



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City



**** INC202404-000217 ****
Received by: *JOY MARLENE S*
Date Received: *04-01-2024*

FINANCIAL AUDIT REPORT

on the

BALIWAG WATER DISTRICT Baliwag, Bulacan

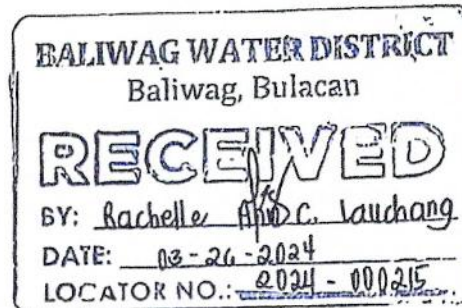
For the Year Ended December 31, 2023



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

March 22, 2024

Ms. JACQUELINE D. SAMSON
Chairperson of the Board of Directors
Baliwag Water District
Baliwag, Bulacan



Dear Chairperson Samson:

We are pleased to transmit the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2023 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that they 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 exit conference that was held on March 19, 2024. Management's comments were incorporated in the report, where appropriate.

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

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

Very truly yours,


OMAR S. ROQUE
Regional Director


BALIWAG WATER DISTRICT
 Baliwag, Bulacan

**AGENCY ACTION PLAN and
 STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2023
 As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

 Name and Position of Agency Officer

 Date

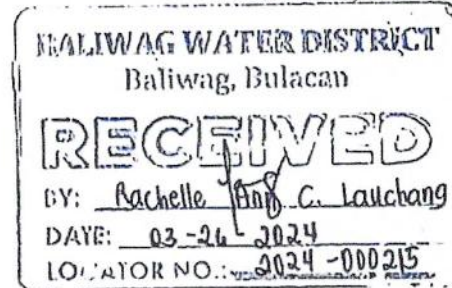
Note: Status of implementation may either be (a) Fully Implemented; (b) Ongoing; (c) Not implemented; (d) Partially Implemented; or (e) Delayed



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

March 22, 2024

Engr. MA. VICTORIA E. SIGNO
General Manager
Baliwag Water District
Baliwag, Bulacan



Dear Manager Signo:

We are pleased to transmit the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2023 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that they 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 exit conference that was held on March 19, 2024. Management's comments were incorporated in the report, where appropriate.

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

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

Very truly yours,



OMAR S. ROQUE
Regional Director

BALIWAG WATER DISTRICT
Baliwag, Bulacan

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2023
As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

Name and Position of Agency Officer

Date

Note: Status of implementation may either be (a) Fully Implemented; (b) Ongoing; (c) Not implemented; (d) Partially Implemented; or (e) Delayed



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

March 21, 2024

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

Dear **Director Roque**:

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

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

The audit report consists of Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations and Part III – Status of Implementation of Prior Year's Unimplemented Audit Recommendations. The Audit Observations and Recommendations were discussed with the officials concerned in the exit conference that was held on March 19, 2024.

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



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

March 20, 2024

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

Sir:

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

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

The audit report consists of Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations and Part III – Status of Implementation of Prior Year's Unimplemented Audit Recommendations. The Audit Observations and Recommendations were discussed with the officials concerned in the exit conference that was held on March 19, 2024.

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

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

Very truly yours,


CHARLIE C. ADONA
OIG-Audit Team Leader



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

FINANCIAL AUDIT REPORT

on the

BALIWAG WATER DISTRICT
Baliwag, Bulacan

For the Year Ended December 31, 2023

EXECUTIVE SUMMARY

A. INTRODUCTION

Baliwag Water District (the District) was created pursuant to Presidential Decree No. 198, otherwise known as the “Local Water Utilities Act of 1973”, as amended by PD Nos. 768 and 1479, and by virtue of the Local Sangguniang Bayan Resolution No. 011 series of 1988. On July 6, 1989, Conditional Certificate of Conformance (CCC) No. 407 was issued to the District by the Local Water Utilities Administration (LWUA) to formalize its establishment. This CCC is the accreditation from LWUA to a newly-formed water district to operate under the standard specification.



Since 1992, by virtue of the Supreme Court en banc decision in the case of *Davao City Water District, et al. vs. Civil Service Commission (CSC) et al.*, (GR No. 95237-38), water districts were declared government-owned and/or controlled corporations with original charter, and as such, they are placed under the jurisdiction of the CSC and the Commission on Audit (COA).

As of December 31, 2023, the District has 29 pumping stations which serve 27 barangays, with 35,848 total active service connections. The District is categorized as a Category “A” water district, pursuant to the Local Water District Manual on Re-categorization, since March 2017.

