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About the cover

The cover shows the Lusaran water treatment facility, developed by JE Hydro and Bio-Energy Corporation that became fully operational in December 2022 to provide bulk water supply to the Metropolitan Cebu Water District (MCWD) to serve more barangays within its service area.

This development underscores the commitment of MCWD to making affordable and potable drinking water accessible to Cebuanos as it is essential for human survival. Without access to clean water can lead to a range of health problems.

The additional water from Lusaran is likewise seen as a key factor in driving economic growth and development. Access to clean water is not just a humanitarian issue, but also a critical component of sustainable economic growth.

Quenching thirst, powering progress:
Excellence delivered one drop at a time.

WATER
DISTRICT



OUR VISION AND MISSION

Vision

MCWD envisions itself to be a progressive and economically viable utility firm that provides adequate, safe, potable, and affordable water and an effective sewerage system for Metro Cebu.

Mission Statement

We are committed to undertake continuing exploration and development activities, aimed at the preservation and sustainability of our water resources. We must always adhere to sound practices in preserving our natural environment.

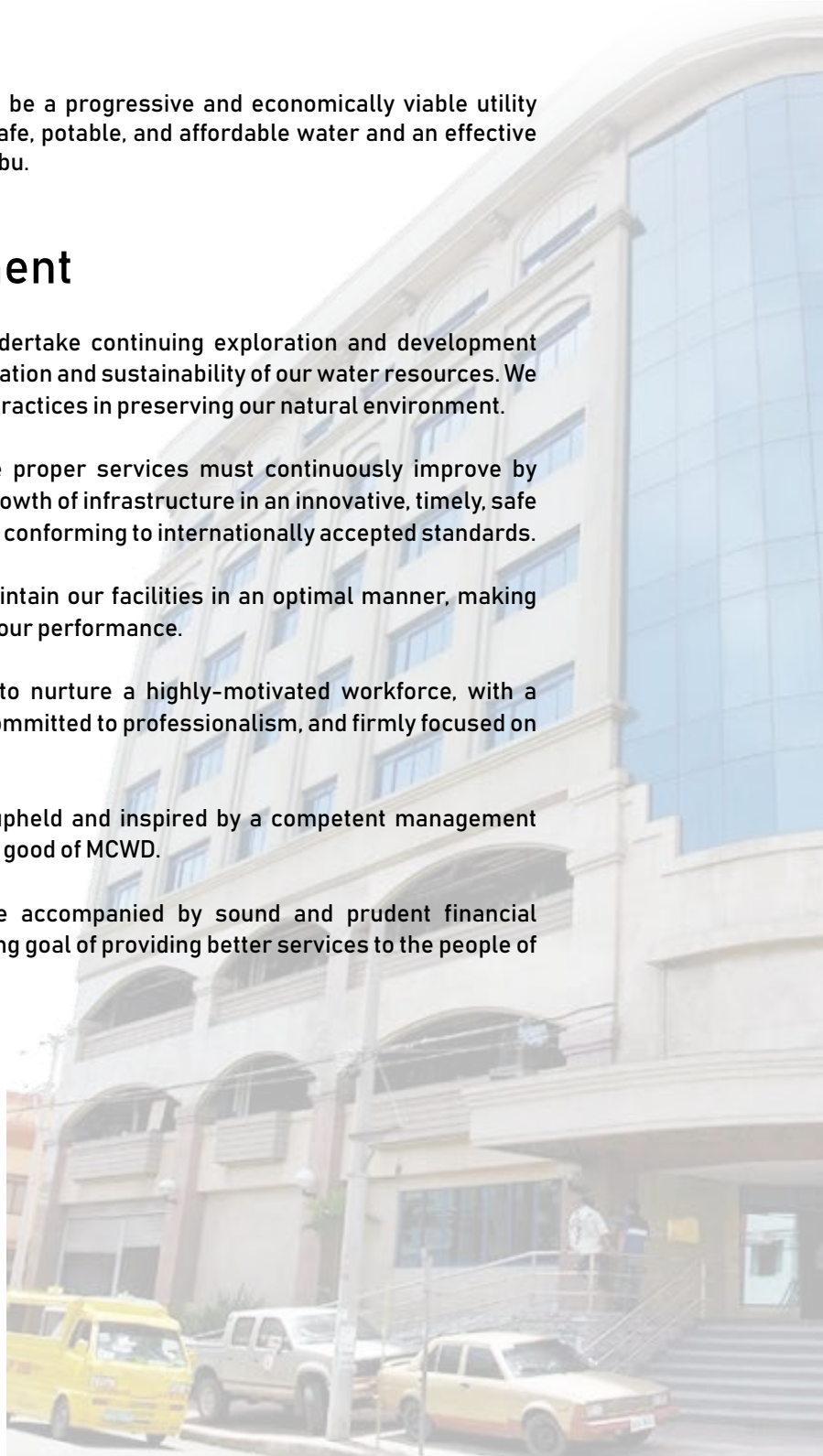
Our capability to provide proper services must continuously improve by designing and managing the growth of infrastructure in an innovative, timely, safe and cost-effective manner and conforming to internationally accepted standards.

We shall operate and maintain our facilities in an optimal manner, making total quality an integral part of our performance.

It is then indispensable to nurture a highly-motivated workforce, with a strong collaboration, deeply committed to professionalism, and firmly focused on productivity.

The workforce shall be upheld and inspired by a competent management team dedicated to the common good of MCWD.

All these tasks must be accompanied by sound and prudent financial management with the overriding goal of providing better services to the people of Metro Cebu.





OUR CORE VALUES

In order to achieve our overarching goals and objectives, it is essential that we cultivate a strong organizational culture that is rooted in our fundamental principles and beliefs. Every action we take, whether in the office or out in the field, should be guided by our improved core values, INSPIRE, our backbone and guiding light.

INTEGRITY

More than being honest, one must be truthful and incorruptible

SPIRIT OF SERVICE

Render personal sacrifice: to attain the goals and objectives by providing quality service beyond the demand of the customers.

PROFESSIONALISM

Exhibiting a courteous, conscientious and generally business-like manner in workplace and conformance to technical and ethical standards of a profession

INNOVATIVENESS

Transform from traditional ways into more effective ways through use of modern technology

RESILIENCY

Quickly adapt to disruptions and adversities while continuously run the operations, unite its people in the face of challenges

OUR CULTURE

Being active in the community involvement, MCWD gives back to the people that we have served. In the spirit of service, it allows us to engage with the local community, business and other parties. (orange-community involvement)

One of MCWD's cultural pillars is founded on its empathy and compassion for its employees. MCWD believes that making employees feel valued and well taken care of inspires positive outcomes and success for the water district. (red-perks and benefits)

The company adheres to a flexible, friendly and playful work environment but ensures maximum productivity and accountability of employees. (green-work environment)

In the midst of challenging and evolving demands in communication, the company strives to be relevant and current by utilizing new technologies to transmit the information and message we would like to convey. From the basic of giving feedback to institutionalizing our communication plan, we hope to give the right information to the right people at the right time. (yellow-communication)

The company inspires its employees by passionately challenging and stimulating them to do beyond what is necessary. Recognizing such efforts by the employees. (blue-recognition)

MCWD is an institution whose culture is to primarily promote sustainable environmental programs and committed in the preservation of our water resources. (pink-leadership)

Message from the Chairperson of the Board

The year 2022 has showed signs of economic recovery, and the Metropolitan Cebu Water District (MCWD) has been doing its best to sufficiently respond to the increasing demand for more water. We are optimistic that the flowing of additional 15 MLD for the Lahug Water Supply Project is a huge relief to the consumers in the area taking into consideration that they have been suffering from inadequate supply for many years. The bringing of water from Lusanan River to Cebu City was made possible in partnership with JE Hydro and Bio Energy Corporation, the remarkable support from different Barangay Officials and the Cebu City Government. This is only the commencement of more supply that will be added to the system. MCWD will also implement pipelaying projects in different mountain barangays that includes Budlaan, Pulangbato, Binaliw, Agsungot, Guba, Cambinocot, Paril, Lusanan, Adlaon, Sirao, Pung-ol Sibugay, Babag and Malubog. Once completed, this is a significant milestone for MCWD as this will alleviate the life of the residents in these barangays most especially those whose primary way of living is farming thus, having abundant supply of water is their sustenance. The implementation of these projects is underway, and the water shall be sourced from Lusanan River. MCWD already approved several Notice of Awards for the supply of desalinated water, pure sea-water source with an aggregate volume of 75 MLD. Assuming that the approval of these Joint Venture Projects from different concerned government agencies will go on smoothly and as scheduled, desalinated water is expected to start flowing within the next two (2) years.

Furthermore, MCWD will implement the Septage Management Program in Cebu City. This is in addition to the facility in Cordova, Cebu that is already operational catering Mactan Island. The Government of Japan, through the Japan International Cooperation Agency (JICA) has granted MCWD an aid in the amount of One Billion Pesos (P1,000,000,000.00) purposely to finance the rehabilitation of the Septage Treatment Facility at the North Reclamation Area, which was turned-over to MCWD by the Cebu City Government. The facility will process a maximum volume of 450 cubic meters per day of septic tank sludge.



Amidst the many challenges, MCWD assured the consumers and all constituents of continued quality service, and explore various options to deliver more water to the Cebuanos. We would like to extend our appreciation to the consumers, business partners, suppliers, the Local Government Units and all other stakeholders for your unwavering support that enables MCWD to perform its mandate.



ATTY. JOSE DALUZ III



Message from the General Manager

Warm greetings to all!

