

METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM
Notes to Financial Statements
For the year ended December 31, 2021

1. GENERAL/CORPORATE INFORMATION

The Metropolitan Waterworks and Sewerage System (MWSS), a government-owned and controlled corporation, was created under Republic Act (R.A.) No. 6234 which was approved on June 19, 1971 replacing the National Waterworks and Sewerage Authority (NWSA). The MWSS is an attached agency to the Department of Public Works and Highways (DPWH). Its main objective is to ensure an uninterrupted and adequate supply and distribution of potable water for domestic and other purposes to its consumers at just and equitable rates. It also aims to provide sewerage and sanitation services to the public. MWSS owns and has jurisdiction over all waterworks and sewerage system of all the cities and municipalities of Metro Manila, and some municipalities of Cavite and Bulacan.

Because of the felt need for the government to adopt urgent and effective measures and to address the nationwide water crisis which adversely affected the health and well-being of the public, legislators passed into law R.A. No. 8041, otherwise known as the National Water Crisis Act of 1995, implemented under Executive Order (E.O.) No. 286 dated December 6, 1995, reorganizing the MWSS. The passage of E.O. No. 311 on March 20, 1996 encouraged the private sector's participation in the operation of the facilities of MWSS and paved the way for its privatization.

Pursuant to a process of competitive public bidding and selection, MWSS' operations were privatized. Thus, on February 21, 1997, MWSS entered into a Concession Agreement (CA) with two private companies (Concessionaires), namely, the Manila Water Company Incorporated (MWCI) and the Maynilad Water Services Incorporated (MWSI), granting them the rights to manage, operate, repair, decommission and refurbish the Facilities in the Service Area, including the right to bill and collect for water and sewerage services supplied in the Service Area. MWCI operates in the east zone while MWSI services the west zone, the two concessionaires formally took over the operations of MWSS on August 1, 1997. In addition to the performance of the service obligations, the concessionaires are required, under the CA, to pay MWSS concession fees in consideration for such rights.

As a result of the privatization in 1997, MWSS is now divided into two Offices, the MWSS Corporate Office (CO) and the MWSS Regulatory Office (RO).

On March 8, 2001, due to financial difficulties, MWSI suspended payment of concession fees. From March 2001 to July 2001, MWSS used its own funds to meet the maturing obligations of MWSI. Thereafter, from July 2001 to 2006, MWSS had to obtain several loans from various banks and financial institutions to meet its maturing obligations and expenses which the (unpaid) concession fees from MWSI were supposed to cover.

Despite continuous negotiations, several disputes between MWSI and MWSS led the former to issue a "Notice of Early Termination of the Concession" on December 9, 2002. MWSS arbitration proceedings commenced on January 7, 2003, and subsequently on November 7, 2003, the Appeals Panel for Major Disputes ruled that (1) there was no MWSS or Concessionaire Event of Termination under Article 10 of the CA, (2) the parties should continue to perform their obligations under the CA until the expiration thereof, (3) MWSS

may draw on the USD120 million Performance Bond. The Arbitration Order became final on November 22, 2003.

During the pendency of the corporate rehabilitation proceedings, and prior to the drawing on the USD120 million Performance Bond, MWSS had to seek funding from other sources to meet its maturing obligations and operating expenses. As a result, on March 16, 2004, MWSS, with the Republic of the Philippines as Guarantor, and BNP Paribas entered into a Subscription Agreement wherein BNP Paribas agreed to subscribe to the MWSS-BNP Notes.

On April 29, 2005, MWSI submitted to the Rehabilitation Court its 2005 Rehabilitation Plan incorporating the terms and conditions of the Debt and Capital Restructuring Agreement (DCRA) executed between MWSI, MWSS, Benpress Holdings Corporation, the Suez Group and other lenders. On June 1, 2005, the Rehabilitation Court approved the 2005 Rehabilitation Plan, including the DCRA.

Under Clause 2.6 of the DCRA, MWSS has the right to subscribe to 83.97 percent of the shares of MWSI. On September 8, 2005, the MWSS Board of Trustees (BOT) resolved to assign the MWSS Subscription Rights pursuant to Clause 24 of the DCRA. After going through the process of competitive public bidding, the MWSS Subscription Rights and the right to acquire receivables of MWSS, subject to the conditions imposed under the DCRA was awarded to DMCI-MPIC Water Company, Inc. (DWCI). On December 27, 2006, MWSS and DWCI entered into an Assignment and Assumption Agreement (AAA) to formalize the award.

In accordance with the AAA, DWCI, decided to effect the early exit of MWSI from rehabilitation proceedings by contributing cash to the latter and enabling the latter to prepay, among others, its obligations to MWSS under the DCRA. To implement this, DWCI entered into a Prepayment and Settlement Agreement (PSA) with MWSI, MWSS, the Suez Group and other lenders on August 9, 2007.

Thereafter, MWSI, MWSS, the Suez Group, and other creditors of MWSI filed a Joint Omnibus Motion dated August 14, 2007. Acting on the Joint Omnibus Motion, the Rehabilitation Court issued an order dated December 19, 2007 (1) immediately approving the PSA, (2) declaring that Maynilad had successfully implemented the 2005 Rehabilitation Plan subject to the fulfillment of certain conditions, and (3) disallowing the disputed or unresolved claims of MWSS and the Suez Group. On February 6, 2008, the Rehabilitation Court issued another order confirming the December 19, 2007 Order, declaring that the conditions in its previous order have been met, and releasing MWSI from the corporate rehabilitation proceedings.

On December 7, 2015, the MWSS issued a Notice of Award (NOA) to San Miguel Corporation – K Water Consortium for the Bulacan Bulk Water Supply Project (BBWSP). In accordance with the NOA, the Consortium registered the Luzon Clean Water Development Corporation (LCWDC) as the newest concessionaire.

On January 15, 2016, the LCWDC entered into a CA with MWSS for the project. The CA is for a period of 30 years from the signing date and may be extended as provided for in the CA. The project shall comprise the supply of treated bulk water, planning, financing, development, design, engineering and construction of facilities including the management,

operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the Province of Bulacan.

On September 27, 2021, President Rodrigo R. Duterte ordered the transfer of administrative supervision of MWSS from DPWH to the Office of the President through Executive Order No. 149. The transfer encompasses the following divisions that are currently serving the MWSS RO:

- a. Technical Regulation (responsible for technical and engineering functions including asset management and investment);
- b. Secretary and Legal Adviser;
- c. Financial Regulation (responsible for regulatory accounting, rate adjustment, and economic functions);
- d. Quality and Customer Service Regulation (responsible for service and customer relations including customer complaints and appeals).

Term Extension

During the 11th year of the implementation of the CA, the Parties, MWSS and MWCI and MWSI (under a new Sponsor, DMCI) identified and discussed the option of renewing/extending the CA pursuant to the following government policies:

- a. To increase investments in water and wastewater improvement projects, to pursue the mandate of the government to accelerate wastewater projects, to comply with the Clean Water Act and the recent Supreme Court decision for the cleanup and preservation of Manila Bay, and sufficient concession fees to support the implementation of new water source projects as enumerated in the Final Business Plan;
- b. To mitigate the impact of tariff increases through the renewal/extension of the CA.

On October 19, 2009, the Department of Finance (DOF) transmitted to the MWSS, the signed Letter of Consent and Undertaking on behalf of the Republic of the Philippines for the approval of extension of the CA of MWCI to an additional 15 years from May 7, 2022 to May 6, 2037.

On March 17, 2010, the DOF thru the MWSS, again transmitted the signed Letter of Consent and Undertaking on behalf of the Republic of the Philippines another approval of 15 years extension of the CA of the Maynilad from May 6, 2022 to May 6, 2037.

The term extension committed the Concessionaires to increase by 100 percent the concession fees (Corporate Operating Budget or COB) of the MWSS CO and the MWSS RO.