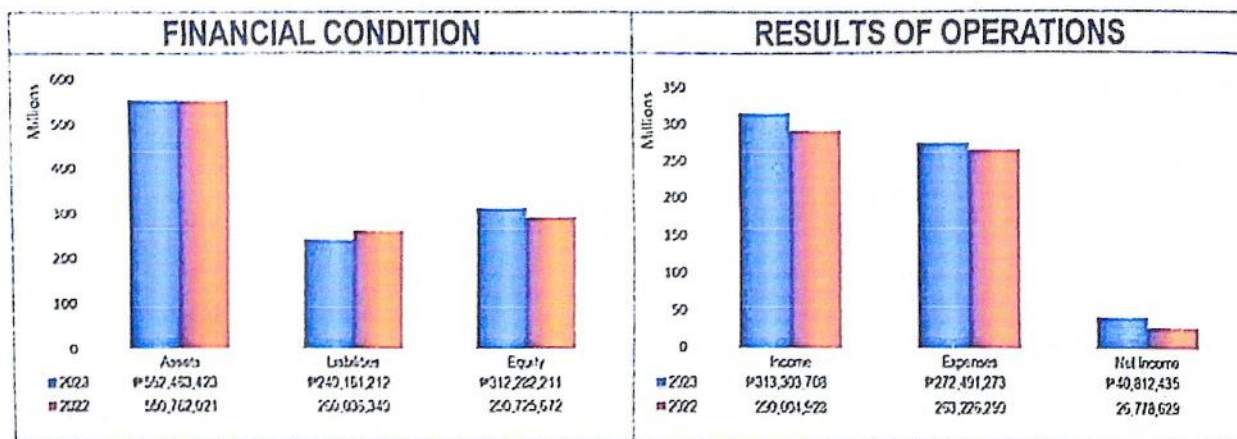
The District was formed for the purpose of acquiring, installing, improving, maintaining and operating water supply and distribution system for the residents of Baliwag, Bulacan. The District's Board of Directors is composed of the following:

Name	Position/Designation	Sector
Ms. Jacqueline D. Samson	Chairperson	Civic
Mr. Conrado E. Evangelista	Vice-Chairperson	Education
Ms. Hazel M. Galang	Secretary	Women
Mr. Florido S. Santos	Member	Business
Ms. Victoria G. Canoza	Member	Professional

The District has 142 permanent and four casual employees, and 14 Job Order and one coterminous personnel, headed by General Manager Engr. Ma. Victoria E. Signo.

B. FINANCIAL HIGHLIGHTS

The comparative figures of the District's financial condition and results of operation for CY 2023 and 2022 are depicted in the charts below:



C. SCOPE OF AUDIT

We conducted an audit of the financial transactions and operations of the District for the year ended December 31, 2023, using risk-based audit approach in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated October 9, 2023 prescribing the General Audit Instructions for the conduct of CY 2023 Audit of Water Districts, and for other matters. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion. The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

D. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the District for the year ended December 31, 2023 because of the significant accounting errors and deficiencies that materially misstate the assets, liabilities and equity accounts in the financial statements, taken as a whole, as follows: (a) overstatement of Construction in Progress–Infrastructure Assets account and understatement of the Property, Plant and Equipment (PPE) accounts by P70,829,088 due to non-reclassification of the cost of completed projects to their respective PPE accounts, while the corresponding depreciation expenses were not recognized thereby overstating the reported Net Income and Retained Earnings(Deficit) accounts while understating the Depreciation Expenses and Accumulated Depreciation accounts by P1,701,545; and (b) overstatement of Other Deferred Credits account and understatement of Loans Payable–Domestic account by P5,300,000 due to erroneous recognition of loan proceeds received as the project cost for the construction of transmission line.

For the above deficiencies, we recommended that the General Manager and/or the responsible personnel perform the following actions:

- (a) For the Construction in Progress–Infrastructure Assets account, reclassify the costs of the completed projects to their respective PPE accounts and prepare the necessary adjusting entries to correct the balances of the affected accounts;
- (b) For the Other Deferred Credits account, prepare the necessary journal entries to present fairly the balances of the affected non-current liabilities accounts in the financial statements and properly recognize loan proceeds in accordance with Annex C of COA Circular No. 2020-002 dated January 28, 2020.

SUMMARY OF OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

1. Warranty Securities for completed infrastructure projects totaling P90,747,542 were not required; thus, there is no guaranty that structural defects and failures, if any, will be corrected by the contractors concerned. (*Observation No. 3*)

We recommended that Management (a) compel the contractors concerned to post the required warranty securities for the completed projects pursuant to Section 62.2, Rule XIX of the 2016 Revised IRR of RA 9184 to ensure that structural defects and failures, if any, shall be corrected; and (b) henceforth, see to it that the requirements in the 2016 IRR of RA 9184 on the obligations of the contractors to post warranty security for completed infrastructure projects are complied with.

F. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The Statement of Audit Suspensions, Disallowances and Charges has a balance of P31,143,260 as of December 31, 2023 which pertains to audit disallowances issued from CY 2013 to CY 2020. There were no audit suspensions, disallowances and charges issued for the audited transactions of the District in CY 2023.

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

Of the 23 audit recommendations embodied in the CY 2022 Financial Audit Report, 20 were fully implemented, two were partially implemented and one was not implemented.