As I continually take on the challenge of being your General Manager, I look forward to leading MCWD into a future of sustainability.

Despite the challenges posed by the pandemic and Typhoon Odette, the current situation is undoubtedly better than it was three years ago when the COVID-19 disease was declared on March 11, 2020. While serious vulnerabilities remain and hard work lies ahead, it is crucial that we do not lose sight of how far we have come.

At present, MCWD has 204,109 service connections that consume approximately 178,000 cubic meters of water per day (cmd). We aim to serve an additional 14,000 service connections to consume 20,000 cmd to reach a total of 198,000 cmd utilized by our consumers by year-end.

To achieve our target and provide uninterrupted service, MCWD needs additional water supply to expand services to areas that have been without MCWD water for 48 years. These areas include Talisay City, Barangays Busay and Pit-os in Cebu City, as well as Cabadiangan in Compostela. We are also improving the water supply in Lahug, Apas, Camputhaw, Capitol, Talamban, and Banilad in Cebu City, along with Basak and Punta Engaño in Lapu-Lapu City, by incorporating bulk water supplies from Lusaran, Cordova, and MEPZ. Currently, we are implementing our water sourcing

strategies that will bring in 460,000 cmd with ongoing proposals for desalination and surface water already in progress.

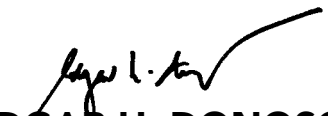
Having this volume of water, our next great challenge lies in our pipeline network, which will receive, transmit, and distribute it. We need to replace the antiquated and undersized existing pipes and related infrastructure. This time, the Board of Directors and Management are going the extra mile by requesting Congress to fund some, if not all, of the requirements, with an estimated amount of Php 4.2 billion in the five-year capital expenditure program of MCWD. We will continue our efforts to seek free sources of funds to aid the implementation of our strategic plan.

Indeed, water is a finite resource and can only be renewed if managed properly. In order to conserve water and reduce production costs, it is essential to limit Non-Revenue Water (NRW) - water that has been produced but is lost before reaching consumers. The additional water obtained this year would be in vain if our NRW remains high. Currently, MCWD's NRW stands at around 31%, and we are determined to decrease it to 28% by the end of 2023. To achieve this target, we will be focusing our efforts on reducing physical losses by continually implementing programs such as meter maintenance, and monitoring of LGU extractions. These initiatives will be regularly carried throughout the year.

In essence, despite these challenges, MCWD remains financially stable. However, the approval of the new water rates in 2023, judicious management of expenses, and the fruition of our water sourcing and infrastructure improvement programs are imperative for the water district to sustain its operations in the foreseeable future.

So, my colleagues, given the circumstances at hand, I would like to emphasize that I cannot achieve all these goals alone. Therefore, I praise and commend the hard work of each and everyone in the workforce. The accomplishments of our organization today would not have been possible without everyone's perseverance in dutifully fulfilling their responsibilities for the benefit of MCWD. Everyone deserves a big congratulations for a job well done!

I am confident that the actions we have outlined to continue driving growth will create long-term and sustainable value for our stakeholders as we continue to show passion and commitment to ensuring the availability of our vital resource, which is synonymous with life itself - water.


EDGAR H. DONOSO

We stand to serve

Highlights in 2022



Our primary goal is to source out more water to serve more people

During MCWD's 47th corporate anniversary celebration in February, the Board of Directors and Executive Committee show their unity in creating a path towards achieving MCWD's corporate goals.



We aim for the sustainability of our projects

On February 23, 2022, MCWD and the Cebu City Government ink a usufruct agreement for the use of the city government's property at the North Reclamation Area where a new septage treatment facility will rise.



We target areas that do not have access to safe drinking water

Former Acting General Manager Engr. Stephen D. Yee (3rd from left) together with officials of Tubig Pag-Asa sign a Memorandum of Agreement on March 8, 2023 for MCWD to provide water supply to residents in Barangay Tanke, Talisay City.



We believe that there is strength in unity

MCWD serves as host-water district of the prestigious 43rd Philippine Association of Water Districts (PAWD) National Convention held at the Waterfront Lahug Cebu City Hotel and Casino on June 15 to 17, 2022.



Empowering our employees to be gender sensitive is also our priority

A series of Gender Sensitivity Training sessions conducted to all employees from May to December, our effort to ensure gender equality and minimize gender bias in the workplace.



We identify challenges and provide solutions

MCWD officials and housing developer Primeworld Land Holdings Inc. representatives sign a Usufruct Agreement on July 13, 2022. The agreement grants MCWD free use of 50-square meter lot for well drilling.



We show our unwavering support to our partner-agencies

The Province of Cebu awards MCWD for providing cold drinking water for free during the Pasigarbo sa Sugbo grand parade, an activity organized by the Province as part of its month-long founding anniversary celebration in August.



Making potable water accessible to all

Cebu City Mayor Michael Rama and Vice Mayor Raymond Garcia grace the ribbon-cutting ceremony of the opening of the Lusan Water Depot in Barangay Busay on September 18. This signals the start of distribution of steady water supply to Barangays Busay, Lahug and Apas, Cebu City.



We trust that transparency begets good results

In July, MCWD top officials and members of the ExeCom meet with LGU officials within its service area for a consultative meeting regarding MCWD's proposed water tariff adjustment.



We value preparedness and risk reduction

To ensure that water supply is available in the event of a calamity, MCWD, through a contract signing on October 3, 2022, partners with Dynamic Power & Marine Industrial Hardware Inc. for the procurement of generator sets.



We strengthen our financial sustainability

A series of Public Hearings are held in November to inform the various stakeholders of the accomplishments of MCWD and the proposed water rates adjustment in 2023.



We make a meaningful progress in our water service to be sustainable for future generations

The long wait is over for residents of Barangay Busay as General Manager Edgar H. Donoso leads a ceremonial opening of stub-out on November 25, 2022 to serve their daily water needs.

PROVIDING SOLUTIONS TO CHALLENGES



Cebu City Mayor Michael Rama (2nd from right) opens the pipeline's gate valve for water to start flowing in MCWD's new facility in Barangay Busay, Cebu City on September 18, 2022. With him is Cebu City Vice Mayor Raymond Garcia (front) and MCWD Board of Director Chairperson Jose Daluz III (beside Mayor Rama).



Clean water for all

Providing potable water to all barangays in Cebu City seemed to have a slim chance from happening.

But it was a challenge that made MCWD to persistently look for ways to deliver more water supply to Cebuanos including those in the mountain barangays who have been thirsty for safe and affordable water for years.

On September 18, 2022, MCWD inaugurated the Lusaran Water Depot in Barangay Busay that marked the start of a better service for areas in Cebu City that were underserved due to the lack of water supply.

Cebu City Mayor Michael Rama, Vice Mayor Raymond Garcia and Councilors graced the simple opening ceremony together with the top officials of MCWD led by Board of Directors Chairperson Jose Daluz III and former Acting General Manager Engr. Stephen D. Yee.

Among those also who showed their support were the officials of Busay headed by Barangay Captain Maria Christia Famador.

The new facility can provide 15,000 cubic meters of water per day from Lusaran to be injected to MCWD's existing distribution lines until such time that the construction of two modular water tanks with a capacity of 3,000 cubic meters each is completed.

The Lusaran Bulk Water Supply Project owned by JE Hydro and Bio-Energy Corp. started supplying at least 2,000 cubic meters of clean and safe water to Barangays Busay, Apas and Lahug.

This development led MCWD to accept new water service applications from residents of these barangays.

On November 12, 2022, MCWD brought its water services closer to the constituents. In two separate venues, MCWD accepted water service applications held in Barangay Apas Covered Court and Camp Lapu-Lapu Elementary School. MCWD served more than 900 water service applicants on that day.

For years, processing of application for water service connection in these barangays was temporarily suspended as there was no adequate supply to serve the consumers.



Board Chairman Jose Daluz III (center) is joined by General Manager Edgar H. Donoso (right) and JE Hydro and Bio-Energy Corp. CEO Engr. Joffrey Hapitan in the opening of stub-out in Barangay Busay on December 26, 2022.

On December 26, 2022, MCWD opened a stub-out in Barangay Pit-os to commence the distribution of water supply from Lusaran to Barangays Pit-os, Tigbao, Bacayan and Talamban. These areas, considered as underserved by the water district due to inadequate water supply, are now enjoying the improved water service hours with the supply coming from Lusaran.

BOD Chairperson Daluz led the event together with directors Jodelyn May Seno and Engr. Miguelito Pato, General Manager Edgar Donoso and the top officials of JE Hydro and Bio-Energy Corp. headed by President Peachy Hapitan. Officials of Barangay Pit-os were also present led by Barangay Captain Nilo Tariman, who said that the residents no longer have to wait for off peak hours to fetch for water because the water supply in their area was expected to stabilize with the additional supply of water from Lusaran.

The Lusaran water project sources water from the Lusaran River and uses the conventional way of treating water.

It will also serve nine other mountain barangays, namely, Lusaran, Budlaan, Pulangbato, Binaliw, Agsungot, Guba, Malubog, Cambinocot and Paril that do not have access to MCWD water yet.

MCWD is fast-tracking the finalization of the detailed engineering design and road right of way acquisition of the distribution line for these areas to be bidded out the soonest possible time.

Commissioning of expansion line

To serve and provide potable and affordable water supply to the people in Metro Cebu, MCWD continues to implement pipeline expansion projects to areas underserved including Sitio Bato in Barangay Ermita, Cebu City.



