicente
TCT no. 040-2022020810			
TCT no. 040-2022020811			
TCT no. 040-2022020812			
TCT no. 040-2022020813			
TCT no. 040-2023017633	March 22, 2023	3,916,505	Bella Vista, San Vicente
Subtotal		₱13,327,977	
Total		₱ 49,900,374	

In addition, the transfer of certificates of title (TCTs) was not yet under the Districts' name for the following parcels of lot:

TCT No.	Location	Date of purchase/donation	Lot area (sq. m.)	Carrying Value as of December 31, 2023
<i>Acquired through purchase</i>				
040-2018017213	Dulong Bayan, Poblacion, Santa Maria, Bualcan	12/27/2023	284	₱4,260,000
<i>Acquired through donation</i>				
T-168430	Lot 15 Block 15 Sampaguita Street, Garden Village Phase 1, Brgy Pulong Buhangin, Municipality of Sta. Maria, Bulacan	August 11, 2008	402	3,256,200

TCT No.	Location	Date of purchase/donation	Lot area (sq. m.)	Carrying Value as of December 31, 2023
T-50.910 (M)	Lot 4 Block 4 Molave Street, Garden Village Phase 4, Brgy Pulong Buhangin, Municipality of Sta. Maria, Bulacan	August 11, 2008	150	1,140,000
Subtotal			552	4,396,200
Total			836	₱8,656,200

The market values of the donated lots are based on the appraised value made by an independent appraiser. Taxes and licenses necessary for the land title transfer to the District's name were also included.

9. FINANCIAL LIABILITIES (FL)

This account is composed of accounts payable to suppliers for purchases of materials, labor, and supplies for expansion projects, accounts due to officers and employees, current and non-current portions of long-term loans payable.

	2023	2022
<i>Current FL</i>		
Accounts Payable	₱ 72,447,096	₱ 61,756,159
Due to Officers and Employees	2,992,496	3,937,911
Loans Payable- Domestic	18,735,327	18,665,136
Total Current FL	94,174,919	84,359,206
<i>Non-Current FL</i>		
Loans Payable- Domestic	196,794,601	193,562,107
Total Non-Current FL	196,794,601	193,562,107
Total FL	₱290,969,520	₱277,921,313

Loans Payable-Domestic represents long-term obligations of the District under loan agreements with LWUA, Land Bank of the Philippines (LBP), Philippine National Bank (PNB) and National Housing Authority (NHA). Proceeds of these loans were used to finance various projects of the District in order to meet the demands of the growing clientele. Details are as follows:

Loan	Current	Non-Current	Total
LWUA	₱ 4,382,480	₱124,991,527	₱129,374,007
LBP	5,200,365	38,135,932	43,336,297

Loan	Current	Non-Current	Total
PNB	9,035,406	32,376,872	41,412,278
NHA	117,076	1,290,270	1,407,346
Total	₱18,735,327	₱196,794,601	₱215,529,928

For CY 2023, proceeds from LWUA-ADB loan amounting to ₱21,939,802 was received. On the other hand, payments of loans for CYs 2023 and 2022 amounted to ₱17,805,855 and ₱18,571,850, respectively, as presented in the statement of cash flows.

10. INTER -AGENCY PAYABLES

This account includes the following:

	2023	2022
Due to BIR	₱3,601,553	₱2,844,840
Due to GSIS	961,902	927,281
Due to Pag-IBIG	228,929	194,890
Due to PhilHealth	196,553	131,931
Total Inter-Agency Payables	₱4,988,937	₱4,098,942

The actual remittances to the GSIS, Pag-IBIG, PhilHealth and Bureau of Internal Revenue (BIR) for CYs 2023 and 2022 amounted to ₱35,843,441 and ₱39,501,377, respectively.

On the other hand, collections from concessionaires amounting to ₱7,124,715 and ₱6,100,486 for CYs 2023 and 2022, respectively, were received as passed-on franchise taxes.