TABLE OF CONTENTS

	Page
Part I – Audited Financial Statements	1
Independent Auditor's Report	
Statement of Management Responsibility for Financial Statements	
Statement of Financial Position	
Statement of Comprehensive Income	
Statement of Changes in Equity	
Statement of Cash Flows	
Notes to Financial Statements	
Part II – Audit Observations and Recommendations	36
Part III – Status of Implementation of Prior Year's Audit Unimplemented Recommendations	63

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
Baliwag Water District
Baliwag, Bulacan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Baliwag Water District which comprise the Statement of Financial Position as at December 31, 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

As presented in Part II of the Report, significant accounting errors and deficiencies on the assets, liabilities and equity accounts were noted in the review of the financial statements, viz.: (a) overstatement of Construction in Progress–Infrastructure Assets account and understatement of the Property, Plant and Equipment (PPE) accounts by P70,829,088 due to non-reclassification of the cost of completed projects to their respective PPE accounts, while the corresponding depreciation expenses were not recognized thereby overstating the reported Net Income and Retained Earnings(Deficit) accounts while understating the Depreciation Expenses and Accumulated Depreciation accounts by P1,701,545; and (b) overstatement of Other Deferred Credits account and understatement of Loans Payable–Domestic account by P5,300,000 due to erroneous recognition of loan proceeds received as the project cost for the construction of transmission line.

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 Baliwag Water District in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Baliwag 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 Baliwag Water District, 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 Baliwag Water District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

COMMISSION ON AUDIT

By:


OSCAR G. JACINTO, JR.
Supervising Auditor

March 20, 2024



Baliwag Water District

Tomacruz St., Poblacion, Baliwag, Bulacan 3006
Tel. Nos. : (044) 766-2618 / (044) 798-0370 / (044) 798-0372
Fax No. : (044) 766-3737
www.baliwagwd.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

The Commission on Audit has audited the financial statements of the **Baliwag 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.

JACQUELINE D. SAMSON
Chairman of the Board
January 29, 2024

ENG. MA. VICTORIA E. SIGNO
General Manager
January 29, 2024

MA. TERESA F. RAMOS
AGM – Administration and Finance Group
January 29, 2024

ANALIZA V. BULAON
Manager, General Acctg. Division
January 29, 2024



ISO 9001: 2015 Certified
Cert. Reg. No. 01 100 1432628



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

(All amounts are rounded off to the nearest peso)

	Note	2023	2022
ASSETS			
Current Assets			
Cash and Cash Equivalents	2.3.3, 5	P23,795,167	P27,232,594
Receivables, Net	2.3.4, 6	35,737,605	34,542,531
Inventories	2.3.9, 7	6,827,731	8,688,752
Other Assets	8	2,124,292	2,422,495
Total Current Assets		68,484,795	72,886,372
Non-Current Assets			
Investments	9	727,237	724,768
Property, Plant and Equipment, Net	2.3.10, 10	480,860,181	475,844,645
Intangible Assets, Net	2.3.12, 11	2,391,210	1,306,236
Total Non-Current Assets		483,978,628	477,875,649
TOTAL ASSETS		P552,463,423	P550,762,021
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	2.3.4, 12	P33,958,410	P6,871,973
Inter-Agency Payables	13	4,490,036	4,353,861
Provisions	2.3.21, 16	6,300,694	0
Total Current Liabilities		44,749,140	11,225,834
Non-Current Liabilities			
Financial Liabilities	2.3.4, 12	160,976,008	204,605,739
Inter-Agency Payables	13	3,420,845	3,420,845
Trust Liabilities	14	7,263,234	11,660,790
Deferred Credits/Uncearned Revenue/Income	15	5,300,000	0
Provisions	2.3.21, 16	17,857,986	22,790,661
Other Payables	17	613,999	6,332,480
Total Non-Current Liabilities		195,432,072	248,810,515
TOTAL LIABILITIES		240,181,212	260,036,349
EQUITY			
Government Equity	18	20,883,552	20,883,552
Retained Earnings	19	291,398,659	269,842,120
TOTAL EQUITY		312,282,211	290,725,672
TOTAL LIABILITIES AND EQUITY		P552,463,423	P550,762,021

The notes on pages 9 to 35 form part of these statements.



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

(All amounts are rounded off to the nearest peso)

	Note	2023	2022
INCOME			
Business Income	2.3.15, 20	P312,732,074	P289,303,748
Other Gains	21	150,410	559,334
Other Non-Operating Income	22	421,224	141,846
TOTAL INCOME		313,303,708	290,004,928
EXPENSES			
Personnel Services	2.3.19, 23	96,301,823	97,947,881
Maintenance and Other Operating Expenses	2.3.19, 24	119,571,834	112,156,300
Financial Expenses	2.3.19, 25	10,367,877	9,014,720
Direct Costs	2.3.19, 26	12,380,186	12,385,791
Non-Cash Expenses	2.3.19, 27	33,869,553	31,721,607
TOTAL EXPENSES		272,491,273	263,226,299
NET INCOME		P40,812,435	P26,778,629

The notes on pages 9 to 35 form part of these statements.