At least 500 households are expected to have access to MCWD water supply in the exterior portion of this barangay when the pipelaying works of at least 270 linear meters of pipelines and the installation of seven stub-outs were completed.

MCWD spent P2.7 million for the completion of this project that was requested by the residents since 2019 but was stalled due to the Covid-19 pandemic.

Chairperson Daluz expressed its appreciation to the barangay officials who supported MCWD to make the project a reality.

MCWD has entered into water supply contracts to bridge the gap between the supply and demand for safe drinking water.



Water service connection applicants from Barangay Ermita fill out the application form as a staff (standing) from MCWD waits for any request of assistance held during a non-working day. MCWD also accommodates water service applicants from Barangay Busay and other areas.

COMMITTED TO BRING CLEAN AND SAFE WATER TO COMMUNITIES

Desalinated seawater - most feasible source of water



BOD Chairperson Atty. Jose Daluz III shake hands with PWRI President Victoria dela Peña, witnessed by officials of both parties, after a contract signing for a desalinated water project.

A long standing issue of MCWD is the lack of water supply in some areas in Metro Cebu. Hence, MCWD ventured into partnering with two bulk water suppliers for the procurement of desalinated seawater to address the gap between the supply and demand for water.

On December 28, 2022, MCWD and Pilipinas Water Resources Inc. (PWRI) and 8990 Housing Development Corp. Joint Venture signed a 25-year desalinated bulk water supply contract with a base price of P73.86 per cubic meter or more than P20.7 billion total contract price. PWRI will deliver 10,000 cubic meters per day in the first year of delivery to be injected in Brgy. Opao, Mandaue City and 25,000 cubic meters per day in the succeeding years.

"This is one happy beginning of a much-awaited project with our long-time partner, MCWD," PWRI President Victoria dela Peña said.

Another contract signed was with Mactan Rock Industries Inc. It's a five-year contract for a desalinated bulk water supply of 5,000 cubic meters per day priced at P73 per cubic meter or a contract price of more than P666.8 million.

The bulk water supply will be injected near MEPZ 1 Gate 3 along M.L. Quezon National Highway in Lapu-Lapu City to address the supply need of Lapu-Lapu City, particularly in areas going to Barangay Punta Engaño.

This is the first time that Mactan Rock partners with MCWD in desalinated seawater supply project. Mactan Rock CEO and Chairperson Lito Maderazo said he is happy to be of help especially to the business community in Lapu-Lapu City.

"I am happy to help alleviate the shortage of water in Mactan. I am hoping to continue serving MCWD and the business community, especially the economic zone," Maderazo said.

These developments are in line with MCWD's Board of Directors and management's priority to look for and develop additional water sources.

Septage Treatment Facility



To cover more areas for its desludging services, MCWD will construct another septage treatment plant (STP) at the Amcon site, a property owned by the Cebu City Government in the North Reclamation Area.

On February 23, 2022, BOD Member Atty. Francisco Malilong on behalf of MCWD and Mayor Michael Rama of the Cebu City Government signed a Deed of Grant of Usufructuary Rights at the Cebu City Hall for the use of the city government's property. The signing was witnessed by representatives of the Japanese Government through Japan International Cooperation Agency (JICA) who will fund the construction of the facility with its grant of ¥2 billion (around P1 billion).

MCWD pushes for the implementation of its Septage Management Program - emptying septic tanks, treating and the proper disposal of wastes to prevent from contaminating the groundwater sources.

At present, the existing treatment plant at the Amcon site can process up to 120 cubic meters of sludge daily. The new STP can process up to 430 cubic meters of sludge per day, the capacity of the plant will increase up to 550 cubic meters daily.

This will increase the septage collection rate of MCWD from 8.1 percent to 100 percent in 2025. The facility can also serve about 20 percent of all non-MCWD consumers.



Amcon Site, North Reclamation Area

PUTTING THE NEEDS OF CONSUMERS IN FOCUS

Over the years, MCWD is finding innovative ways to provide convenience to its growing consumers.

In 2022, the water district launched the Online Appointment system where customers can book an appointment ahead of time for any transaction such as requests for meter test, trace up for high consumption, billing concerns, among others, to save them from the hassles of long queues.

Through technology, MCWD keeps on improving its services. Also introduced towards the end of 2022 was the Online Application for Water Service Connection. This is hassle-free especially for those who live in far places. This is economically beneficial for them as well because they do not have to travel to the water district's

main office to personally apply for a water service connection.

MCWD's utmost priority is the health and safety of its consumers. Both the online systems help protect our customers from Covid-19. Senior Citizens, pregnant mothers, Persons with Disabilities (PWDs), customers who are immunocompromised patients now have an option not to be exposed to people who might pose danger to their health.

Helping MCWD also are its partners in collecting water bill payments. These payment centers are reliable partners that served MCWD's customers who opt to pay near to where they live.

MCWD PAYMENT CENTERS



OUTLETS



OUTLETS



OTHER PAYMENT CENTERS



M LHUILLIER
Tulay ng PaMlyang Pilipino
ALL BRANCHES NATIONWIDE

LANDBANK
FOR GOVERNMENT
ACCOUNTS ONLY
(PLAZA INDEPENDENCIA
BRANCH)

**GUADALUPE
COOPERATIVE
MAIN BRANCH**

GLOBAL PINOY

**VISA
CREDIT CARD**

**Shopee
Pay**

**UNIONBANK
MAROO
MANDAUE**

Consumers may now pay in any of these business partners anywhere and everywhere nearest to them.

PROVIDING CARE AND ENGAGING THE COMMUNITY

MCWD remains steadfast in its commitment to provide care and support to communities wherein its projects are implemented.

Instead of shrinking from conducting activities due to Covid-19, MCWD is meeting this challenge head-on by doing it with a positive approach.

With the support of the stakeholders, MCWD is strengthening its Corporate Social Responsibility (CSR) Program to reach out more beneficiaries, majority of whom are children in the different schools and barangays within its service area.

Handwashing and Feeding Program

Recipients:

300 Grade 1 pupils (including malnourished and PWDs)

Venues:

Barangay Looc, Mandaue City

Barangay Casili, Mandaue City

Yati Elementary School, Liloan, Cebu



Donating Mobile Handwashing Sinks

Venue: Compostela, Cebu



Estaca Integrated School



Compostela Elementary School



Donating 2-cubic meter capacity water tank

Recipient:

Mandaue Comprehensive National High School,
Mandaue City



Donating used drums and forest-tree seedlings

Recipients:

Barangay Busay, Cebu City
Barangay Budlaan, Cebu City
Barangay Opao, Mandaue City
Barangay Poblacion, Compostela



Free water to fire victims

Recipients:

Barangay Sambag 2	-	March
Punta Princesa	-	June
Kalubihan Guadalupe	-	August
Alaska, Mambaling	-	November

Donating computer printers

Recipients: Cebu City Barangays

Barangay Lusaran
Barangay Binaliw
Barangay Cambinocot
Barangay Budlaan
Barangay Busay



Donating school supplies and essentials

Recipients:

Budlaan Integrated School, Cebu City
Carreta Night High School, Cebu City



Cookery Scholarship grant in partnership with TESDA 7

Recipients:

12 MCWD dependents
13 TESDA dependents



INFRASTRUCTURE PROJECTS

Contracted Out

1. Ø200mm x 630 Lm. DI Pipeline Expansion at Upper Guiwanon, Poblacion, Compostela, Cebu
Cost: P11,370,647.31
Date Completed: March 17, 2022
2. Ø100mm x 452 lm DI Pipeline Expansion for Villa Mangga Under Vitens Project
Cost: P5,264,780.24
Date Completed: January 7, 2022

In-House Administration

1. Ø150mm x 165.0 l.m. Pipeline Expansion Project For Bato Ermita, Brgy. Bato Ermita, Cebu City
Cost: P2,718,000
Date Completed: November 15, 2022
2. Ø150mm UPVC Pipeline Realignment with Ø100 Pressure Regulating Valve Installation for Well 5, 7 Fontana Heights Subd., Brgy. Cubacub, Mandaue City, Cebu
Cost: P2,090,000
Date Completed: August 18, 2022
3. Pipeline Decommissioning and SC Transfer Tapping Project on Landing St., Brgy. Catarman, Liloan, Cebu
Cost: P3,819,000
Date Completed: July 22, 2022
4. Realignment of Existing Ø200mm & Ø300mm CL/SP Steel Pipe Bridge Crossing for Gabi, Cordova, Cebu
Cost: P4,809,000
Date Completed: May 5, 2022
5. Ø150mm Pipe Rehabilitation Project for B. Rodriguez Bridge Crossing, B. Rodriguez St., Cebu City
Cost: P969,488.85
Date Completed: March 29, 2022