In December 2019, the MWSS revoked the extension of the CA with MWCI and MWSI. This decision by the Board of Trustees is based on the directive of President Rodrigo R. Duterte in view of the identified supposedly “onerous provisions” in the CA and ordered the review and amendments in the CA.

As a result of the negotiation of the Concessionaires with the National Government, a Revised Concession Agreement (RCA) was signed by the MWCI and MWSI dated March 31, 2021 and May 18, 2021, respectively. The resulting RCA retains important aspects of

the original CA such as the Rate Rebasing mechanism, as well as the confirmation of the concession period duration to be until July 31, 2037.

On December 10, 2021, the respective franchises of MWSI (R.A. No. 11600) and MWCI (R. A. No. 11601) were signed into laws and became effective on January 25, 2022. Said laws grant MWSI and MWCI the franchise to establish, operate and maintain the waterworks and sewerage system in the West and East Zones of MWSS Service Area. It confirms the status of the concessionaires as a public utility, consistent with the provisions of the RCA.

CY 2018 Rate Rebasing

In CY 2018, Rate Rebasing (RR) was performed which served as the basis for reviewing the performance as well as determining the new business plan that the MWCI and MWSI will undertake. The exercise also ensures that notwithstanding the changes in the economic and operating assumptions, both concessionaires will be able to recover all their expenditures (Operating Expenses, Capital Expenditure and Income Taxes), plus the guaranteed rate of return. As such, the exercise serves as one of the major drivers of tariff adjustments under the CA.

Section 9.2 of the CA provides that the Standard Rates for water and sewerage services shall be adjusted each year effective January 1 of each Charging Year. In accordance with (i) the Rate Adjustment Limit (RAL) set forth in Section 9.2.1, (ii) the adjustment principles set forth in Section 9.2.2 and (iii) the procedures set forth in Section 9.2.3.

RAL is defined as the percentage, either positive or negative, equal to the sum of “C” or the percentage change in the Consumer Price Index, “E” or Extraordinary Price Adjustment and “R” or the Rate Rebasing Convergence Adjustment.

On May 25, 2017, after two failed biddings, the MWSS BOT issued Resolution No. 2017-056-RO that approved the Revised Terms of Reference (TOR) for the procurement services for the 4th RR and its Approved Budget for the Contract (ABC) amounting to P64.664 million using the alternative method of procurement, Negotiated Procurement–Two Failed Biddings.

On August 31, 2017, only Test Consults, Inc. in a joint venture with Constantino Guadalquiver & Co. (TCI/CGC) submitted its bid. After the procurement process, the MWSS BOT issued Resolution No. 2017-122-RO dated September 14, 2017 awarding the contract for the consultancy services for the 4th RR (Contract No. RO-CS2017-001) with a total cost not exceeding P64.556 million to TCI/CGC.

Maynilad Water Services, Inc. (MWSI)

On September 7, 2018 after months of audit, series of meetings and consultations, the MWSS RO recommended to the MWSS BOT, among others, for MWSI the implementation of partial “R” on a staggered basis subject to the decision by the Supreme Court of the case docketed as G.R. No. 239938, to wit:

Year	1 Jan 2019	1 Jan 2020	1 Jan 2021	1 Jan 2022
Php/cu.m.	0.00	1.95	1.95	0.93

Then on September 13, 2018, as recommended by MWSS RO, the MWSS BOT issued Resolution No. 2018-136-RO for RR determination for MWSI for Charging Years 2019 to 2022.

Manila Water Company, Inc. (MWCI)

On September 24, 2018, MWSS RO recommended to the MWSS BOT, among others, for MWCI the implementation of partial “R” on a staggered basis as scheduled below:

Year	1 Jan 2019	1 Jan 2020	1 Jan 2021	1 Jan 2022
Php/cu.m.	0.00	2.00	2.00	0.76

Thus on September 27, 2018, as recommended by MWSS RO, the MWSS BOT issued Resolution No. 2018-145-RO for RR determination for MWCI for Charging Years 2019 to 2022.

Sources of Funds

The following are the sources of funds of MWSS:

- a. Concession Fees Collected;
- b. Rentals on Leased Properties;
- c. Interest Income on Investments;
- d. Loan Availments from Foreign and Domestic Financial Institutions;
- e. Collection of Raw Water and Accounts Receivable; and
- f. Other Incidental Revenues.

Strategic Initiatives and Water Security Legacy Bubble

Water Security Legacy (WSL) Roadmap – MWSS is driven by the Water Security Legacy Roadmap and is composed of seven legacies to help ensure a more holistic, long-term and sustainable approach to water service for Metro Manila and its outskirts. These legacies are:

- a. Legacy 1 – Water Resources and Infrastructure Management, Development and Protection
- b. Legacy 2 – Water Distribution Efficiency
- c. Legacy 3 – Sewerage and Sanitation Compliance
- d. Legacy 4 – Water Rates Review and Rationalization
- e. Legacy 5 – Organization Excellence
- f. Legacy 6 – Partnership Development
- g. Legacy 7 – Communication and Knowledge Management

Strategic Initiatives – MWSS CO hereby commits to undertake the following key programs and/or projects identified as having a significant impact on its Performance Scorecard:

- a. *Strategic Initiative 1 – New Centennial Water Supply Source Project (NCWSP) - Kaliwa Dam Project (P12.2 billion)*
 - Fund Source: Official Development Assistance (ODA) - China

- Involves the financing, design and construction of a raw water supply source with a capacity of 600 million liters per day (mld), through the commissioning of the Kaliwa Dam, including intake facilities and other pertinent facilities.
- Part of the Project is a water conveyance tunnel intended to supply 2,400 mld of raw water for Metro Manila, thereby reducing heavy dependence on the Angat Dam reservoir.
- Status as of December 31, 2021
 1. The Environmental Compliance Certificate (ECC) issued on October 11, 2019 for NCWS-KDP is subject to conditions and restrictions consisting of the following:
 - a. Seventeen (17) conditions on Environmental Management;
 - b. Four (4) general conditions; and
 - c. Four (4) restrictions.
 2. Notice to Proceed (NTP) issued to China Energy Engineering Corporation (CEEC) on November 13, 2019.
 3. CEEC Ongoing Activities:
 - Percentage of accomplishment as of December 31, 2021 = 13.94%
 - Detailed Engineering Design (DED) was completed in December 2020.
 4. Groundbreaking Ceremony

On June 9, 2021, a groundbreaking ceremony was held at the tunnel outlet area in Teresa, Rizal, in preparation for the arrival of the Tunnel Boring Machine. This area is outside of the ancestral domains of the Indigenous People.
 5. Tunnel Boring Machine (TBM):

On May 18, 2021, the Design and Manufacturing of the TBM was completed and the Factory Acceptance and Testing Ceremony which was held in China was witnessed virtually in the Philippines. On December 7, 2021, the TBM components arrived in the Port of Manila from China. As of December 23, 2021, all TBM components were already delivered at the TBM Temporary Storage Area located at Barangay Pinugay, Baras, Rizal.
 6. Tunnel Outlet Activities:

Ongoing earthmoving works at the tunnel outlet portal area in Barangay Dalig, Teresa, Rizal, intended for the following:

 - a. Construction of access road;
 - b. Construction of temporary facilities; and
 - c. Assembly site for the TBM.

7. Project Information Center (PIC):

To ensure transparent governance and guarantee that reliable information is publicly available and can be used to engage the participation of affected communities, a PIC will be constructed for the Project. Hence, LGU Sta. Maria in Laguna Province issued a Sangguniang Bayan Resolution (Res #079 dated December 21, 2020) providing a 1,500 square meter lot within their political boundaries and jurisdiction as the site for the PIC. Ongoing coordination with LGU Sta. Maria for the finalization of the MOA and eventually the signing.