BALIWAG WATER DISTRICT
Baliwag, Bulacan
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2023
(With Comparative Figures for CY 2022)

(All amounts are rounded off to the nearest peso)

	GOVERNMENT EQUITY	RETAINED EARNINGS	TOTAL
BALANCE AT JANUARY 1, 2022	P20,883,552	P251,071,560	P271,955,112
Add (Deduct):			
Net Income for the year	0	26,778,629	26,778,629
Other Adjustments	0	(8,008,069)	(8,008,069)
BALANCE AT DECEMBER 31, 2022	20,883,552	269,842,120	290,725,672
Add (Deduct):			
Net Income for the year	0	40,812,435	40,812,435
Other Adjustments	0	(19,255,896)	(19,255,896)
BALANCE AT DECEMBER 31, 2023	P20,883,552	P291,398,659	P312,282,211

The notes on pages 9 to 35 form part of these statements.



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

(All amounts are rounded off to the nearest peso)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Accounts Receivable		P259,058,949	P248,457,684
Collection of Other Receivables		3,001,922	2,485,653
Collection of Income/Revenue		11,037,181	11,701,456
Other Receipts		31,541,510	15,915,216
Total Cash Inflows		304,639,562	278,560,009
Adjustments		14,476	2,163,003
Adjusted Cash Inflows		304,654,038	280,723,012
Cash Outflows			
Payment of Expenses		97,919,072	115,289,009
Grant of Cash Advances		10,367,598	8,767,548
Payment of Accounts Payable		76,208,678	55,813,704
Remittance of Personnel Benefits			
Contributions and Mandatory Deductions		58,403,875	60,795,689
Total Cash Outflows		242,899,223	240,665,950
Adjustments		1,993,000	166,855
Adjusted Cash Outflows		244,892,223	240,832,805
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		59,761,815	39,890,207
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from Sale/Disposal of Property, Plant and Equipment		475,128	443,909
Receipt of Interest Earned		11,754	7,486
Total Cash Inflows		486,882	451,395
Cash Outflows			
Purchase/Construction of PPE		40,755,890	85,502,024
Total Cash Outflows		40,755,890	85,502,024
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(40,269,008)	(85,050,629)
Cash Flows from Financing Activities			
Cash Inflows			
Proceeds from Domestic Loans		21,196,165	87,836,023
Total Cash Inflows		21,196,165	87,836,023
Cash Outflows			
Payment of Long term Liabilities		44,126,399	34,420,238
Total Cash Outflows		44,126,399	34,420,238
NET CASH PROVIDED BY (USED) IN FINANCING ACTIVITIES		(22,930,234)	53,415,785
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,437,427)	8,255,363
CASH AND CASH EQUIVALENTS - JANUARY 1		27,232,594	18,977,231
CASH AND CASH EQUIVALENTS - DECEMBER 31	5	P23,795,167	P27,232,594

The notes on pages 9 to 35 form part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. GENERAL AGENCY INFORMATION AND AUTHORIZATION FOR THE ISSUANCE OF FINANCIAL STATEMENTS

1.1 Agency Background

Baliwag Water District (the District) was created pursuant to Presidential Decree No. 198, otherwise known as the “Local Water Utilities Act of 1973”, as amended by PD Nos. 768 and 1479, and by virtue of the Local Sangguniang Bayan Resolution No. 011 series of 1988. On July 6, 1989, Conditional Certificate of Conformance (CCC) No. 407 was issued to the District by the Local Water Utilities Administration (LWUA) to formalize its establishment. This CCC is the accreditation from LWUA to a newly-formed water district to operate under the standard specification.

Since 1992, by virtue of the Supreme Court en banc decision in the case of *Davao City Water District, et al. vs. Civil Service Commission (CSC) et al.* (GR No. 95237-38), water districts were declared government-owned and/or controlled corporations with original charter, and as such, they are placed under the jurisdiction of the CSC and the Commission on Audit (COA).

As of December 31, 2023, the District has 29 pumping stations which serve 27 barangays, with 35,848 total active service connections. The District is categorized as a Category “A” water district, pursuant to the Local Water District Manual on Re-categorization, since March 2017.

The District was formed for the purpose of acquiring, installing, improving, maintaining and operating water supply and distribution system for the residents of Baliwag, Bulacan.

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

Name	Position/Designation	Sector
Ms. Jacqueline D. Samson	Chairperson	Civic
Mr. Conrado E. Evangelista	Vice-Chairperson	Education
Ms. Hazel M. Galang	Secretary	Women
Mr. Florido S. Santos	Member	Business
Ms. Victoria G. Canoza	Member	Professional

The District has 142 permanent and four casual employees, and 14 job order and one coterminous personnel under the stewardship of Engr. Ma. Victoria E. Signo as General Manager.

1.2 Authorization for Issuance of the 2023 Financial Statements

The financial statements of the District for the year ended December 31, 2023 were authorized for issue by the Board of Directors on January 30, 2024 as reflected in the

Statement of Management's Responsibility for Financial Statements signed by the BOD Chairperson.

2. 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.

For the year ended December 31, 2023, the District prepared its financial statements (FS) in accordance with generally accepted accounting principle in the Philippines and Philippine Financial Reporting Standards (PFRS)

2.2 Statement of Compliance

The financial statements were prepared in compliance with PFRS, which includes statements named PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council and Revised Chart of Accounts (RCA) for Government Corporations prescribed in COA Circular Nos. 2020-002 dated January 28, 2020.