OPERATIONAL HIGHLIGHTS

As of December 2022



251,560

cubic meter/day

PRODUCTION



166,692

cubic meter/day

BILLED VOLUME



204,109

number of

**SERVICE
CONNECTIONS**



32.67%

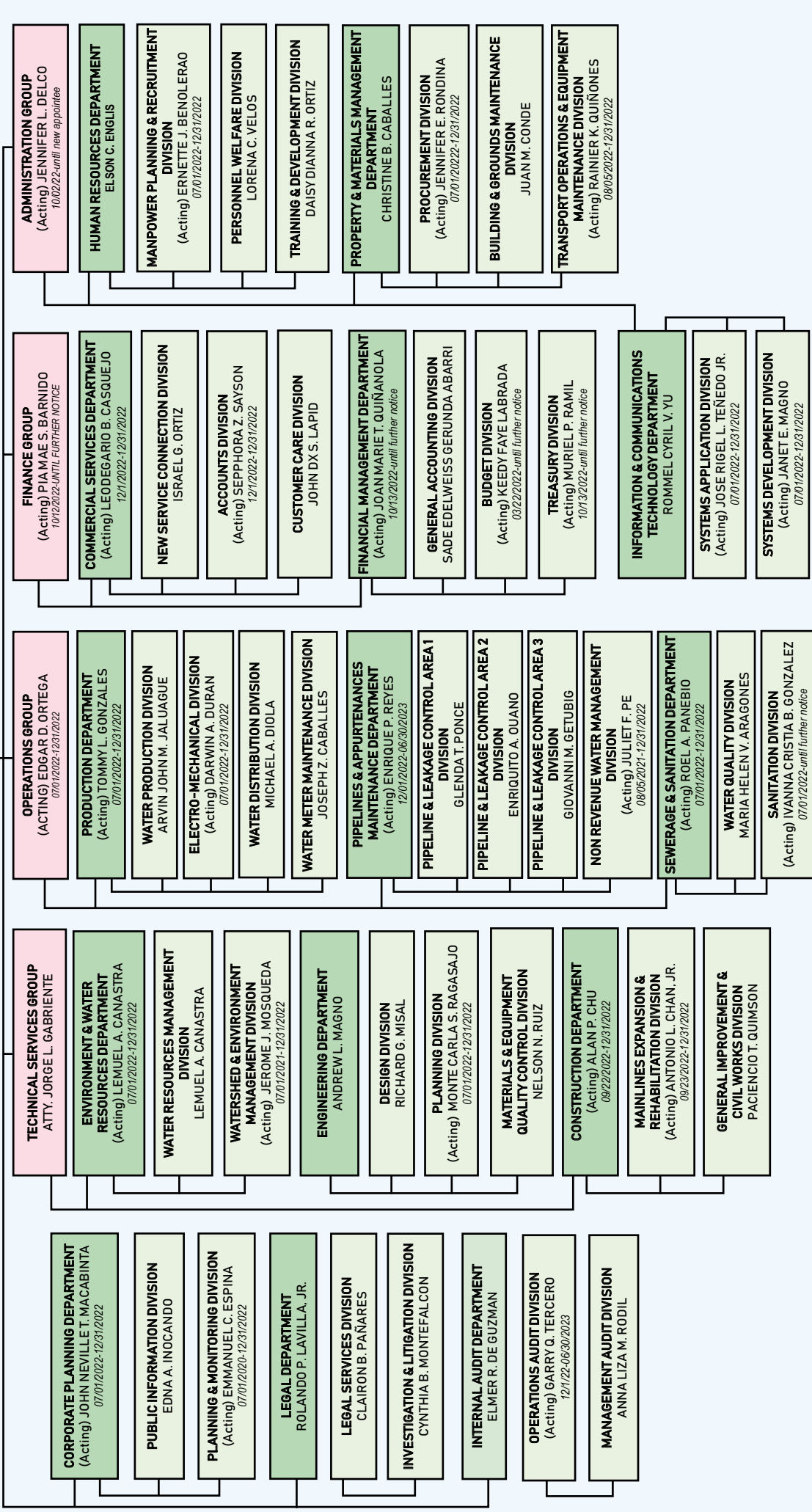
**NON-REVENUE
WATER**

Metropolitan Cebu Water District
TABLE OF ORGANIZATION
As of December 2022

BOARD OF DIRECTORS

MEMBER	VICE-CHAIR	CHAIRMAN	SECRETARY	MEMBER
MS. JODELYN MAY G. SENO	ATTY. FRANCISCO M. MALLONG, JR.	ATTY. JOSE C. DALUZ III	MR. MIGUELITO G. PATO	ATTY. MANOLETTE FEL DINSAY

GENERAL MANAGER
EDGAR H. DONOSO



METROPOLITAN CEBU WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

	Note	2022	2021
Income			
Service and Business Income	21	₱ 1,819,623,451.56	₱ 1,793,903,961.74
Shares, Grants and Donations	21	34,044,620.55	68,604,717.96
Other Non-Operating Income	21	10,710,984.29	17,455,621.14
Total Income		1,864,379,056.40	1,879,964,300.84
Expenses			
Personnel Services	22	589,819,176.58	584,939,490.01
Maintenance and Other Operating Expenses	23	1,055,812,195.36	1,014,057,657.90
Financial Expenses	24	11,686,769.43	13,054,113.47
Non-Cash Expenses	25	181,222,890.64	220,351,464.29
Total Expenses		1,838,541,032.01	1,832,402,725.67
Profit Before Tax		25,838,024.39	47,561,575.17
Income Tax Expense/(Benefit)		(107,261.00)	(3,003,724.88)
Profit After Tax		25,730,763.39	44,557,850.29
Net Assistance/Subsidy/Financial Assistance/Subsidy/Contribution	26	(10,445,558.57)	(10,285,537.01)
Net Income		15,285,204.82	34,272,313.28
Other Comprehensive Income/(Loss) for the Period		-	-
Comprehensive Income/(Loss)		₱ 15,285,204.82	₱ 34,272,313.28

See accompanying Notes to Financial Statements.

FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

	Revaluation Surplus	Retained Earnings/ Deficit	TOTAL
BALANCE AT JANUARY 1, 2021	₱ 818,465,817.51	3,111,128,674.50	₱ 3,929,594,492.01
CHANGES IN EQUITY FOR 2021			
Add/(Deduct):			
Comprehensive Income for the year	-	34,272,313.28	34,272,313.28
Prior Period Errors	-	39,821,515.97	39,821,515.97
Other Adjustments		-	-
BALANCE AT DECEMBER 31, 2021	818,465,817.51	3,185,222,503.75	4,003,688,321.26
CHANGES IN EQUITY FOR 2022			
Comprehensive Income for the year		15,285,204.82	15,285,204.82
Prior Period Errors		27,130,244.29	27,130,244.29
Other Adjustments		-	-
BALANCE AT DECEMBER 31, 2022	₱ 818,465,817.51	₱ 3,227,637,952.86	₱ 4,046,103,770.37

METROPOLITAN CEBU WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		₱ 1,794,428,596.49	₱ 1,738,566,715
Trust Receipts		8,229,684.77	8,855,365
Other Receipts		345,701,167.62	260,826,595
Total Cash Inflows		2,148,359,448.88	2,008,248,676
Cash Outflows			
Payment of Expenses		1,677,053,885.07	1,402,809,789
Purchase of Inventories		94,289,913.44	73,265,045
Remittance of Personnel Benefit Contributions and Mandatory Deducti		122,659,603.48	112,470,709
Other Disbursements		179,990,058.31	177,217,044
Total Cash Outflows		2,073,993,460.30	1,765,762,588
Net Cash Provided by Operating Activities		74,365,988.58	242,486,088
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Receipts of Interest Earned		7,614,491.58	8,909,149
Adjustments (Transfer of Funds from Restricted to Cash Account)		83,750,318.39	.
Total Cash Inflows		91,364,809.97	8,909,149
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		234,230,648.16	180,872,399
Total Cash Outflows		234,230,648.16	180,872,399
Net Cash Used in Investing Activities		(142,865,838.19)	(171,963,250)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from Domestic and Foreign Loans		-	.
Total Cash Inflows		-	.
Cash Outflows			
Payment of Long-Term Liabilities		19,652,335.56	54,305,532
Payment of Interest on Loans and Other Financial Charges		11,522,676.36	13,054,060
Adjustments			
Total Cash Outflows		31,175,011.92	67,359,592
Net Cash Used In Financing Activities		(31,175,011.92)	(67,359,592)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(99,674,861.53)	3,163,245
Cash and Cash Equivalents, January 1		1,324,032,307.62	1,320,869,062
CASH AND CASH EQUIVALENTS, DECEMBER 31	6	₱ 1,224,357,446.09	₱ 1,324,032,307

See accompanying Notes to Financial Statements.

METROPOLITAN CEBU WATER DISTRICT
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

PARTICULARS	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget Vs. Actual
	Original	Final		
RECEIPTS				
Tax Revenue				
Services and Business Income	2,057,659,953.76	2,057,659,953.76	1,794,428,596.49	263,231,357.27
Shares, Grants and Donations	-	-	-	-
Gains	7,904,243.83	7,904,243.83	7,614,491.58	289,752.25
Others	373,358,384.43	373,358,384.43	437,681,170.78	(64,322,786.35)
Total Receipts	2,438,922,582.03	2,438,922,582.03	2,239,724,258.85	199,198,323.18
PAYMENTS				
Personnel Services	590,176,570.63	600,948,460.84	571,573,254.81	29,375,207.03
Maintenance and Other Operating Expenses	1,145,012,886.75	1,400,422,133.43	1,322,430,147.18	77,991,985.25
Capital Outlay	1,110,296,168.04	1,180,990,029.54	234,230,648.16	946,759,381.38
Financial Expenses (Principal + Interest)	27,142,075.19	27,142,075.19	31,175,011.92	(4,032,936.73)
Others	167,621,522.59	170,619,326.74	179,990,058.31	(9,370,731.57)
Total Payments	3,040,249,223.19	3,380,122,025.73	2,339,399,120.38	1,040,722,905.35
NET RECEIPTS/PAYMENTS	(601,326,641.17)	(941,199,443.70)	(99,674,861.53)	(841,524,582.17)

METROPOLITAN CEBU WATER DISTRICT
Notes to Financial Statements
For the year ended December 31, 2022

1. GENERAL INFORMATION

The Financial Statements of Metropolitan Cebu Water District (MCWD) were authorized for issue through Board Resolution No. 02-035-2023 dated February 17, 2023.