8. Watershed Management:

- A total of 35,966 seedlings (734 trays) was already collected at the DENR nursery, and 29,939 of which were already planted.
- On October 14, 2020, tree planting of about 1,000 seedlings was conducted at the access road to Kaliwa dams site (General Nakar, Quezon) participated by MWSS, LGU General Nakar, Boy Scout of the Philippines, PNP and AFP.
- The DPWH contractor of the access road project has employed the local community for its tree planting activity to replace the trees that were cut due to the said project.

9. Access Roads Construction (by DPWH):

- The Contract is being funded and implemented by DPWH.
- Access Road to Tunnel Outlet Portal = 100% completed in June 2019.
- Access Road to Damsite (Km. 92) = 100% accomplishment to date.
- Construction of 1) Bridge to Resettlement Site; 2) Concrete pavement and Drainage installation for the access road to dams site.
- Additional funding of P450 Million was requested by MWSS and is currently in process at DPWH Office.

b. *Strategic Initiative 2 – Bulacan Bulk Water Supply Project (BBWSP) (P16.32 billion)*

- Funding Source: Private Proponent under Public-Private Partnership (PPP) scheme
- Aims to provide clean and affordable treated water, will be implemented in three stages, covering 24 water service providers (WSPs) serving 21 municipalities and three cities in Bulacan.
- Involve the development of surface water source facilities and new groundwater sources; provision of water treatment facilities and lift and booster pump stations; and the installation of new conveyance/transmission lines, among others.
- Status as of December 31, 2021:
 1. 100% project completion (Water Treatment Plant and Conveyance) as of June 30, 2019;
 2. Stages 1 and 2 are fully operational; and
 3. Stage 3 Milestones:

- MOA Signing – January 15, 2021
- Revised Updated Business Plan Approval – August 26, 2021
- DED for Stage 3(a)1 Approval – December 21, 2021
- Target Commercial Operation – January 2023

c. *Strategic Initiative 3 – Angat Water Transmission Improvement Project (AWTIP)*
(USD133.98 million)

- Funding Source: Loan and GOP counterpart funded by Concession Fees
- Aims to improve the reliability and security of the Angat raw water transmission system through the rehabilitation of existing conveyance and appurtenances from Ipo Dam to the La Mesa Treatment Plant.
- Involves the construction of an additional tunnel, which will allow the alternate closing of older tunnels and aqueducts in the conveyance system. This will enable the conduct of necessary inspection and rehabilitation of portions of the systems without interrupting the transmission of water.
- Status: Completed on August 16, 2020 and is now operational.

d. *Strategic Initiative 4 - Angat Dam and Dykes Strengthening Project (ADDSP)*
(P5.719 billion)

- Fund Source: Angat Hydropower Corporation (AHC) for the strengthening works of the dam and dyke; National Government for the dam instrumentation and flood protection works.
- Involves the strengthening of the dam/dyke & auxiliary spillway, installation of flood forecasting and warning system on dam operation and flood protection works to ensure the structural integrity of the dam and dyke and to increase dam storage capacity.
- Aims to mitigate risks as a result of the dam being on the West Valley Fault. It will include the installation of flow forecasting and warning systems beneficial to downstream towns and cities.
- Status:
 - The strengthening works of the dam and dyke, which were the responsibility of the Angat Hydropower Corporation (AHC) under the contract with Power Sector Assets and Liabilities Management Corporation (PSALM), were completed.
 - Dam Instrumentation: Five out of the seven contract packages were already completed. This is being implemented by National Power Corporation (NPC) as stipulated in the Memorandum of Agreement (MOA).
 - Flood protection works: This was implemented by Provincial Government of Bulacan (PGB) as provided for in the MOA. Completed according to the information from PGB.
 - Pursuant to Board Resolution no. 2021-113-CO, the ADDSP Fund held in trust by MWSS was already returned to the Bureau of the Treasury (BTR).

e. *Strategic Initiative 5 - Rehabilitation, Operation and Maintenance of MWSS-owned Auxiliary turbines 4 and 5 of the Angat Hydro-Electric Power Plant (AHEPP)*

- Funding Source: Private Proponent under PPP Scheme
- The Project involves the opportunity to optimize the benefit from the MWSS-owned auxiliary turbines 4 and 5 by developing the hydropower generation component, a “by-product” of water releases.
- Status as of December 31, 2021:
 - Issued Notice of Award on June 9, 2021
 - Signing of the Rehabilitation, Operation and Maintenance Agreement (ROMA) with AHC on September 28, 2021
 - Issued Notice to Proceed on October 12, 2021
 - Ongoing Detailed Engineering Design (DED)

f. *Strategic Initiative 6 – Sumag Diversion Project*

- Funding Source: Concessionaire’s Fund through the Common Purpose Facility (CPF)
- Aims to provide additional raw water (188 mld) from Sumag River in General Nakar, Quezon which will be diverted to Umiray Tunnel to augment water supply in Angat Dam.
- The proposed project involves the construction of appurtenance structures of Tyrolean Type Weir, Intake, Desilting Basis with Sluice Way, Transition Channel, Cut and Cover, Tunnel (600 linear meters with 2.70 meters’ diameter), Open Channel and Intrasite Access connecting to the Umiray-Angat Transbasin Project (UATP).
- This Project is being implemented and funded by the CPF Office of the two Concessionaires (MWCI and MWSI).
- Status as of December 31, 2021:
 - Notice to commence was issued on June 18, 2021 for the DED of the tunnel Interconnection works and the DED is ongoing.
 - Letter of intent to renew permit submitted to Provincial Mining Regulatory Board (PMRB); awaiting PMRB resolution

g. *Bigte-Novaliches Aqueduct No. 7 Project (BNAQ7) (P7.420 billion)*

- Funding Source: Loan and Government of the Philippines (GOP) counterpart funded by Concession Fees
- Design and construction of a 3.60 meters diameter x 15 kilometers long aqueduct with a design capacity of 1,700 mld

- Status as of December 31, 2021:
 - Overall Project Accomplishment (Design Phase + Construction Phase): 1.11% as of December 31, 2021.
 - Notice to Proceed was issued on September 7, 2021 for the Civil Works component of the Project to the Consortium of Shanxi Hydraulic Engineering Construction Bureau Co. Ltd., China Water Resource Beifang Investigation Design and Research Co. Ltd., and Shanxi Hydroelectric Investigation & Design Institute Co., Ltd. (SCHEB-BIDR-SXSY CONSORTIUM).
 - Notice to Proceed was issued on September 15, 2021 for the Consultancy Component (construction services and supervision) of the Project to DOHWA Engineering Co. Ltd., in association with Engineering and Development Corporation of the Philippines (EDCOP).
 - The Contractor already finalized the land (1 hectare) to be rented for the temporary facilities and fabrication site at Barangay Sto. Cristo, San Jose Del Monte, Bulacan, for the whole duration of the Project.
 - There is an ongoing assessment of the affected structure along the 25-meters construction corridor within the MWSS Right of Way (ROW). MWSS created a Resettlement Action Plan Committee for this purpose.
 - The continuous monthly flow measurement of rivers/creeks crossing the BNAQ7 ROW is being executed.
 - Preparation for the DED documents by the Contractor and for review and endorsement by the Project Consultant is ongoing.

h. Rehabilitation of Umiray Facilities

- Funding Source: Concessionaire's Fund through CPF
- Rehabilitation and strengthening of existing tunnel structures/facilities to withstand future typhoons in order to ensure the continuous flow of raw water from the Umiray River to the Angat Reservoir.
- ONGOING ACTIVITIES:
 - Refurbishment of Buildings A and B
 - Painting works
 - Plumbing works including construction of septic tank
 - Carpentry Works
 - Electrical works
 - Ceiling works
 - Genset House roofing works
 - Drilling works to anchor the vertical bars at desilting wall extension
 - Hauling of construction supplies, food supplies and fuel.
- Updates from CPF as of December 31, 2021:
 - Accomplishment: Target = 90.98%; Actual = 85.45%

i. Ipo Dam 3 Project (P4 billion indicative cost)

- Construction of an impounding dam downstream of the existing Ipo Dam #2 that will serve as catchment for spillage/excess water from the existing Ipo Dam and adjacent tributaries.
- Target date started: 1st quarter 2022
- Target date completed: 1st quarter 2025
- Feasibility Study (FS) is being undertaken by consultant EDCOP and this is funded through the Project Development and Related Studies (PDRS) funding of National Economic and Development Authority (NEDA).
 - Acceptance by MWSS and NEDA on January 2021 of the Final Feasibility Study Report which was submitted by EDCOP on December 29, 2020;
 - Issuance of Certificate of Completion and Acceptance by NEDA on April 16, 2021; and
 - Ongoing evaluation by MWSS of the viability of the Project as a sustainable water supply, or can be best considered as a potential water source for Bulacan Bulk Water Supply Project.

j. Strategic Initiative 7 – MWSS Reorganization

MWSS CO has an approved Reorganization based on Governance Commission for GOCCs (GCG) MC 2013-17.