2.3 Summary of Significant Accounting Policies

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

2.3.1 Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The District classifies all other liabilities as noncurrent.

2.3.2 Fair Value Measurement

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the 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.

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

As at December 31, 2023 and 2022, the District does not have financial assets and financial liabilities at FVPL, HTM investments, and AFS.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the

intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The 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 and 2022, this category includes the District's Receivables account.

Financial Liabilities Measured at Amortized Cost

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

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

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

2.3.5 Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Loans and receivables

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

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

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is

recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

2.3.6 Impairment of Financial Assets

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

As at December 31, 2023 and 2022, the District has no impaired financial assets.

2.3.7 Offsetting Financial Instruments

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

2.3.8 Classification of Financial Instruments between Debt and Equity

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

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

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

2.3.9 Inventories

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

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

2.3.10 Property, Plant and Equipment (PPE)

PPE, except land, are stated at cost less accumulated depreciation 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 costs of bringing the PPE to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period.

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

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

<u>Category</u>	<u>Number of years</u>
Office furniture and equipment	5
Transportation equipment	7
Machinery and equipment	10
Building and other structures	30

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

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

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

Recognition

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

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

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity;
- The cost or fair value of the item can be measured reliably; and
- The cost is at least P50,000.

Measurement at recognition

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

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

Measurement after recognition

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

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

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

Depreciation

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

Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate for Entity operation.

Estimated useful life

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

Residual value

The District uses a residual value equivalent to at least ten percent (10%) of the cost of the PPE.

Impairment

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

Derecognition

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

2.3.11 Construction in Progress

Construction in progress (CIP) is stated at cost. While the construction is in progress, project costs are accrued based on the contractors' accomplishments reports and billings. These represent cost incurred for technical services and capital work programs contracted by the district to facilitate the implementation of the project. While the construction of the project is in progress, no provision for depreciation is recognized.

For assets under construction, the Construction Period Theory shall be applied for costing purposes. Liquidated damages shall be charged and paid by the contractor.

CIP is booked to the related PPE account when the construction or installation and related activities necessary to prepare the PPE for their intended use have been completed and ready for service. Any related expense incurred during the construction of the project, such as license, permit, clearance fees, etc., shall be capitalized.

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 (CGU) 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.

2.3.13 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 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 group 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.

As at December 31, 2023 and 2022, the District has no reported impaired non-financial assets.

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

For the period ending December 31, 2023 and 2022, Income from Waterworks System was classified under Business Income in the Statement of Comprehensive Income.

2.3.16 Fines and Penalties not related to taxes

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

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

For the period ending December 31, 2023 and 2022, Fines and Penalties was classified under Business Income in the Statement of Comprehensive Income.

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

For the period ending December 31, 2023 and 2022, cost of services and operating expenses includes personnel services, maintenance and other operating expenses, financial expenses, direct costs and non-cash expenses.

2.3.20 Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and

tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax

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

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

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

2.3.21 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. When the District expects a provision to be reimbursed, the reimbursement is not recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

2.3.22 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

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

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

3.1 Judgments

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

Determination of impairment of non-financial asset

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

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

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

3.2 Estimates and Assumptions

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

Determination of impairment of receivables

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

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

Determination of estimated useful lives of PPE

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

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Future Charges in Accounting Policies

Pronouncements issued but not yet effective are listed below. The District intends to adopt the following pronouncements when they become effective.

Unless otherwise indicated, the District does not expect that the future adoption of these pronouncements will have a significant impact on its financial statements.

Effective beginning on or after January 1, 2023

Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The District will perform an assessment of the potential impact of PAS 1.

PFRS 17, Insurance Contracts

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The District will perform an assessment of the potential impact of PFRS 17.

Interpretation with Deferred Effective Date

Amendments to PAS 28, Long-term Interest in Associates and Joint Ventures

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Earlier application of these amendments is permitted.

The amendments are not expected to have any significant impact on the District's financial statements.

Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to as an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interest in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

5. CASH AND CASH EQUIVALENTS

This consists of the following:

	2023	2022
Cash—Collecting Officers	P600,373	P687,010
Petty Cash Fund	50,000	50,000
Cash in Bank—Local Currency Current Account	16,363,637	19,717,176
Cash in Bank—Local Currency Savings Account	6,781,157	6,778,408
Total Cash and Cash Equivalents	P23,795,167	P27,232,594

Cash—Collecting Officers consists of undeposited collections as at year-end. This also includes Gift Certificate payment dated December 29, 2023 amounting to P5,500 and was deposited on January 2, 2023.

Petty Cash Fund pertains to amount granted to designated Petty Cash Custodian for payment of authorized petty or miscellaneous expenses which cannot be conveniently paid through checks.

Cash in Bank–Local Currency, Current Account pertains to current accounts maintained at Land Bank of the Philippines (LBP) (Baliwag Branch) and Development Bank of the Philippines (Malolos Branch). This account includes unreleased checks totaling ₱167,948 which were not reverted as of year-end.