In 1910, the Cebu Municipal Council created the Osmeña Waterworks System (OWS), which was the first and only major water source used to operate and manage the water facility of the City. However, due to the rising water demand of the people in 1970's, which OWS failed to address coupled by its recurring financial losses, a transition management was created.

Thus, when Presidential Decree 198 or the Local Water Utilities Act of 1973 was created to provide promising loans, trainings and other assistance to autonomous water districts, the Cebu City Government, under the mayorship of Engr. Eulogio Borres, approved Resolution No. 873 on May 9, 1974 to create Metropolitan Cebu Water District (MCWD), the "Water District". In turn, Mayor Borres turned over OWS assets and facilities that served as its initial capital. It started its full commercial operations on February 1, 1975.

In March 1992, the Supreme Court declared all water districts as a Government-Owned and Controlled Corporations (GOCC). Hence, MCWD stopped operating as a Quasi-Public Corporation. Everything that has to be done must conform to Civil Service Commission (CSC), the Department of Budget of Management (DBM), and the Commission on Audit (COA) rules and regulations.

MCWD continues to be true to its Mission-Vision to protect and sustain Metro Cebu's limited water resources, while living out its commitment to provide safe, potable and affordable water to Metro Cebu. Today, MCWD provides water to the cities of Cebu, Talisay, Mandaue and Lapu-Lapu, and the municipalities of Consolacion, Liloan, Compostela, and Cordova.

The District was registered with the Bureau of Internal Revenue on February 13, 1997 as a GOCC. Its principal office is located at corner Lapu-Lapu and Magallanes Streets, San Roque (Ciudad), Cebu City.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) prescribed by the Commission on

Audit through COA Resolution No. 2015-003 dated April 6, 2015.

The accounting policies have been consistently applied throughout the years presented.

The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The consolidated financial statements are presented in Philippine Peso (₱), which is also the country's functional currency.

The preparation of Financial Statements in compliance with the adopted PFRS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the Financial Statements and their effects are disclosed in the notes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The Water District's financial statements are prepared on an accrual basis in accordance with the PFRS.

3.2 Financial Instruments

a. Financial assets

i. Initial Recognition

Financial assets within the scope of PFRS 9- Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through income or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The Water District determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets those require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Water District commits to purchase or sell the asset.

The Water District's financial assets include: cash and cash equivalents; trade and other trade receivables; loans and other loans receivables; quoted and unquoted financial

instruments; and derivative financial instruments.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through income or loss

Financial assets at fair value through income or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through income or loss. 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. Financial assets at fair value through income or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in income or loss.

As of December 31, 2022 and 2021, no financial assets have been classified at fair value through profit or loss (FVPL).

2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the income or loss.

Included in this category are the Water District's accounts receivables, due from related parties and other non-related parties, and refundable deposits.

3. Held to Maturity (HTM) Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity wherein the Water District has the positive intention and ability to hold to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in income or loss.

As of December 31, 2022 and 2021, no financial assets have been classified as HTM investments.

iii. Derecognition

The Water District derecognizes a financial asset or where applicable, a part of a financial asset or part of Water District of similar financial assets when:

1. The contractual rights to the cash flows from the financial asset expired or waived; and
2. The Water District has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in PFRS9-Financial Instruments: Recognition and Measurement; and either the entity has:
 - transferred substantially all the risks and rewards of ownership of the financial asset; or
 - Neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset

iv. Impairment of Financial Asset

The Water District assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial 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 has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The borrowers or a group of borrowers are experiencing significant financial difficulty
2. Default or delinquency in interest or principal payments
3. The probability that they will enter bankruptcy or other financial reorganization
4. Observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes in arrears or economic condition that correlate with defaults.

v. Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Water 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 Water 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 assesses them for impairment. 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 of 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 asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value

of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in income or loss.

Loans together with the associated allowance a rewritten off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Water District. 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 increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in income or loss.

b. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of PFRS 9 are classified as financial liabilities at fair value through income or loss, or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Water District's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through income or loss

Financial liabilities at fair value through income or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through income or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9.

Gains or losses on liabilities held for trading are recognized in income or loss.

2. Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in income or loss when the liabilities are derecognized as well through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another 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 income or loss.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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 assets and settle the liabilities simultaneously.

d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3 *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amount so cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.4 *Inventories*

Inventory is measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- a. Raw materials: purchase cost using the weighted average cost method
- b. Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

3.5 *Investment Property*

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property is measured using the cost model and is depreciated over its estimated useful life of 30 years.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

The Water District uses the cost model for the measurement of investment property after initial recognition.

Depreciation is computed using the straight-line method over its estimated useful life.

3.6 *Property, Plant and Equipment*

a. Recognition

An item is recognized as property, plant and equipment (PPE) if it meets the characteristics and recognition criteria as PPE

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

- i. it is probable that the future economic

benefits or service potential associated with the item will flow to the entity;

- ii. the cost or fair value of the item can be measured reliably; and
- iii. the cost is at least ₱15,000.00.

b. Measurement at Recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non cash-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- i. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- ii. expenditure that is directly attributable to acquisition of the items; and
- iii. 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.

c. 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 Water 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 income or loss as incurred.

d. 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.

i. 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.

ii. Depreciation Method

The straight line method of depreciation is adopted unless another method is more appropriate for Entity's operation. The residual value of the PPE is deducted in computing for its depreciation.

iii. Estimated useful life

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

iv. Residual value

The Water District uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

e. 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.

f. Derecognition

The Water 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 income or loss when the asset is derecognized.

3.7 Leases

a. Water District as a lessee

i. Finance lease

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased item to the Water District.

Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Water District also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured at the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in income or loss.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Water District will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

ii. Operating Lease

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to the Water District. Operating lease payments are recognized as an operating expense in income or loss on a straight-line basis over the lease term.

b. Water District as a lessor

i. Finance Lease

The Water District recognizes lease payments receivable under a finance lease as assets in the statement of financial position. The assets are presented as receivable at an amount equal to the net investment in the lease.

The finance revenue is recognized based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

ii. Operating lease

Leases in which the Water District does not transfer

substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Rent received from an operating lease is recognized as income on a straight line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by the entity.

3.8 Intangible Assets

a. Recognition and Measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably. Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PAS 23, Borrowing Costs.

b. Subsequent expenditure on an acquired in-process research and development project

Subsequent expenditure on an in-process research or development project acquired separately and recognized as an intangible asset is:

- i. recognized as an expense when incurred if it is research expenditure;
- ii. recognized as an expense when incurred if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset; and
- iii. added to the carrying amount of the acquired in-process research or development project if it is development expenditure that satisfies the recognition criteria for intangible assets.

c. Intangible assets acquired through non-exchange transaction

The cost of intangible assets acquired in a non-

exchange transaction is their fair value at the date these were acquired.

d. Internally Generated Intangible Assets

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in income or loss in the period in which the expenditure is incurred.

e. Recognition of an expense

Expenditure on an intangible item is recognized as expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

f. Subsequent measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful life is not to be amortized.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed 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 considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in income or loss as the expense category that is consistent with the nature of the intangible asset.

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 income or loss when the asset is derecognized.

3.9 Provisions, Contingent Liabilities and Contingent Assets

a. Provision

Provisions are recognized when the Water District has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Water District expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement, net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

b. Contingent liabilities

The Water District does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c. Contingent assets

The Water District does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Water District in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.10 Changes in Accounting Policies and Estimates

The Water District recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The Water District recognizes the effects of changes in accounting estimates prospectively through income or loss.

The Water District corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.11 Foreign Currency Transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

- a. Foreign currency monetary items are translated using the closing rate;
- b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in income or loss in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.12 Revenue from Non-exchange Transactions

- a. Recognition and measurement of assets from non-exchange transactions

An inflow of resources from an on-exchange transaction, other than services in-kind, that meets

the definition of an asset are recognized as an asset if the following criteria are met:

- i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

b. Recognition of revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As the Water District satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

c. Measurement of revenue from non-exchange transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

d. Measurement of liabilities on initial recognition from non-exchange transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

e. Taxes

Taxes and the related fines and penalties are recognized when collected or when these are measurable and legally collectible. The related refunds, including those that are measurable and legally collectible, are deducted from the recognized tax revenue.

f. Fees and fines not related to taxes

The Water 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.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

g. Gifts and donations

The Water District recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

h. Transfers

The Water District recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

i. Services in-kind

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

j. Transfers from other government entities

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the

Water District and can be measured reliably.

3.13 Revenue from Exchange Transactions

a. Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable.

b. Rendering of services

The Water District recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

d. Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Water District.

e. Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

f. Dividends

Dividends or similar distributions are recognized when the Water District's right to receive payments is established.

g. Rental Income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and included in revenue

h. Royalties

Royalties are recognized as they are earned in accordance with the substance of the relevant agreement.

3.14 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget.

3.15 Impairment of Non-Financial Assets

a. Impairment of cash-generating assets

At each reporting date, the Water District assesses 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 Water District estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and 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 the cash-generating unit 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, 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 Water District estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its

recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in income or loss.

b. Impairment of non-cash-generating assets

The Water District assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Water District estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The Water District classifies assets as cash-generating assets when those assets are held with the primary objective generating a commercial return. Therefore, non-cash-generating assets would be those assets from which the Water District does not intend (as its primary objective) to realize a commercial return.