The process started late 2017 and being implemented for placement of positions to the new Organizational Structure set up. As of December 31, 2021, 108 out of 128 plantilla positions were filled up, while 24 employees who availed of the Early Retirement Incentive Program (ERIP) were paid. MWSS CO has a pending request for additional positions that is currently being assessed by the GCG.

k. Strategic Initiative 8 – Customer Satisfaction Survey

The ultimate customers of both MWSS and Concessionaires are the general public to whom it serves potable water and sewerage and sanitation services in its service area. This is a system for obtaining feedback from our direct customers. The latest study conducted by the University of the Philippines Center for Integrative and Development Studies (UP-CIDS) for 2021, was presented to the Management Committee in April 2022.

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

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) which were prescribed by the Commission on Audit (COA) through COA Resolution Nos. 2014-003 dated January 24, 2014, COA Resolution 2017-006

dated April 26, 2017 and COA Resolution No. 2020-001 dated January 09, 2020. IPSAS consists of individual IPSAS and the accompanying Philippine Application Guidance (PAG) issued by COA.

The financial statements have been prepared complying with the requirements set forth under COA Circular No. 2020-002 dated January 28, 2020 which prescribed the adoption of the Updated Revised Chart of Accounts for Government Corporations.

The financial statements are presented in Philippine Peso (P), which is also the country's functional currency, and amounts are rounded off to the nearest peso, unless otherwise stated.

The financial statements of the MWSS CO and MWSS RO are consolidated in this report.

The MWSS Board of Trustees through Board Resolution No. 2022-050-CO dated April 20, 2022 authorized the issuance of the financial statements of MWSS for the calendar year 2021 pursuant to Section 8 (g) of Republic Act No. 6234, the MWSS Charter.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

The consolidated financial statements are prepared on an accrual basis in accordance with the IPSASs.

3.2 *Financial Instruments*

a. Financial assets

a.i. Initial recognition and measurement

Financial assets within the scope of IPSAS 29 - Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. MWSS determines the classification of its financial assets at initial recognition.

MWSS' financial assets include cash, cash equivalents, short-term investments, investments in stocks and non-marketable securities, and loans and other loans receivables.

a.ii. Subsequent measurement

1. 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 surplus or deficit.

a.iii. Derecognition

MWSS derecognizes a financial asset or, where applicable, as part of a financial asset or part of MWSS of similar financial assets when:

1. The contractual rights to the cash flows from the financial asset expired or waived; and
2. MWSS 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 IPSAS 29; 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.

a.iv. Impairment of financial assets

MWSS assesses at each reporting date whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the year in which it arises.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

b. Financial liabilities

b.i. Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, 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.

MWSS' financial liabilities include trade and other payables, loans and borrowings, and financial guarantee contracts.

b.ii. Subsequent measurement

1. 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 surplus or deficit 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.

b.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 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 surplus or deficit.

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 amounts of cash and are subject to insignificant risk of changes in value. For 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.

Cash in bank earns interest at the respective authorized government depository bank rates. Cash equivalents are for varying period of up to three months depending on the

immediate cash requirements of the MWSS, and earn interest at the respective investment rates. Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and short-term investment approximates the amount at the time of initial recognition.

3.4 *Receivables*

Receivables are recognized and carried at original billed amount. Provision for impairment on water/sewer accounts receivable prior to privatization is maintained at a level considered adequate to provide for potential losses on receivables. The level of this provision or allowance is based on Management's evaluation of collection experience and other factors that may affect collectability.

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 are depreciated over their estimated useful life.

Investment property is derecognized either when it have 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 surplus or deficit in the period of derecognition.

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

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

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 a 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 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 P15,000.

PPE of the MWSS encompasses assets that are retained by MWSS at the start of the Concession, newly acquired or developed assets used by the MWSS in its operations and Service Concession Assets that pertain to the assets assigned to the two Concessionaires, the MWSI and MWCI, and the Common Purpose Facility (CPF) assets.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

A PPE acquired through a 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-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

1. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
2. expenditure that is directly attributable to the acquisition of the items; and
3. 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 MWSS recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

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

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.

d.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.

d.ii. Depreciation method

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

d.iii. Estimated useful life

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

d.iv. Residual value

The MWSS uses a residual value equivalent to ten percent (10%) 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 MWSS derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

Service Concession Arrangements

MWSS analyzes all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, MWSS recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, MWSS also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Construction in Progress

Construction in progress is stated at cost. While the construction is in progress, project costs are accrued based on the contractors' accomplishment reports and billings. These represent costs incurred for technical services and capital works program contracted by the MWSS to facilitate the implementation of the project. While the construction of the project is in progress, no provision for depreciation is recognized.

Construction in progress is transferred to the related PPE account when the construction or installation and related activities necessary to prepare the PPE for its intended use have been completed, and the PPE are ready for service.

3.7 Long-term foreign loans

Long-term foreign loans are recorded in pesos based on the exchange rate at the time of withdrawal and are revalued at the end of each reporting date.

3.8 Leases

Leases in which the MWSS 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.

3.9 Revenue recognition

All Concession fees billed/collected/received from the Concessionaires are treated as operating revenue.

Concession fees – Debt Service and Progress Billings are concession fees received from the Concessionaires that are intended for MWSS loan amortization and payments to contractors/suppliers, respectively. These are pass-on payment without any margin in favor of MWSS. Concession Fee – COB is the annual Current Operating Budget being paid by the concessionaires to MWSS for administrative expenditures subject to annual Consumer Price Index adjustment.

3.10 Foreign currency-denominated transactions

Foreign currency-denominated transactions are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Foreign exchange gains and losses arising from foreign currency fluctuations are recognized in profit or loss for the period.

3.11 Subsequent events

All post year-end events up to the date the financial statements are authorized for issue that provide additional information about the MWSS' position at reporting date (adjusting events) are reflected in the financial statements. Any post year-end event that is material and not an adjusting event is disclosed in the notes to the financial statements.

3.12 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of fixed assets (including costs incurred in connection with rehabilitation works) are capitalized as part of the cost of the asset. The capitalization commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all activities necessary in preparing the related assets for their intended use are complete.

3.13 Judgments and use of estimates

The preparation of the accompanying financial statements in conformity with IPSASs requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Use of estimates

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

Estimating allowance for impairment

The MWSS maintains allowances for impairment at a level considered adequate to provide for potential losses on receivables. The level of this allowance is based on management's evaluation of collection experience and other factors that may affect collectability. The amount and timing of recorded expenses for any period would, therefore, differ depending on the judgments and estimates made for the year.

Estimated useful lives of PPE

The MWSS estimates the useful lives of its PPE based on the period over which the assets are expected to be available for use. The MWSS reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in the MWSS' estimates brought about by changes in the factors mentioned.