Cash in Bank-Local Currency, Savings Account pertains to savings account maintained at LBP (Baliwag Branch) for the Joint Savings Account (JSA) with LWUA.

6. RECEIVABLES, Net

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

	2023	2022
Accounts Receivable (AR)	₱35,994,650	₱34,729,647
Allowance for Impairment – AR	(2,643,388)	(2,374,760)
Accounts Receivable, Net	33,351,262	32,354,887
Notes Receivable	2,035,565	2,091,699
Other Receivables	350,778	95,945
Receivables, Net	₱35,737,605	₱34,542,531

Accounts Receivable (AR) pertains to the amount due from concessionaires arising from water sales, septage fee and LGU billing for both active and disconnected accounts.

Allowance for Impairment – AR pertains to estimated bad debts as per BOD Resolution No. 086 Series 2021.

Notes Receivable pertains to new service connection paid on installment basis and for the penalties imposed to concessionaires who violated the District’s established policy on pilferages and other unlawful acts.

Other Receivables pertains to receivables from the clustering/tipping fee, suppliers and employee’s deduction from payroll.

Below is the aging of AR:

	2023	2022
0	₱14,883,513	₱14,155,293
1-90 Days	13,191,273	13,111,333
91-180 Days	453,809	480,409
181 Days - 1 Year	594,277	573,026
over 1 year	6,871,778	6,409,586
Total AR	₱35,994,650	₱34,729,647

7. 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. Breakdown is presented below:

<u>Inventory Held for Consumption</u>	<u>2023</u>	<u>2022</u>
<i>Cost</i>		
Balance, January 1	P8,688,752	P9,266,790
Acquisitions during the year	10,272,378	12,818,395
Expensed during the year except for write-down	(12,133,399)	(13,396,433)
Total Inventories	P6,827,731	P8,688,752

Inventory Held for Consumption pertains to Office Supplies Inventory, Accountable Forms, Plates and Stickers Inventory, Medical, Dental and Laboratory Supplies Inventory, Fuel, Oil and Lubricants, Chemical and Filtering Supplies Inventory, Supplies and Materials for Water Systems Operations, Housekeeping/Cleaning Supplies, and Other Supplies and Materials Inventory such as Building, Vehicle and IT supplies for use in operation.

8. OTHER ASSETS

This consists of the following:

	<u>2023</u>	<u>2022</u>
Advances to Special Disbursing Officer	P71,870	P0
Other Deposits	1,941,432	2,422,495
Other Assets	110,990	0
Total Other Assets	P2,124,292	P2,422,495

Advances to Special Disbursing Officer pertains to amount granted to accountable officers and employees for special purpose/time-bound undertakings to be liquidated within a specified period.

Other Deposits pertains to the bill deposit which is required by Meralco as a guarantee for payment of electric bills of the District's various pumping station.

Other Prepayments pertains to salaries and allowance paid in advance to Ms. Desiree D. Sangoyo for her maternity leave covering the period from December 11 to March 24, 2024.

9. INVESTMENTS

This pertains to authorized placements of cash in local currency with Authorized Government Depository Bank (AGDB) for a period of 91 days or more and recognized under the Investments in Time Deposits-Local Currency account.

10. PROPERTY, PLANT AND EQUIPMENT (PPE), NET

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

2023									
Particulars	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Construction in Progress	Other PPE	Grand Total
Cost									
Balance, Jan. 1	P31,529,792	P183,929,410	P377,554,668	P129,082,466	P33,641,010	P4,979,188	P55,815,439	P143,732	P816,675,705
Additions	543,185	10,341,776	2,447,897	3,840,033	34,981	0	20,779,682	0	37,987,554
Disposals/Reclassifications	(27,000)	0	0	0	0	0	0	0	(27,000)
Balance, Dec. 31	32,045,977	194,271,186	380,002,565	132,922,499	33,675,991	4,979,188	76,595,121	143,732	854,636,259
Less: Accumulated Depreciation									
Balance, Jan. 1	0	92,153,034	153,552,042	76,361,597	14,482,036	4,152,992	0	129,359	340,831,060
Depreciations	0	7,936,617	15,269,554	7,385,998	2,248,861	103,988	0	0	32,945,018
Balance, Dec. 31	0	100,089,651	168,821,596	83,747,595	16,730,897	4,256,980	0	129,359	373,776,078
PPE, Net	P32,045,977	P94,181,535	P211,180,969	P49,174,904	P16,945,094	P722,208	P76,595,121	P14,373	P480,860,181