3.16 Employee Benefits

The employees of Water District are members of the Government Service Insurance System (GSIS) which provides life and retirement insurance coverage.

The Water 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.

3.17 Measurement Uncertainty

The preparation of financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, rates for amortization, impairment of assets, and accrual of expenses.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect

new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. CHANGES IN ACCOUNTING POLICIES

The Water District adopted the new accounting policy on the recognition of the grants received in the year 2018.

5. PRIOR PERIOD ADJUSTMENTS

The Water District has determined the prior period adjustments of ₱27,130,244.29 for calendar year ended December 31, 2022 and ₱39,821,515.97 for the calendar year ended December 31, 2021.

As a result, the prior period adjustments affected the prior year's accumulated income/(loss) and cumulative effect on beginning accumulated income/(loss) for the current year.

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2022	2021
Cash on Hand	₱ 8,376,685.16	₱ 3,315,041.06
Cash in Bank -		
Local Currency	181,343,825.05	343,992,464.37
Cash in Bank -	7,323,742.50	6,624,674.18
Foreign Currency		
Cash Equivalents	1,027,313,193.38	970,100,128.01
Total	₱ 1,224,357,446.09	₱ 1,324,032,307.62

Cash equivalents are investments that can readily be converted into cash. Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. These short-term investments are invested in the Development Bank of the Philippines and in the Land Bank of the Philippines.

All collections of the water district are promptly deposited in the depository banks. The cash on hand at the end of the year are those collections that remain as deposit in transit, crediting to the bank accounts at the beginning of the succeeding year.

7. OTHER INVESTMENTS

This account represents investments at:

	2022	2021
Investments in Stock – PLDT	₱ 86,530.00	₱ 86,530.00

8. RECEIVABLES

8.1 Receivables

This account consists of the following:

	2022	2021
Accounts Receivable	₱ 407,143,176.78	₱ 398,431,422.45
Less: Allowance for Impairment-AR	(14,850,259.11)	(14,526,508.72)
Suspense Account	(286,762.90)	(444,882.24)
Accounts Receivable, net	392,006,154.77	383,460,031.49
Interest Receivable	2,042,536.96	1,963,916.06
Other Receivables	158,467,203.14	62,742,934.76
Total	₱ 552,515,894.87	₱ 448,166,882.31

Penalties and Franchise fees are recognized only when cash is received.

8.2 Aging/Analysis of Receivables

Accounts	Total	Not Past Due	Past Due	
			30-60 days	>60 days
Accounts Receivable	₱ 407,143,176.78	114,072,296.36	24,646,542.33	268,424,338.09

9. INVENTORIES

This account is composed of the following:

	2022	2021
Inventory Held for Consumption		
Office Supplies Inventory	₱ 17,369,811.20	₱ 16,243,757.37
Chemical and Filtering Materials	723,316.45	986,324.85
Other Supplies and Materials Inventory	209,530,509.85	207,008,167.92
Total Inventories	₱ 227,623,637.50	₱ 224,238,250.14

10. INVESTMENT PROPERTY

This account represents the two-storey building owned by the Water District which was leased out to Prince Warehouse Club for a fifteen (15)-year period under an operating lease contract which ended on September 2021. This property is among the collateral

securities mortgaged to the Development Bank of the Philippines (DBP).

For the calendar year ended December 31, 2022, the balance is as follows:

	2022	2021
Investment Property - Building		
Carrying Amount, January 1	₱ 26,683,272.08	₱ 26,382,124.37
Additions/ Acquisitions during the year	0.00	0.00
Other Changes (Revaluation Surplus)	0.00	1,983,808.83
Total	26,683,272.08	28,365,933.20
Depreciation (As Per Statement of Comprehensive Income)	(1,682,661.04)	(1,682,661.12)
Other Changes (Revaluation Surplus)	0.00	0.00
Carrying Amount, December 31 (As Per Statement of Financial Position)	₱ 25,000,611.04	₱ 26,683,272.08
Gross Cost (Balance Per Statement of Financial Position)	47,659,500.00	47,659,500.00
Accumulated Depreciation	(22,658,888.96)	(20,976,227.92)
Carrying Amount, December 31 (As Per Statement of Financial Position)	₱ 25,000,611.04	₱ 26,683,272.08

11. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

Particulars	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furnitures, Fixtures and Books	Other Property Plant and Equipment	Construction in Progress	Total
As at December 31, 2022									
Carrying Amount, January 1, 2022	₱ 895,381,280.91	₱ 1,347,100,904.44	₱ 225,849,783.52	₱ 23,602,852.37	₱ 71,972,136.57	₱ 9,894,362.88	₱ 170,937,362.20	₱ 220,719,394.00	₱ 2,965,458,076.89
Additions/Acquisitions	-	129,679,033.67	16,683,172.16	27,313,860.00	25,682,000.00	-	67,568,283.75	150,182,637.24	417,108,986.82
Total	895,381,280.91	1,476,779,938.11	242,532,955.68	50,916,712.37	97,654,136.57	9,894,362.88	238,505,645.95	370,902,031.24	3,382,567,063.71
Disposals/Reclassifications	-	1,800.00	-	-	-	(16,800.00)	-	(113,249,886.55)	(113,264,886.55)
Depreciation (As per Statement of Comprehensive Income)	-	(90,200,767.59)	(18,143,020.05)	(18,743,817.41)	(15,000,337.97)	(1,758,178.69)	(30,783,700.20)	-	(174,629,821.91)
Additions/Reclassifications on Accumulated Depreciation	-	(9,188,536.76)	(2,771,734.05)	0.07	-	-	-	-	(11,960,270.74)
Carrying Amount, December 31, 2022 (As per Statement of Financial Position)	895,381,280.91	1,377,392,433.76	221,618,201.58	32,172,895.03	82,653,798.60	8,119,384.19	207,721,945.75	257,652,144.69	3,082,712,084.51
Gross Cost (Asset Account Balance per Statement of Financial Position)	895,381,280.91	3,927,171,754.07	853,459,824.77	252,719,843.24	246,032,694.96	50,204,089.84	602,234,080.93	257,652,144.69	7,084,855,713.41
Accumulated Depreciation	-	(2,549,779,320.31)	(631,841,623.19)	(220,546,948.21)	(163,378,896.36)	(42,084,705.65)	(394,512,135.18)	-	(4,002,143,628.90)
Carrying Amount, December 31, 2022 (As per Statement of Financial Position)	₱ 895,381,280.91	₱ 1,377,392,433.76	₱ 221,618,201.58	₱ 32,172,895.03	₱ 82,653,798.60	₱ 8,119,384.19	₱ 207,721,945.75	₱ 257,652,144.69	₱ 3,082,712,084.51

Particulars	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furnitures, Fixtures and Books	Other Property Plant and Equipment	Construction in Progress	Total
As at December 31, 2021									
Carrying Amount, January 1, 2021	₱ 895,381,280.91	₱ 1,295,040,293.47	₱ 342,084,752.66	₱ 36,882,574.65	₱ 52,891,331.48	₱ 7,541,834.32	₱ 168,102,611.70	₱ 157,433,939.44	₱ 2,955,358,618.63
Additions/Acquisitions	0.00	93,678,346.17	6,571,518.65	4,494,940.00	28,808,274.00	433,799.00	19,743,233.93	129,186,137.12	282,936,248.87
Total	895,381,280.91	1,388,718,639.64	348,656,271.31	41,377,514.65	81,699,605.48	7,975,633.32	187,845,845.63	286,620,076.56	3,238,294,867.50
Disposals/ Reclassifications	0.00	(14,837,537.05)		(193,000.00)	(34,824.00)		(455,155.00)	(65,900,682.56)	(81,421,198.61)
Depreciation (As per Statement of Comprehensive Income)	0.00	(88,087,775.40)	(65,193,259.67)	(26,320,431.02)	(9,022,448.35)	(1,779,697.30)	(27,209,639.00)		(217,613,250.74)
Additions/Reclassifications on Accumulated Depreciation	0.00	61,307,577.25	(57,613,228.12)	8,738,768.74	(670,196.56)	3,698,426.86	10,736,310.57	0.00	26,197,658.74
Carrying Amount, December 31, 2021									
(As per Statement of Financial Position)	895,381,280.91	1,347,100,904.44	225,849,783.52	23,602,852.37	71,972,136.57	9,894,342.88	170,937,362.20	220,719,394.00	2,965,458,076.89
Gross Cost (Asset Account Balance per Statement of Financial Position)									
	895,381,280.91	3,797,490,920.40	836,776,652.61	225,405,983.03	220,350,694.96	50,220,889.84	534,465,797.18	220,719,394.00	6,781,011,613.14
Accumulated Depreciation									
	0.00	(2,450,390,015.96)	(610,926,869.09)	(201,803,130.66)	(148,378,558.39)	(40,326,526.96)	(363,728,434.98)	0.00	(3,815,553,536.16)
Carrying Amount, December 31, 2021 (As per Statement of Financial Position)	₱ 895,381,280.91	₱ 1,347,100,904.44	₱ 225,849,783.52	₱ 23,602,852.37	₱ 71,972,136.57	₱ 9,894,342.88	₱ 170,937,362.20	₱ 220,719,394.00	₱ 2,965,458,076.89

On March 17, 2006, a contract of loan was entered with DBP to refinance the existing long-term loans with LWUA. Under the terms and conditions of the contract, this loan shall be secured by a real estate mortgage consisting of land and building. Documentary stamp tax amounting to ₱2,503,850 was paid on March 14, 2006. Total land area put up as collateral for the loan is 8,453 square meters.