11. TRUST LIABILITIES

This account includes the following:

	2023	2022
Performance/Bidders/Bail Bonds Payable	₱ 0	₱ 629,704
Guaranty/Security Deposits Payable	6,139,355	24,640,254
Customers' Deposits Payable	18,980,190	0
Total Trust Liabilities	₱25,119,545	₱25,269,958

Guaranty/Security Deposits Payable is used to account for the retention money, performance security or deposits from suppliers and contractors. Deposits amounting to ₱1,033,209 and ₱704,235 were refunded in 2023 and 2022, respectively.

Customers' Deposit Payable is used to account for deposits or advances from the concessionaires which can be refunded upon disconnection. Deposits from concessionaires amounting to ₱1,172,280 and ₱1,207,035 were received in 2023 and 2022, respectively.

12. OTHER PAYABLES

This account is used to recognize other liabilities not falling under any of the specific payable accounts.

13. PROVISIONS

This account consists of Leave Benefits Payable which pertains to the accrual of money value of earned leave credits of SMWD personnel.

14. DEFERRED CREDITS/UNEARNED INCOME

This account includes other deferred credits from cash sales of fittings, collections from the sale of bid documents of Bids and Awards Committee and other unearned revenue due to inventory mark up.

Collections from the sale of bid documents and performance bond for CYs 2023 and 2022 amounted to ₱680,154 and ₱202,353, respectively.

15. GOVERNMENT EQUITY

This account includes the amount of equity turned over by the Municipality of Sta. Maria, Bulacan to Santa Maria Water District.

16. RETAINED EARNINGS

This account is used to record the net income for the year and prior years adjustments.

17. SERVICE AND BUSINESS INCOME

This account pertains to the following:

	2023	2022
Sales Revenue	P358,043,195	P310,828,618
Less: Sales Discount	(6,095,918)	(643,092)
Net Sales	351,947,277	310,185,526
Interest Income	53,910	61,666
Fines and Penalties- Business Income	5,099,641	4,563,552
Other Business Income	7,211,372	6,881,256
Total Service and Business Income	P364,312,200	P321,692,000

Sales revenue pertains to the amount of water bill consumption of the District's concessionaires. Revenue collections for CYs 2023 and 2022 amounted to P380,314,245 and P338,075,961, respectively.

Sales Discount is composed of senior citizen discounts and turbidity discounts given to District's concessionaires.

Interest Income pertains to income earned from banks. Difference amounting to P411 between the interest income per Statement of Comprehensive Income and per Statement of Cash Flows consists of the interest income from sinking fund account amounting to P311 and a bank charge of P100.

Fines and Penalties-Business Income are income from illegal reconnection, water meter tampering, illegal booster and meter stand tampering.

Other Business Income includes application fees, reconnection fees, service charges and meter maintenance fees.

18. SHARES, DONATIONS AND GRANTS

This account pertains to the appraised values of the lots donated to the District, which are as follows:

TCT no.	Date of Donation	Appraised Value	Location
TCT no. 040-2022020809	September 16, 2021	P2,296,200	Dela Costa Homes, San Vicente
TCT no. 040-2022020810			
TCT no. 040-2022020811			
TCT no. 040-2022020812			

TCT no.	Date of Donation	Appraised Value	Location
TCT no. 040-2022020813			
TCT no. 040-2023017633	March 22, 2023	3,796,000	Bella Vista, San Vicente
		₱6,092,200	

19. OTHER NON-OPERATING INCOME

This account pertains to the miscellaneous income of the District which includes income from the sale of fittings with mark up to concessionaires, income from sale of waste and scrap items, and production assessment fees.

20. PERSONNEL SERVICES (PS)

This account consists of the following expenses incurred by the District:

	2023	2022
Salaries and Wages	₱46,157,323	₱42,880,151
Other Compensation	24,197,730	18,039,473
Personnel Benefits Contributions	5,980,961	5,505,318
Other Personnel Benefits	3,221,653	3,566,658
Total PS	₱79,557,667	₱69,991,600

Payments to employees amounted to ₱50,148,128 and ₱36,007,310 for CYs 2023 and 2022, respectively.

21. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account includes the following expenses:

	2023	2022
Traveling Expenses	₱596,904	₱ 231,894
Training Scholarship Expenses	1,378,564	737,763
Supplies and Materials Expenses	13,391,601	9,321,969
Utility Expenses	2,736,047	1,652,084
Communication Expenses	1,696,060	1,710,352
Generation, Transmission and Distribution Expenses	143,439,958	128,433,220
Extraordinary Expenses and Miscellaneous Expenses	135,600	135,600
Professional Services	1,222,915	1,598,083

	2023	2022
General Services	6,628,000	4,209,054
Repairs and Maintenance	18,769,918	15,318,134
Taxes, Insurance Premiums and Other Fees	553,450	429,182
Other Maintenance and Operating Expenses	3,831,690	5,587,766
Total MOOE	₱194,380,707	₱169,365,101

Generation, Transmission and Distribution Expenses include electricity expenses of the pumping stations and costs incurred in purchasing bulk water supply.

Payments of expenses for CYs 2023 and 2022 amounted to ₱179,436,551 and ₱142,495,297, respectively.

22. FINANCIAL EXPENSES

This account is composed of the following:

	2023	2022
Interest Expenses	₱7,185,326	₱7,877,472
Bank Charges	2,000	82,708
Total Financial Expenses	₱7,187,326	₱7,960,180

Interest expenses pertain to costs incurred in relation to District's obligations to LWUA, NHA and PNB.

23. NON-CASH EXPENSES

This account consists of the following:

	2023	2022
Depreciation	₱21,761,562	₱19,676,732
Amortization	0	4,750
Impairment Loss	17,258	21,047
Total Non-Cash Expenses	₱21,778,820	₱19,702,529

24. FAIR VALUE MEASUREMENT

The carrying amounts approximate fair values of the District's financial assets and liabilities are as follows:

	2023		2022	
	Carrying Amount	Fair Value Significant unobservable inputs (Level 3)	Carrying Amount	Fair Value Significant unobservable inputs (Level 3)
<i>Loans and Receivables</i>				
Accounts Receivable	₱ 6,920,068	₱ 6,920,068	₱ 6,800,612	₱ 6,800,612
<i>Financial Liabilities</i>				
Accounts Payable	72,447,096	72,447,096	61,756,159	61,756,159
Loans Payable	215,529,928	215,529,928	212,227,243	212,227,243
Total Financial Liabilities	₱287,977,024	₱287,977,024	₱273,983,402	₱273,983,402

Fair Value Hierarchy

There were no financial assets measured at fair value as of December 31, 2023 and 2022. During these periods, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

25. RELATED PARTY TRANSACTIONS

The key management personnel of the District are the Board of Directors, General Manager and Department Managers. The details of the salaries, allowances and other benefits received by these personnel are as follows:

Name	Position	Basic Salary	Allowances and Other Benefits	Per Diem	Reimbursable Expenses	Total
Engr. Carlos N. Santos, Jr.	General Manager	₱1,734,012	₱929,088	₱0	₱0	₱2,663,100
Jovita I. Dalmacio	Department Manager - Administrative, Finance and General Services	1,104,488	547,455	0	0	1,651,943

Name	Position	Basic Salary	Allowances and Other Benefits	Per Diem	Reimbursable Expenses	Total
Amelia S. de Jesus	BOD - Chairperson	0	343,566	382,464	95,616	821,646
Ana Liza C. Ramirez	BOD - Vice-Chairperson	0	195,050	318,720	79,680	593,450
Teodora J. Catiis	BOD Secretary	0	239,040	318,720	79,680	637,440
Carmelita T. Francisco	BOD Member	0	199,200	318,720	79,680	597,600
Catalina M. Halili	BOD Member	0	0*	305,440	76,360	381,800
Total		₱2,838,500	₱2,453,399	₱1,644,064	₱411,016	₱6,965,179

**Not yet BOD in CYs 2021 and 2022*

The allowances and other benefits column included the payment of the BODs performance-based incentive bonus for CYs 2021 and 2022 as authorized by LWUA. In addition, the BOD Chairperson has daily subsistence allowance (DSA) in CY 2023 amounting to ₱144,366 for the official travel abroad on the Water Environment Federation's 2023 Annual Technical Exhibition and Conference (WEFTEC 2023) held at the McCormick Place in Chicago, Illinois, USA on September 29 to October 5, 2023.