2022									
Particulars	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Construction in Progress	Other PPE	Grand Total
Cost									
Balance, Jan. 1	P31,856,792	P177,765,096	P319,649,106	P132,489,420	P31,675,612	P6,236,065	P23,183,357	P189,122	P723,044,570
Additions	0	6,164,314	57,905,562	7,227,638	2,069,198	192,530	32,632,082	0	106,191,324
Disposals/Reclassifications	(327,000)	0	0	0	(103,800)	0	0	0	(430,800)
Effects of the New Capitalization Threshold	0	0	0	(10,634,592)	0	(1,449,407)	0	(45,390)	(12,129,389)
Balance, Dec. 31	31,529,792	183,929,410	377,554,668	129,082,466	33,641,010	4,979,188	55,815,439	143,732	816,675,705
Less: Accumulated Depreciation									
Balance, Jan. 1	0	83,853,523	139,074,969	74,930,378	13,338,600	5,056,593	0	154,865	316,408,928
Depreciations	0	8,299,511	14,477,073	8,744,968	1,143,436	217,992	0	5,940	32,888,920
Effects of the New Capitalization Threshold	0	0	0	(7,313,749)	0	(1,121,593)	0	(31,446)	(8,466,788)
Balance, Dec. 31	0	92,153,034	153,552,042	76,361,597	14,482,036	4,152,992	0	129,359	340,831,060
PPE, Net	P31,529,792	P91,776,376	P224,002,626	P52,720,869	P19,158,974	P826,196	P55,815,439	P14,373	P475,844,645

The following information pertain to the two parcels of land which have no Transfer Certificate of Title (TCT) yet:

1. *Barangay San Jose*

- a) The lot located in Barangay San Jose, Baliwag, Bulacan was purchased thru installment basis from Mr. Wilfredo L. Santiago;
- b) A Deed of Conditional Sale was executed by and between the District and Mr. Santiago on October 11, 2012; and
- c) Among the terms and conditions stated in the Deed of Conditional Sale was that a Deed of Absolute Sale in favor of the District will be executed only when the total amount of P2,262,000.00 had already been fully paid.

2. *Barangay Tibag*

The Deed of Sale for Barangay Tibag lot was misplaced and only a subdivision plan was found. The District has already sought the help of the Register of Deeds.

Management is exerting effort to secure the covering TCTs on the above parcels of land to protect the District's interest and in order to document the absolute ownership thereon.

11. INTANGIBLE ASSETS, NET

This pertains to the acquisition cost of software application recognized under the Computer Software account and Website account net of the related Accumulated Amortization.

12. FINANCIAL LIABILITIES

This account includes long-term obligations of the District and amounts payable to the suppliers and other creditors, as shown below:

	2023	2022
Current		
Accounts Payable	P2,759,372	P6,871,973
Loans Payable – Domestic		
- LWUA	1,668,392	0
- LBP	12,859,057	0
- DBP	16,671,589	0
Total Financial Liabilities – Current	33,958,410	6,871,973
Non-Current		
Loans Payable – Domestic		
- LWUA	P14,224,064	P17,602,528
- LBP	38,888,406	68,203,960
- DBP	107,863,538	118,521,509
- PSBank	0	277,742
Total Financial Liabilities – Non-Current	160,976,008	204,605,739
Total Financial Liabilities	P194,934,418	P211,477,712

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

13. INTER-AGENCY PAYABLES

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

	2023	2022
Current		
Due to BIR	P2,622,609	P2,537,669
Due to GSIS	1,586,398	1,488,932
Due to Pag-IBIG	106,645	153,635
Due to Philhealth	174,384	173,625
Total Inter–Agency Payables– Current	4,490,036	4,353,861

	2023	2022
Non – Current		
Due to LGUs	3,420,845	3,420,845
Total Inter–Agency Payables– Non – Current	3,420,845	3,420,845
Total Inter–Agency Payables	P7,910,881	P7,774,706

Due to LGUs pertains to the waterworks facilities transferred by the Municipality of Baliwag which were managed, operated by and under the control of the District. The COA Audit Team requested the confirmation of the receivable to Municipal Accountant of Baliwag. However, the receivable is not recorded in the books of accounts of the LGU. Due to the foregoing, the District shall request COA for the dropping of the said payable amount.

14. TRUST LIABILITIES

This pertains to receipt of amounts held in trust for specific purposes as follows:

	2023	2022
Trust Liabilities	P164,920	P84,434
Guaranty/Security Deposits Payable	4,637,815	11,109,108
Customers' Deposits Payable	2,460,499	467,248
Total Trust Liabilities	P7,263,234	P11,660,790

Trust Liabilities pertains to the salaries of two retired/resigned employees, telephone expenses–mobile of officers and employees and deducted amount for the disallowed Anniversary Bonus under Notice of Disallowance (ND) No. 2021-02-BWD(2020).

Guaranty/Security Deposits Payable consists of retention on Contract payment and guarantee Deposit for New Connection both residential and construction

Customers' Deposits Payable pertains to excess payment received from the monthly water sales and septage fee billing.

15. DEFERRED CREDITS/UNEARNED REVENUE/INCOME

This includes proceeds from loan availments for the construction of transmission lines recognized under the Other Deferred Credits account.

16. PROVISIONS

This pertains to the undiscounted expected cost of short-term employee benefits in the form of compensated absences recognized under the Leave Benefits Payable account. To arrive at the undiscounted expected cost of short-term employee benefit, the total earned vacation

and sick leaves of each employee is multiplied by their respective basic monthly salary. The product is then finally multiplied to a constant factor of 0.0481927 as prescribed under Civil Service Memorandum Circular No. 02 s. 2016 promulgated on December 21, 2015.