On July 5, 1991, some properties were appraised by Asian Appraisal Co. Inc., an independent appraiser. On the said date, the properties were assessed to have a sound value of ₱694,403,360 which resulted to an appraisal increment of ₱575,535,327.

The net appraisal increment that resulted from the revaluation in 1991 was credited to the account "Revaluation Increment in Property" and is shown under "Capitalization" in the Balance Sheet. Depreciation is computed based on the carrying value of the property using the straight-line method over their estimated useful lives.

On December 31, 2005 and 2006, accumulated depreciation of revaluation surplus amounting to ₱391,537,558 and ₱390,457,797, respectively, was closed to retained earnings in accordance to SFAS/IASNo.16 "Piecemeal Realization of Revaluation Surplus". Starting 2007, the new balance of the Revaluation Increment in Property is ₱183,997,770.

On year 2016, some of the real properties were appraised by an independent appraiser. But because of the lack of data of the real cost of the properties at the time they were acquired, some of the properties that were appraised were recorded in the books in 2016 while appraisal increase of the rest of the properties were then recorded in 2018.

12. INTANGIBLE ASSET

This account is composed of the following:

	2022	2021
Computer Software		
Carrying Amount, January 1	₱ 42,352,929.07	₱ 41,462,310.71
Additions- Purchased/Acquired thru exchange on non-exchange transaction	1,087,499.93	1,007,795.45
Total	43,440,429.00	42,470,106.16
Amortization Recognized (As Per Statement of Comprehensive Income)	(4,586,657.30)	(117,177.09)
Other Changes (Adjustment on Amortization)		0.00
Carrying Amount, December 31 (As Per Statement of Financial Position)	₱ 38,853,771.70	₱ 42,352,929.07

	2022	2021
Total Intangible Assets		
Gross Cost (Asset Account Balance per Statement of Financial Position)	₱ 101,758,658.00	₱ 100,671,158.21
Accumulated Amortization (including accumulated impairment loss)	(62,904,886.30)	(58,318,229.14)
Carrying Amount, December 31 (As Per Statement of Financial Position)	₱ 38,853,771.70	₱ 42,352,929.07

13. OTHER ASSETS

This is composed of the following:

	2022		2021	
	Current	Non-Current	Current	Non-Current
Advances	₱ 451,784.19	0.00	₱ 332,298.09	0.00
Prepayments	48,927,650.53	0.00	71,510,533.81	0.00
Deposits	0.00	24,156,630.97	0.00	23,766,618.20
Restricted Fund	0.00	13,251,313.17	0.00	93,263,115.90
Other Assets	0.00	1,368,174.90	0.00	3,680,143.16
Total	₱ 49,379,434.72	38,776,119.04	₱ 71,842,831.90	120,709,877.26

14. FINANCIAL LIABILITIES

This account consists of the following:

	2022	2021
Payables		
Accounts Payable	₱ 37,557,931.50	₱ 62,337,733.26
Due to Officers and Employees	600,478.52	197,127.00
Bills/Bonds/Loans Payable		
Loans Payable - Domestic	19,652,335.54	19,652,335.54
Tax Refunds Payable		
Tax Refund Payable	2,231,537.40	2,219,882.75
Total Financial Liabilities- Current	60,042,282.96	84,407,078.55
Bills/Bonds/Loans Payable		
Loans Payable - Domestic	171,854,463.08	191,506,798.64
Financial Liabilities -Non Current	171,854,463.08	191,506,798.64
Total Financial Liabilities	₱ 231,896,746.04	₱ 275,913,877.19

The loans with the Local Water Utilities Administration (LWUA) were credit lines that were obtained to finance the various projects of the Water District. Interest rates from these loans ranged from 10% to 14% per annum and were supposed to be amortized over a period from 20 to 26 years.

On March 17, 2006, a contract of loan was entered with Development Bank of the Philippines (DBP) in order to refinance the existing long-term loans from LWUA. Salient terms and conditions of the contract are the following:

- a. Term - 15 years to commence on the month following the release of the loan;
- b. Interest rate - 8.5% per annum computed using the annuity method;
- c. Interest differential/savings to be deposited to a Escrow Account;
- d. Loan to be secured by a real estate mortgage.

However, starting April 2015, DBP has lowered the interest rate to 6%. On September 21, 2016, DBP has approved to extend in favor of the Water District an additional term loan in the principal amount of ₱600,000,000.00. Terms and conditions of the contract are as follows:

- a. Term-15years, inclusive of two(2) years grace period payable in one hundred fifty six(156) monthly amortization to commence at the end of the 25th month from the date of the initial drawdown;
- b. Interest rate - 6% per annum computed using the annuity method;
- c. Loan to be secured by a real estate mortgage.

The first drawdown of the loan was on April 2017 while the second drawdown was on December 2017 in the amount of ₱6,582,730.19 and ₱240,317,632.17, respectively. No additional drawdown of the loan was made.

15. INTER-AGENCY PAYABLES

This account is composed of the following:

	2022	2021
Due to BIR	₱ 25,058,834.51	₱ 21,756,131.74
Due to GSIS	6,625,090.57	6,911,965.88
Due to Pag-IBIG	482,827.53	399,016.96
Due to PhilHealth	2,517,823.95	604,535.66
Due to LGUs	85,391,317.54	81,778,719.21
Total	₱ 120,075,894.10	₱ 111,450,369.45

Due to LGUs account comprised of revenue share due to the different Local Government Units for water extracted from their respective jurisdiction in accordance with the Local Government Code.

16. TRUST LIABILITIES

This account is composed of the following:

	2022		2021	
	Current	Non-Current	Current	Non-Current
Security Deposits Payable	₱ 30,000,708.82	0.00	₱ 8,237,270.61	0.00
Customer's Deposit Payable	0.00	427,084,056.69	0.00	425,366,414.27
Total	₱ 30,000,708.82	427,084,056.69	₱ 8,237,270.61	425,366,414.27

17. DEFERRED CREDITS/UNEARNED INCOME

This account is composed of the following:

	2022	2021
Other Deferred Credit	₱ 22,809,451.97	₱ 22,609,451.97
Other Unearned Revenue	52,387,683.67	29,627,383.00
Total	₱ 75,197,135.64	₱ 52,236,834.97

The unearned revenue is the amount recorded by the water district for all the grants received by the water district from Japanese International Cooperation Agency and from LWUA. MCWD recognizes government grants in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate, in compliance with Philippine Accounting Standards (PAS) 20.

18. PROVISIONS

This account is composed of the following:

	2022	2021
Leave Benefits Payable	₱ 82,330,384.91	₱ 75,350,684.31
Total	₱ 82,330,384.91	₱ 75,350,684.31

19. OTHER PAYABLES

This account is composed of the following:

	2022	2021
Retention Payable	₱ 34,694,148.84	₱ 28,866,010.29
Other Payables	183,877,139.53	226,490,108.83
Other Payables - Current	218,571,288.37	255,356,119.12
Other Payables (Operating Reserves)	14,198,904.86	21,732,569.87
Other Payables - Non-Current	14,198,904.86	21,732,569.87
Total Other Payables	₱ 232,770,193.23	₱ 277,088,688.99

Amount set-up as reserve for retirement benefits (operating reserves) is based on the existing MCWD Retirement Plan with respect to those who are already entitled thereto. This is intended for the employees who

were hired prior to April 1993.

20. CONTINGENT LIABILITY

- a) MCWD has a present obligation to the Cebu City Government for Real Property Taxes of real properties situated within the latter's jurisdiction. These properties became the subject of foreclosure proceedings in 2012. The total delinquency amounted to ₱112M as of 2019. However, questions arose as to the taxability of some properties as they have been declared as watersheds and therefore, exempt while others have different other claimants or owners. Negotiations are on-going as to the settlement of this obligation.
- b) Franchise Tax Liability for the fiscal year 2003 payable to the Bureau of Internal Revenue (BIR) had appending resolution with the Court of Tax Appeal (CTA). MCWD appealed that the interest and surcharges be condoned. However, on April 2014, a decision from the CTA was released and MCWD is liable for the amount of ₱28,645,421.74. Recently, MCWD filed a Motion for Reconsideration on the decision of CTA and the former is now waiting resolution of this matter.