3.14 Contingent Assets and Contingent Liabilities

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

3.15 Changes in Accounting Policies and Accounting Estimates and Errors

The MWSS 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 MWSS recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

In view of the cut-off set in the closing of books to prepare the CY 2020 Financial Statements in the prior year, journal entries of transactions pertinent to prior periods were approved and accounted in CY 2021 books through the Accumulated Surplus/Deficit account. Identified prior period adjustments, in a practicable degree, were effected in the opening balance of Accumulated Surplus/Deficit. Restatement is accordingly made in the balances of earliest period presented which is CY 2020. The following financial statement line items are majorly affected by the restatement:

- 1. Service Concession related accounts*** - such as *Service Concession Assets (SCAs), Service Concession Income, Accumulated Depreciation and Depreciation Expense of Service Concession Assets due to unavailability of information when the CY 2020 Financial Statements were authorized for issue, and corresponding data from Concessionaires were only obtained and taken into account in the preparation of CY 2021 Financial Statements.*

2. ***Project related accounts with foreign exchange exposure*** - such as *Advance Payment and Retention Payable*, where cumulative impact of fluctuations due to difference in rates in initial recognition and recoupment was corrected in the preparation of CY 2021 Financial Statements.
3. ***Other adjustments due to non-accrual of CY 2020 expenses, disbursed subsequent to reporting date.***

3.16 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. Explanatory comments are provided in the notes to the annual financial statements.

The annual budget figures included in the financial statements are consolidated amounts for the MWSS CO and RO.

3.17 Related Parties

The MWSS regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the MWSS, or vice versa.

Members of the Board of Trustees are regarded as related parties and exercise joint control over the MWSS CO and RO operations.

Members of key management are regarded as related parties and comprise the Administrator, Deputy Administrators and Department Managers of the MWSS.

3.18 Employee Benefits

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

The MWSS 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.

4. CASH AND CASH EQUIVALENTS

Particulars	2021	2020 (As Restated)
Cash on Hand	1,768,088	2,285,874
Cash in Bank – Local Currency	440,074,762	427,754,121
Cash in Bank – Foreign Currency	55,920	62,894,004
Time Deposits – Local Currency	3,846,254,922	2,987,292,643
Time Deposits – Foreign Currency	3,070,237	1,603,490
Total	4,291,223,929	3,481,830,132

- a. *Cash on Hand* - This consists of the amount of collection with the Cash Collecting Officers, amount of cash advances granted to designated Regular/Special Disbursing Officers for payment of authorized official expenditures subject to liquidation and cash granted to Petty Cash Custodians for payment of authorized petty and miscellaneous expenses which cannot be conveniently paid thru check.
- b. *Cash in Bank - Local Currency* - This consists of cash in local currency deposited in current and savings account with the Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) that earn interest at respective bank deposit rates.
- c. *Cash in Bank – Foreign Currency* - This represents balances of cash in foreign currency, deposited in savings account with the Bureau of the Treasury and LBP.
- d. *Time Deposits – Local Currency* - This consists of placements in local currency time deposits with DBP and LBP that are made for varying period. The decrease was due to the remittance of P905.658 million as full settlement of JBIC-110 PH (NG advances) that matured in February 2020.
- e. *Time Deposits – Foreign Currency* - This consists of placements in foreign currency time deposit with LBP.

5. RECEIVABLES

Receivables consist of the following:

Particulars	2021	2020 (As Restated)
Loans and Receivables	193,411,354	172,879,527
Inter-Agency Receivables	49,015,983	55,506,497
Intra-Agency Receivables	791,592	776,690
Other Receivables	5,812,714,915	5,818,303,583
Total	6,055,933,844	6,047,466,297

5.1. Loans and Receivables

Particulars	2021	2020 (As Restated)
Accounts Receivable	1,286,085,150	1,243,822,178
<i>Allowance for Impairment–Accounts Receivable</i>	(1,117,001,778)	(1,117,001,777)
Interests Receivable	5,540,057	4,026,527
Loans Receivable	40,384,783	42,032,599
<i>Allowance for Impairment–Loans Receivable</i>	(21,596,858)	0
Total	193,411,354	172,879,527

Accounts Receivable account consist of *Receivables from customers-water, sewer, including raw water* account include the balance of accounts receivables prior to the privatization of MWSS in the amount of P1.117 billion, the collection of which is highly improbable. Thus, Management set-up the provision for bad debts account for the same amount. Meanwhile, Management is presently considering the process of writing-off the account in accordance with the required procedures, such as the congressional approval.

5.2. Inter-Agency Receivables

Particulars	2021	2020 (As Restated)
Due from National Government Agencies	33,006,378	39,338,699
Due from Local Government Units	13,024	13,023
Due from Government Corporations	15,996,581	16,154,775
Total	49,015,983	55,506,497

Inter-Agency Receivables represent collectibles from other government agencies such as the Department of Public Works and Highways (DPWH), Office of the Government Corporate Counsel (OGCC), Supreme Court of the Philippines (SC), the City of Manila, Manila International Airport Authority (MIAA), and Local Water Utilities Administration (LWUA) for office rental, electric and water bills. Some of these accounts are classified as dormant.

5.3. Intra-Agency Receivables

Particulars	2021	2020 (As Restated)
Due from Operating Units	791,592	776,690
Total	791,592	776,690

The net amount of P0.792 million is due to the elimination of the following reciprocal accounts:

Particulars	Amount
Intra Agency Receivables	
Due from Operating Units	811,235
Due from Central/Home Office	0
Total Intra Agency Receivables	811,235
Intra Agency Payables	
Due to Operating Units	(22,796)
Due to Central/Home Office	3,153
Total Intra Agency Payables	(19,643)
Net Balance of Intra Agency Receivables	791,592

The balance is due to MWSS RO's unpaid electricity and water bills to MWSS CO as of year-end and timing differences in the recording of receivables and payables.

5.4. Other Receivables

Particulars	2021	2020 (As Restated)
Receivables-Disallowances/Charges	121,610,207	43,101,252
Due from Officers and Employees	35,357,548	115,847,870
Other Receivables	5,655,747,160	5,659,354,461
Total	5,812,714,915	5,818,303,583

The *Other Receivables* account consists of the following:

Particulars	2021	2020 (As Restated)
Receivables from MWSI	5,442,250,163	5,442,250,163
Receivables from MWCI	156,343,179	160,359,579
Others	58,262,172	56,744,719
<i>Allowance for impairment - Other Receivables</i>	(1,108,354)	0
Total	5,655,747,160	5,659,354,461

Details of the *Receivables from MWSI and MWCI* are as follows:

Particulars	2021	2020 (As Restated)
MWSI		
Cost of Borrowings	3,952,833,428	3,952,833,428
Penalty on Delayed Remittance of Concession Fees	1,118,315,274	1,118,315,274
Inventory Held in Trust	158,479,798	158,479,798
Penalty for Non-Payment of Borrowing Costs	95,246,566	95,246,566
Guarantee Deposits	82,712,512	82,712,512
Mabuhay Vinyl	4,993,546	4,993,546
LMG Chemphil	4,627,025	4,627,025
Other Receivables	25,042,014	25,042,014
Total	5,442,250,163	5,442,250,163

Particulars	2021	2020 (As Restated)
MWCI		
Guarantee Deposits	65,583,130	65,583,130
Inventory Held in Trust	82,438,412	82,438,412
LMG Chemphil	7,730,290	7,730,290
La Vista	591,347	591,347
Other Receivables	0	4,016,400
Total	156,343,179	160,359,579

Cost of Borrowings include the principal, interest and finance charges such as bank conversions, documentary stamps, cable charges and penalties. MWSS is still pursuing the disputed claims on cost of borrowings from MWSI relative to the BNP Paribas loan.