17. OTHER PAYABLES

This pertains to other liabilities not falling under any of the specific payable accounts such as payable for the purchased lot, provident fund employees' shares and loans, other suppliers and gift certificates.

18. GOVERNMENT EQUITY

This pertains to the amount of contributions paid by various donors whether in cash or in kind and eventually donated to the District. Details as follows:

	2023	2022
Capital Contributed - NPC	P1,495,000	P1,495,000
Donated Capital:		
Milflora Subdivision	5,964,000	5,964,000
US Grants	46,260	46,260
Le Gran Place Subdivision	308,528	308,528
Waterwood Land	13,069,764	13,069,764
Total Government Equity	P20,883,552	P20,883,552

19. RETAINED EARNINGS

This account consists of the following:

	2023	2022
Retained Earnings, Beginning	P269,842,120	P251,071,560
Add/(Deduct):		
Comprehensive Income	40,812,435	26,778,629
Other Adjustments	(19,255,896)	(8,008,069)
Total Retained Earnings	P291,398,659	P269,842,120

Other Adjustments were attributed to the following:

	2023	2022
Prior Year's Expenses	(P5,828,547)	(P8,408,076)
To reverse estimated consumption of Water Bill and Septage fee for the month of December 31,2023	(14,155,293)	0
Suspension/Disallowance of BAC Honorarium and Anniversary Bonus under ND 2021-02-BWD (2020)	170,420	219,893

	2023	2022
Adjustment in Supervision/Admin. Engineering Cost based on final Loan release from LWUA	0	180,114
Adjustment due to errors and discrepancies from the old/existing Depreciation System	164,682	0
Cancellation of voucher as per JEV#2210-146 due to changes in Implementing Rules and Regulation for the reward in illegal connection reporter.	3,000	0
Reclassification of insurance expenses should be charge to the contractor for the project Transmission Line using Horizontal Directional Drilling which was deducted in their 11 th progress billing	393,881	0
Refund of New Connection application due to insufficient space of crossing and incapable execution of concrete cutting caused by drainage canal on both side of the road	(4,039)	0
Total Other Adjustments	(P19,255,896)	(P8,008,069)

20. BUSINESS INCOME

This consists of the following:

	2023	2022
Waterworks System Fees	P268,463,016	P255,320,292
Interest Income	17,162	13,657
Fines and Penalties-Business Income	8,830,187	8,188,465
Other Business Income	35,421,709	25,781,334
Total Business Income	P312,732,074	P289,303,748

Waterworks System Fees account pertains to water bills arising from services rendered to the customers of the District.

Fines and Penalties-Business Income refers to penalty charges collected for delayed payment of water bills.

Other Business Income refers to income earned from the installation of service connections, reconnection, and repair of the consumer's service line.

Interest Income includes interest earned from current and savings depository accounts.

21. OTHER GAINS

These are proceeds from materials purchased by concessionaires from the District and includes gains which are not classified under any of the specific gain accounts.

22. OTHER NON-OPERATING INCOME

This includes proceeds from sale of unserviceable property, amounts recognized for the reversal of impairment loss and receipts of miscellaneous income.

23. PERSONNEL SERVICES

This consists of the following:

	2023	2022
Salaries and Wages	P55,907,321	P56,335,960
Other Compensation	27,412,459	27,731,436
Personnel Benefit Contributions	8,136,898	8,151,819
Other Personnel Benefits	4,845,145	5,728,666
Total Personnel Services	P96,301,823	P97,947,881

24. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This consists of the following:

	2023	2022
Travelling Expenses	P953,923	P2,120,159
Training Expenses	1,779,786	1,420,641
Supplies and Materials Expenses	3,381,100	3,893,611
Utility Expenses	2,659,907	2,896,950
Communication Expenses	819,636	875,426
Awards/Rewards Expenses	450,143	698,899
Survey Expenses	35,215	44,160
Generation, Transmission and Distribution Expenses	54,655,221	54,930,744
Extraordinary and Miscellaneous Expenses	134,992	135,045
Professional Services	381,061	394,073
General Services	36,501,844	27,173,072
Repairs and Maintenance	6,095,786	6,898,438
Taxes, Insurance Premiums and Other Fees	5,977,416	6,249,654
Other Maintenance and Operating Expenses	5,745,804	4,425,428
Total MOOE	P119,571,834	P112,156,300

25. FINANCIAL EXPENSES

This consists of the following:

	2023	2022
Interest Expenses	P10,366,877	P9,014,270
Other Financial Charges	1,000	450
Total Financial Expenses	P10,367,877	P9,014,720

26. DIRECT COSTS

This pertains to the cost of bulk water purchased by the District for distribution to its concessionaires recognized under the Cost of Sales account.

27. NON-CASH EXPENSES

This consists of the following:

	2023	2022
Depreciation	P33,082,707	P31,068,874
Amortization-Intangible Assets	337,638	112,247
Impairment Loss – Loans and Receivables	268,628	389,040
Other Discounts	180,580	151,446
Total Non-Cash Expenses	P33,869,553	P31,721,607