21. INCOME

This account consists of the following:

	2022	2021
Service Income		
Sewerage/Garbage Fees	₱ 32,160,313.57	₱ 32,058,856.76
Business Income		
Rent/Lease Income	984,064.89	3,357,838.30
Waterworks System Fees	1,751,563,785.59	1,731,467,933.98
Fines and Penalties – Business Income	23,321,367.69	19,743,975.58
Interest Income	11,593,919.82	7,275,357.12
Sub-Total	1,787,463,137.99	1,761,845,104.98
Total Service and Business Income	1,819,623,451.56	1,793,903,961.74
Shares, Grants and Donations		
Income from Grants and Donations in Cash	34,044,620.55	68,604,717.96
Other Non-Operating Income		
Income/(Loss) from Non-Utility Operations	(1,594,879.66)	(3,996,806.16)
Miscellaneous Income	11,608,334.78	21,095,242.64
Gain on Foreign Exchange (FOREX)	697,529.17	357,184.66
Sub-Total	10,710,984.29	17,455,621.14
Total Income	₱ 1,864,379,056.40	₱ 1,879,964,300.84

22. PERSONNEL SERVICES

This account consists of the following:

	2022	2021
Salaries and Wages		
Salaries and Wages-Regular	₱ 254,820,993.56	₱ 235,485,432.94
Salaries and Wages-Contractual	51,335,048.17	53,703,239.50
Sub-Total	306,156,041.73	289,188,672.44
Other Compensation		
Personnel Economic Relief Allowance	18,705,973.79	18,296,818.15
Representation Allowance	4,030,375.00	4,003,000.00
Transportation Allowance	4,030,375.00	4,003,000.00
Clothing / Uniform Allowance	4,594,920.00	4,506,872.00
Honoraria	8,943,004.20	8,833,079.22
Longevity	11,101,377.28	10,459,727.22
Overtime and Night Pay	27,804,195.37	39,421,333.89
Year-end Bonus	25,593,138.90	23,755,800.75
Cash Gift	3,929,250.00	3,845,500.00
Hazard Pay	-	10,143,500.00
Other Bonuses and Allowances	52,431,472.71	55,879,890.25
Sub-Total	161,164,082.25	183,148,521.48
Personnel Benefit Contributions		
Retirement & Life Insurance Premiums	37,345,874.89	34,761,661.30
Pag-IBIG Contributions	939,200.00	915,958.91
PhilHealth Contributions	5,167,503.47	3,939,826.26
Provident/Welfare Fund Contributions	43,402,216.59	40,607,197.43
Sub-Total	86,854,794.95	80,224,643.90
Other Personnel Benefits		
Retirement Gratuity	1,026,311.60	1,643,915.23
Terminal Leave Benefits	31,675,914.57	27,540,621.30
Other Personnel Benefits	2,942,031.48	3,193,115.66
Sub-Total	35,644,257.65	32,377,652.19
Total	₱ 589,819,176.58	₱ 584,939,490.01

23. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2022	2021
Traveling Expenses		
Traveling Expenses-Local	₱ 105,150.70	₱ 22,208.50
Traveling Expenses-Foreign	0.00	0.00
Sub-Total	105,150.70	22,208.50
Training Expenses	2,131,898.26	1,697,623.04
Supplies and Materials Expenses		
Office Supplies Expense	7,479,679.31	5,781,571.22
Fuel, Oil and Lubricants Expenses	14,028,799.84	25,810,604.74
Chemicals & Filtering Supplies Expenses	6,304,557.80	4,618,220.02
Semi Expendable Machinery and	1,250.00	37,830.00

	2022	2021
Equipment Expenses		
Semi Expendable Furniture, Fixtures and Books Expenses	0.00	0.00
Other Supplies and Materials Expenses	69,029,979.65	97,683,651.84
Sub-Total	96,844,266.60	133,931,877.82
Utility Expenses		
Electricity Expenses	16,736,655.25	14,081,154.82
Water Expenses	1,028,328.65	921,992.58
Sub-Total	17,764,983.90	15,003,147.40
Communication Expenses		
Postage Expenses	23,461.31	24,984.82
Telephone Expenses	2,000,801.32	2,450,151.39
Internet Subscription Expenses	3,889,425.06	4,040,997.14
Cable, Satellite, Telegraph and Radio Expenses	9,775.00	395,000.00
Sub-Total	5,923,462.69	6,911,133.35
Awards/Rewards, Prizes and Indemnities		
Awards/Rewards Expenses	4,890,000.00	2,645,000.00
Sub-Total	4,890,000.00	2,645,000.00
Generation, Transmission and Distribution Expenses	830,159,138.38	749,205,694.11
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	4,145,236.73	5,125,634.06
Sub-total	4,145,236.73	5,125,634.06
Professional Services		
Consultancy Services	940,000.00	1,173,333.35
Auditing Services	73,296.97	1,070,339.49
Other Professional Services	700,000.00	735,000.00
Sub-total	1,713,296.97	2,978,672.84
General Services		
Janitorial Services	2,799,872.82	2,812,587.94
Security Services	48,617,796.80	38,199,780.61
Other General Services	48,000.00	57,083.30
Sub-Total	51,465,669.62	41,069,451.85
Repairs and Maintenance		
Repairs and Maintenance - Buildings and Other Structures	3,915,165.02	4,131,825.88
Repairs and Maintenance - Machinery and Equipment	4,372,011.27	3,886,893.79
Repairs and Maintenance - Transportation Equipment	2,397,427.35	2,441,206.91
Repair and Maintenance - Other Property,	1,068,953.85	1,230,600.00

	2022	2021
Plant and Equipment		
Sub-Total	11,753,557.49	11,690,526.58
Taxes, Insurance Premiums and Other Fees		
Insurance Expenses	3,396,070.85	2,436,282.40
Taxes, Duties and Licenses	1,666,706.91	1,647,972.74
Sub-Total	5,062,777.76	4,084,255.14
Other Maintenance and Operating Expenses		
Advertising, Promotional and Marketing Expenses	3,515,130.00	3,927,822.44
Printing and Publication Expenses	3,261,938.40	756,905.74
Transportation and Delivery Expenses	3,532,669.07	2,814,123.60
Rent/Lease Expenses	3,917,075.13	16,920,990.11
Membership Dues and Contributions to Organizations	10,550.00	628,117.38
Subscription Expenses	43,862.50	55,389.44
Donations	1,307,283.37	1,495,325.98
Directors and Committee Members' Fees	1,606,589.85	1,958,527.02
Major Events and Conventions Expenses	1,344,782.06	615,362.50
Other Maintenance and Operating Expenses	5,312,875.88	10,519,869.00
Sub-Total	23,852,756.26	39,692,433.21
Total	₱ 1,055,812,195.36	₱ 1,014,057,657.90

24. FINANCIAL EXPENSES

This account is composed of the following:

	2022	2021
Management Supervision/Trusteeship Fees	₱ 164,093.07	0.00
Interest Expense	11,522,676.36	13,054,060.47
Bank Charge	0.00	53.00
Total	₱ 11,686,769.43	₱ 13,054,113.47

25. NON-CASH EXPENSES

This account consists of the following:

	2022	2021
Depreciation		
Investment Property	₱ 1,682,661.04	₱ 1,682,661.12
Property, Plant and Equipment		

	2022	2021
Infrastructure Assets	90,200,767.59	88,087,775.40
Buildings & Other Structures	18,143,020.05	65,193,259.67
Machinery & Equipment	18,743,817.41	26,320,431.02
Transportation Equipment	15,000,337.97	9,022,448.35
Furniture, Fixtures & Books	1,758,178.69	1,779,697.30
Other Property, Plant, and Equipment	30,783,700.20	27,209,639.00
Sub-Total	174,629,821.91	217,613,250.74
Total Depreciation Amortization - Intangible Assets	176,312,482.95	219,295,911.86
Impairment Loss - Loans and Receivables	4,586,657.30	117,177.09
Total	181,222,890.64	220,351,464.29

26. FINANCIAL ASSISTANCE / SUBSIDY / CONTRIBUTION

	2022	2021
Financial Assistance to Local Government Units	₱ 10,445,558.57	₱ 10,285,537.01
Total	₱ 10,445,558.57	₱ 10,285,537.01

27. KEY MANAGEMENT PERSONNEL

- The key management personnel of the Water District are the General Manager, the Members of the Governing Body, and the members of the Senior Management Group. The governing body consists of members appointed by the Mayor. The senior management group consists of the Assistant General Manager for Finance, Assistant General Manager for Administration, Assistant General Manager for Operation, Assistant General Manager for Pipelines and the Department Managers.
- The aggregate remuneration of members of the governing body and the number of members determined on a fulltime equivalent basis receiving remuneration within this category, are:

Particulars	Aggregate Amount
Salaries and Wages	₱ 17,976,547.31
Other Compensation and Personnel Benefits	11,497,338.30
Other Personnel Benefits	3,439,674.21
Total	₱ 32,913,559.82

28. SUPPLEMENTARY TAX INFORMATION UNDER REVENUE REGULATIONS NO. 15-2010

The Bureau of Internal Revenue (BIR) issued on November 25, 2010 Revenue Regulation 15-2010 regarding the provision of additional disclosures in the

notes to financial statements on information on taxes, duties, and license fees paid or accrued during the taxable year.

In compliance with the requirements set forth by the aforementioned regulation, the Water District reported the following types of taxes, duties and license fees paid or accrued for the year ended December 31, 2022:

27.1 Value-Added Tax (VAT)

This account consists of the following:

Particulars	2022
Taxable Transactions	₱ 5,981,215.20
Tax Rate	12%
Output Tax	640,844.48
Less: Input Tax	(52,654.46)
Less: Creditable VAT	(1,294.67)
Total VAT Payment	₱ 586,895.35

27.2 Withholding Taxes (W/T)

This account consists of the following:

Particulars	2022
W/T-Tax on Compensation (1601-C)	₱ 33,786,420.09
W/T- Creditable Income Taxes (1601-E/1601-EQ)	25,156,104.89
W/T- Other Percentage Taxes (1600)	70,593,570.96
Total Withholding Tax	₱ 129,536,095.94

Percentage Tax

Particulars	2022
Percentage Tax on Franchises (2551-Q)	₱ 36,815,279.63
Less: Creditable Percentage Tax Withheld	(490,489.33)
Net Percentage Tax on Franchises	₱ 36,324,790.30

27.3 All Other Taxes

This account consists of the following:

Taxes, Duties and Licenses	2022
BIR Registration / Doc Stamps / Certification fee	₱ 3,170.00
Processing & Permit Fees - Legal	26,518.97
Taxes - Real Property Taxes / Donor's Tax	1,637,017.94
Total	₱ 1,666,706.91