Penalty on Delayed Remittance of Concession Fee is disputed by MWSI. On December 19, 2007, the Rehabilitation Court issued an order, Special Proceeding No. Q-03-071, disallowing the penalty and the Order was confirmed on February 6, 2008. MWSS has requested the Commission on Audit in a letter dated February 13, 2012 requesting approval for the dropping out of the subject account from the books based on the order of the rehabilitation court.

Inventory Held in Trust represents costs of inventories turned over to the concessionaires upon commencement of the Concession Agreement. Under Section 16.12 of the Concession Agreement, upon the expiration of the Concession, the Concessionaires shall transfer to MWSS the inventory having a value (adjusted for CPI) at least equal to the Inventory made available to the Concessionaire on the Commencement Date.

Guarantee Deposits are customer deposits prior to the privatization of MWSS. The amounts were withheld by the two Concessionaires from the collection of accounts receivable from water and sewer services of MWSS at the onset of the privatization where the two Concessionaires were authorized to collect. Management and the two Concessionaires went into reconciliation to arrive at the amount of guarantee deposit to be refunded to MWSS, where MWCI refunded the amount of P6.6 million in 2011 while MWSI the amount of P12.284 million in August 2017.

6. INVESTMENTS

Particulars	2021	2020 (As Restated)
Investment in Stocks	2,524,168	2,524,168
<i>Allowance for Impairment - Investment in Stocks</i>	(420,038)	0
Sinking Fund	29,510,407	29,510,407
Total Investments	31,614,537	32,034,575

Investments in Stocks are equity instruments in the form of shares of stocks of PLDT and MERALCO.

The *Sinking Fund* was set-up on December 12, 1989 in connection with the issuance of the MWSS Angat Serial Bonds which matured on April 30, 2002. The fund was managed by Bangko Sentral ng Pilipinas and later transferred to the Bureau of Treasury on June 30, 1995.

7. INVESTMENT PROPERTY

Particulars	2021	2020 (As Restated)
Investment Property, Land	1,434,201,600	2,034,200,456
Total	1,434,201,600	2,034,200,456

The *Investment Property, Land* comprises land that are currently not in use, held for capital appreciation and with expected future use.

8. PROPERTY, PLANT AND EQUIPMENT

The details of Property, Plant and Equipment (PPE) are as follows:

As at December 31, 2021

	Building and Other Structures	Furniture, Fixture and Books	Machinery and Equipment	Transportation Equipment	Land	Heritage Assets	Service Concession Assets	Construction in Progress	Total
Carrying Amount, January 1, 2021	2,533,937,764	1,097,594	52,350,532	14,393,514	11,981,117,502	4,000	198,917,589,308	4,412,418,959	217,912,909,173
Additions/ Acquisitions	10,097,209	5,649,331	30,613,433	11,680,743	0	0	23,519,987,045	403,410,827	23,981,438,588
Total	2,544,034,973	6,746,925	82,963,965	26,074,257	11,981,117,502	4,000	222,437,576,353	4,815,829,786	241,894,347,761
Disposals/Reclass	0	0	0	0	587,241,000	0	(1,940,466)	(3,744,103,756)	(3,158,803,222)
Carrying Amount, December 31, 2021 (As per Statement of Financial Position)	2,465,602,539	6,091,426	73,673,449	21,713,169	12,568,358,502	4,000	216,331,211,430	1,071,726,030	232,538,380,545
Allowance for Impairment Loss									474,832,332
Carrying Amount, December 31, 2021 (As per Statement of Financial Position) after Impairment									232,063,548,213

The oil painting by H.R. Ocampo “Abstract in Red and Black”, water color painting “Rooster” by Kiukok and “Brick Tower” by Joya, which were all done by painters declared National Artists of the Philippines are listed in the PPE as Heritage Assets. These paintings were registered and provided with a Certificate of Registration under Certification No. 1190 dated September 10, 2014 by the National Museum of the Philippines.

The decrease in *Construction in Progress* was due to the reclassification of Angat Water Transmission Improvement Project (AWTIP) that involves the design and construction of a new tunnel (Tunnel No. 4) along MWSS' existing Tunnel No. 1 from Ipo to Bigte in Norzagaray, Bulacan.

The increase in *Service Concession Assets* refer to the assets provided by the MWSS as the Grantor in the Concession Agreement, as well the developments made and assets acquired by the Concessionaires, the MWCI and MWSI and are provided in the concession. The MWSS has yet to recognize the Service Concession Assets of the Luzon Clean Water Development Corporation as the Concessionaire in the Bulacan Bulk Water Supply Project.

Service Concession Assets account is broken down as follows:

Particulars	Turned-over	Concessionaire Acquired and/or Developed	AWTIP Tunnel No. 4	Total
Gross Cost	69,195,521,707	235,501,241,140	3,572,555,537	308,269,318,384
Accumulated Depreciation	(44,618,756,331)	(47,065,470,334)	(253,880,289)	(91,938,106,954)

The *Service Concession Assets* with carrying amount of P24.577 billion refers to various assets owned by MWSS that were assigned to MWCI and MWSI during privatization. The Concessionaires acquired and/or developed concession assets can be further broken down as follows:

MWCI

Particulars	Cost	Amortization	Net Book Value
a. Water Facilities and Transmission Lines			
House Service Connection (water)	271,181,135	(271,048,420)	132,715
Water Meters	3,114,865,655	(1,067,139,526)	2,047,726,129
Supply Mains	2,745,214,413	(799,132,674)	1,946,081,739
Transmission & Distribution Mains	31,818,834,384	(11,485,767,244)	20,333,067,140
Service Pipe Replacement	3,674,823,974	(1,749,101,320)	1,925,722,654
Distribution Reservoir and Booster	6,824,980,354	(2,188,155,921)	4,636,824,433
Wells and Facilities	915,615,314	(183,104,615)	732,510,699
Water Treatment Plant	12,453,154,216	(2,426,444,800)	10,026,709,416
b. Used Water Facilities and Transmission Lines			
House Service Connection (used water)	87,564,842	(36,537,112)	51,027,730
Transmission and Discharge Mains	8,634,142,539	(1,296,241,058)	7,337,901,481
Sewer Network Improvement	70,541,857	(14,926,893)	55,614,964
Sewer Treatment and Pumping Station	17,350,986,838	(1,342,219,838)	16,008,767,000
c. Land	539,668,857	(137,680,735)	401,988,122
d. Construction in Progress	26,311,525,010	0	26,311,525,010

Particulars	Cost	Amortization	Net Book Value
e. General and Admin Building and Structure	261,849,735	(72,985,678)	188,864,057
Total	115,074,949,123	(23,070,485,834)	92,004,463,289

Based on December 31, 2021 audited financial statements

MWSI

Particulars	Cost	Amortization	Net Book Value
a. Completed			
Water Utility Plant	69,937,908,781	(20,053,729,936)	49,884,178,845
Sewer Utility Plant	11,050,238,097	(2,223,318,384)	8,826,919,713
Concession Rehabilitated Facilities	4,309,756,566	(1,405,002,623)	2,904,753,943
Common Purpose Facilities	953,357,374	(156,792,276)	796,565,098
Improvements	900,718,916	(293,822,015)	606,896,901
Land	4,465,965,232	(1,047,676,366)	3,418,288,866
b. In-Progress			
Construction in Progress	28,093,547,504	0	28,093,547,504
Inventories	714,799,547	0	714,799,547
Total	120,426,292,017	(25,180,341,600)	95,245,950,417

Based on December 31, 2021 audited financial statements

The MWSS adopts the amortization by the Concessionaires of their Service Concession Assets as the basis of estimates of the depreciation expense in view of the absence of detailed documents that can serve as basis of MWSS in the computation for each concession asset item.

The MWCI submitted corrected balances for CY 2020 resulting in the restatement of the MWSS balances of Service Concession Assets.

In 2004, an impairment loss was recognized by MWSS for the Umiray-Angat Transbasin due to damages caused by typhoons. Since said impairment was effected in the books only in 2005, it was charged directly to Retained Earnings of that year.

9. OTHER ASSETS

Particulars	2021	2020 (As Restated)
Advances	252,031	2,191,902,528
Prepayments	2,270,956,289	185,516,271
Deposits	14,559,775	14,136,415
Other Assets	758,643,154	726,244,523
Restricted Fund	499,551,336	607,293,790
Total	3,543,962,585	3,725,093,527

Prepayments account includes *Advances to suppliers/contractors* that represent the balance of the 15 percent mobilization costs paid to the contractors/ suppliers/

consultants of civil works/ goods/ consultancy services, subject to periodic recoupment during the billing period and project implementation.

The *Other Assets* account consists of the following:

Particulars	2021	2020 (As Restated)
Unserviceable Assets	572,458,531	540,059,900
Dormant Accounts	169,359,056	169,359,056
Garnished Accounts	10,613,512	10,613,512
Research and Development	6,212,055	6,212,055
Total	758,643,154	726,244,523

The above balances were carried forward since the implementation of the eNGAS in the year 2007. Some of the accounts are subject to reconciliation while some are to be requested for write off such as dormant receivable accounts in which there is a high probability of uncertainty of collection.

Restricted Fund is the amount restricted by government corporations for authorized long-term plans except for liquidation of long-term debt. The MWSS RO earmarked P103.382 million solely for future arbitrations.

10. FINANCIAL LIABILITIES

Particulars	2021	2020 (As Restated)
Payables	157,501,457	124,169,826
Bills/Bonds/Loans Payable	423,596,972	396,215,304
Total	581,098,429	520,385,130

10.1. Payables

Particulars	2021	2020 (As Restated)
Accounts Payable	50,000,938	53,185,241
Interest Payable	17,196,191	52,165,939
Due to Officers and Employees	90,304,328	18,818,646
Total	157,501,457	124,169,826

Accounts payable includes accrued maintenance and other operating expenses.

Due to officers and employees refers to accrued personal services to be paid the following year.

10.2. Bills/Bonds/Loans Payable

Particulars	2021		
	Current	Non-Current	Total
Loans Payable – Domestic	31,481,866	335,486,927	366,968,793
Loans Payable – Foreign	392,115,106	7,951,545,004	8,343,660,110
Total	423,596,972	8,287,031,931	8,710,628,903

Particulars	2020 (As Restated)		
	Current	Non-Current	Total
Loans Payable – Domestic	26,981,723	352,401,015	379,382,738
Loans Payable – Foreign	369,233,581	7,799,568,000	8,168,801,581
Total	396,215,304	8,151,969,015	8,548,184,319

The current and non-current portions of Loans Payable are detailed as follows:

Source	Maturity Date	Currency	Annual Interest Rate	2021		
				Current	Non-Current	Total
Domestic						
SPIAL	05-15-26	\$	9.65%	13,428,955	109,410,242	122,839,197
ADB 1746-PHI	02-01-22	P	floating	18,052,911	53,627,140	71,680,051
NHA		P	floating	0	98,795,399	98,795,399
IBRD 1272/1282	07-15-20	\$	8.50%	0	73,654,146	73,654,146
Sub Total				31,481,866	335,486,927	366,968,793
China Eximbank AWUAIP II	01-21-30	\$	labor rate	392,115,231	2,940,864,227	3,332,979,458
French Protocol	12-31-18	FF	3%-6.8%	(125)	0	(125)
China Eximbank NCWS-KDP	01-21-40	\$	2%	0	1,615,770,348	1,615,770,348
ADB 3377-PHI	03-15-41	\$	Floating	0	3,394,910,429	3,394,910,429
Sub Total				392,115,106	7,951,545,004	8,343,660,110
Total				423,596,972	8,287,031,931	8,710,628,903

Source	Maturity Date	Currency	Annual Interest Rate	2020 (As Restated)		
				Current	Non-Current	Total
Domestic						
SPIAL	05-15-26	\$	9.65%	12,645,320	115,671,026	128,316,346
ADB 1746-PHI	02-01-22	P	floating	14,336,403	68,578,464	82,914,867
NHA		P	floating	0	98,795,399	98,795,399
IBRD 1272/1282	07-15-20	\$	8.50%	0	69,356,125	69,356,125
Sub Total				26,981,723	352,401,014	379,382,737
China Eximbank AWUAIP II	01-21-30	\$	labor rate	369,233,705	3,138,486,490	3,507,720,195
French Protocol	12-31-18	FF	3%-6.8%	(125)	0	(125)
China Eximbank NCWS-KDP	01-21-40	\$	2%	0	1,521,483,548	1,521,483,548
ADB 3377-PHI	03-15-41	\$	Floating	0	3,139,597,961	3,139,597,961
Sub Total				369,233,580	7,799,567,999	8,168,801,579
Total				396,215,303	8,151,969,013	8,548,184,316

The *Special Project Implementation Assistance Loan (SPIAL)* is a portion of the National Government's multi-currency loans from the ADB under Loan Nos. 779 and 780. This was relented to MWSS to partly finance the following projects: Manila Water Supply Rehabilitation Project I (MWSRP I), Manila Water Supply Project II (MWSP II), and Metro Manila Sewerage Project (MMSP).

ADB Loan No. 1746 PHI is a sub-loan agreement entered into by and between the Department of Finance and the MWSS on October 13, 2003 for the implementation of the Pasig River Environmental Management and Rehabilitation Sector, a sanitation component of the loan.

National Housing Authority (NHA) Loan was transferred by NHA to MWSS before the privatization that financed the transfer of water and sewer systems of Tondo Foreshore, Dagat-Dagatan and Kapitbahayan. The validity of the account is still subject to confirmation with NHA and Bureau of the Treasury (BTr) and subsequent preparation of MOA between MWSS, NHA and the two Concessionaires. MWSS will be coordinating with the BTr to reconcile all outstanding loans including the NHA Loan.

International Bank for Reconstruction and Development (IBRD) Loan No. 1272/1282-Manila Urban Development Project – is likewise a national government loan relented to MWSS on October 1, 1976. Per subsidiary loan agreement dated October 1, 1976, MWSS shall repay the principal of the subsidiary loan that started on November 15, 1981.

China Eximbank - Angat Water Utilization and Aqueduct Improvement Project Phase II (AWUAIP-II) is being financed through a loan from the Export-Import Bank of China on May 7, 2010 in the amount of USD116.602 million. The Angat Water Utilization and Aqueduct Improvement Project Phase 2 is an offshoot of the Angat Water Utilization and Aqueduct Improvement Project (AWUAIP). To be implemented by the MWSS, the AWUAIP is targeted to maintain and optimize the water conveyance from Angat Dam to the Water Treatment Plants via the Ipo Dam-Bicti-La Mesa Portal system. The project involves the rehabilitation of AQ-5, which supplies half of the raw water for Metro Manila, as well as the construction of AQ-6 in order to recover around 394 million liters of raw water lost to leakages. AWUAIP Phase 2 on the other hand involves the construction of the remaining 9.9 km section of AQ-6, and the rehabilitation of AQ-5. The AQ-6 extension aims to completely recover the lost water due to leakages in AQ-5. Repayment period is fifteen (15) years on a semi-annual basis starting January 21, 2015 and will mature on January 21, 2030.

The French Protocol is a French Treasury Credit Facility from the French Republic intended to finance the implementation of the Rizal Province Water Supply Improvement Project (RPWSIP) payable within a period of 10 years that started December 2002. In CY 2018, a total of P2.936 million of repayment of the loan was made. The loan matured last December 2018.

China Eximbank - The New Centennial Water Source-Kaliwa Dam Project (NCWS-KDP) is one of the Infrastructure Flagship Projects (IFPs) under President Rodrigo Duterte's "Build, Build, Build" program. For purposes of implementing the project, MWSS entered into a contract (No. NCWS-KDP 001-2018) with China Energy Engineering Corporation Limited (CEEC) wherein the project has a total commercial

contract amounting to P12.190 billion. The 15% of the total commercial contract amounting to P1.828 billion represents the local funding of MWSS while the other 85% will be financed through a loan. With this, MWSS entered into a loan agreement with Export-Import Bank of China (China Eximbank) on November 20, 2018 which was under the Preferential Buyer's Credit Loan Agreement with No. 142010300202018213220 PBC 2018 No. 25 Total No. 482 on the (NCWS-KDP) amounting to USD211.215 million, or a total of P10.361 billion using a reference exchange rate of P49.056303:USD1.00. The Loan Effectiveness was on November 1, 2019. Thus, MWSS paid a total of USD633,643.94 representing 0.3% lump sum amount for the Management Fee which was remitted on November 26, 2019 directly to China Eximbank.

ADB Loan 3377-PHI is a negotiated loan agreement between MWSS and Asian Development Bank for the Angat Water Transmission Improvement Project in the amount of USD123.30 million on May 27, 2016. This loan is guaranteed by the National Government and payable semi-annually in 25 years inclusive of 6.5 years grace period. MWSS shall pay 0.25 percent Guarantee Fee per annum on the outstanding obligation pursuant to DC 1-2016 to the National Government. The loan account was closed and the unused loan proceeds of USD0.76 million was also cancelled on April 27, 2022.

11. INTER-AGENCY PAYABLES

Particulars	2021	2020 (As Restated)
Due to BIR	63,394,484	22,685,103
Due to Treasurer of the Philippines	19,509,435	30,214,276
Due to GSIS	2,271,437	3,798,792
Due to PhilHealth	234,837	183,471
Due to Pag-IBIG	121,802	359,468
Due to Government Corporations	27	1,395
Total	85,532,022	57,242,505

The accounts *Due to Bureau of Internal Revenue (BIR)*, *Government Service Insurance System (GSIS)*, *Philippine Health Insurance Corporation (PhilHealth)* and *Home Development Mutual Fund (Pag-IBIG)* refer to balances of withheld amounts as of December 31, 2021 which were remitted in January 2022.

Due to Treasurer of the Philippines pertains to the guarantee fee on existing loans while *Due to Government Corporations* refers to payable to the National Home Mortgage Finance Corporation (NHMFC).

12. TRUST LIABILITIES

Particulars	2021	2020 (As Restated)
Trust Liabilities	140,125,240	114,273,921
Bail Bonds Payable	460,621	443,621
Guaranty/Security Deposits Payable	881,816	99,252
Customer Deposit	857,773	0
Total	142,325,450	114,816,794

The balance of *Trust Liabilities* account includes receipts from the Concessionaires on the Work and Financial Plan of Pre-construction activities relative to the Kaliwa Dam Project.

13. OTHER PAYABLES

Particulars	2021	2020 (As Restated)
Dividends Payable	1,832,277,084	620,082,412
Other Payables	145,947,627	286,100,686
Total	1,978,224,711	906,183,098

Dividends Payable account comprises 50% of estimated CY 2021 net earnings totaling P400.000 million and set up for the Dividend Deficiency covering CYs 2016 to 2020 as recomputed by the DOF to be paid 2022 onwards. Dividends for CY 2021 was declared and approved on April 20, 2022 under Board Resolution No. 2022-049-CO. The payment was received by the BTR on April 28, 2022.

Other Payables account includes 10 percent retention from contractors' claims, unreturned borrowed materials, cost of flushing, attorneys' fees, guaranty deposits and depository liabilities. It also includes liabilities with existing lawsuits and money claims.

14. DEFERRED CREDITS

Particulars	2021	2020 (As Restated)
Deferred Service Concession Revenue	188,850,925,495	174,089,084,320
Other Deferred Credits	284,014,795	156,701,218
Total	189,134,940,290	174,245,785,538

Deferred Credits account consists of the following:

Deferred Service Concession Revenue account represents the unearned portion of the revenue arising from the exchange of assets between the MWSS and the Concessionaires by the end of the service concession agreement amortized yearly over the economic substance of the arrangement.

Deferred credits to income – COB account represents annual income concession fee – corporate operating budget received in advance from concessionaires pursuant to the

concession agreement. Said account is amortized fully within the year to the appropriate income account.

Deferred credits to income – Penalty/Interest on delayed payment of Concession Fee is the penalty previously charged to MWSI computed based on 364 Treasury bills rate. The amount was disallowed by the Rehabilitation Court in Court Order approving the Prepayment and Settlement Agreement (PSA) dated December 19, 2007 and Court Order confirming the termination of the corporate rehabilitation proceedings on account of successful implementations of the 2005 Revised Rehab Plan dated February 6, 2008.

The *Other Deferred Credits* include the following:

Account	Particulars	Amount
Miscellaneous – Others	Pasig River Environmental Mgt. & Rehab Sector Development Program (PREMSDP) and Angat Hydro Corporation on AN 4 and 5 Project	242,211,237
Rental of MWSS Properties	Advance payment for rental of various MWSS properties	16,782,913
Cost of Lot Housing	Collection from employees for Cost of Lot payment (MWSS Housing)	13,044,592
Interest	Interest on Materials on Site Advances	8,423,623
Deferred Credits to Income	Others	3,359,610
Amount withheld for liquidated damages	Amount withheld from contractors under dispute	192,820
Total		284,014,795

15. NET ASSETS/EQUITY

15.1. SHARE CAPITAL

The MWSS has an authorized capital stock of P8.000 billion corresponding to 80 million shares at P100 par value, of which P6.095 billion were issued and outstanding equivalent to 60.955 million shares.

15.2. DONATED CAPITAL

This account represents the costs of waterworks facilities turned over by private subdivisions and Ayala Land Corporation by way of a Deed of Donation. It also includes the grant from Japan Government through the Japan International Cooperation Agency (JICA) for the rehabilitation of the Balara Water Treatment Plant.

16. SERVICE AND BUSINESS INCOME

Particulars	2021	2020 (As Restated)
Income from Service Concession		
Service Concession Revenue	5,302,054,332	5,215,133,607
Concession Fees - COB	1,164,405,587	1,174,649,387
Debt Service	598,461,745	1,121,742,068
Progress Billing	162,127,983	30,700,214
Total Income from Service Concession	7,227,049,647	7,542,225,276
Business Income		
Rent Income	149,571,642	148,260,887
Income from Raw Water	102,339,876	71,014,360
Interest Income	62,822,588	48,545,979
Total Business Income	314,734,106	267,821,226
Total	7,541,783,753	7,810,046,502

Service Concession Revenue is the amortization of Deferred Concession Revenues pursuant to IPSAS 32. In CY 2020, the MWSS failed to recognize the amortized portion in view of the absence of complete supporting documents from the Concessionaires.

Concession Fees - COB is the annual Current Operating Budget being paid by the Concessionaires to MWSS for administrative expenditures subject to annual Consumer Price Index adjustment.

Debt Service and Progress billings are concession fees received from the Concessionaires that are intended for MWSS loan amortization and payments to contractors/suppliers, respectively. These are pass-on payment without any margin in favor of MWSS.

Business Income is income resulting from operation, including interest earned from deposits.

Income from Raw Water is business income from sale of raw water in service areas not covered by the service areas of the MWSI.

17. PERSONNEL SERVICES

These expenses include the following:

Particulars	2021	2020 (As Restated)
Salaries and Wages	119,948,814	117,731,501
Other Compensation	47,176,956	47,886,497
Other Personnel Benefits	16,677,928	16,619,372
Personnel Benefit Contributions	15,574,879	16,011,079
Total	199,378,577	198,248,449

17.1. Salaries and Wages

Particulars	2021	2020 (As Restated)
Salaries and Wages – Regular	113,990,149	110,843,813
Salaries and Wages – Casual/Contractual	5,958,665	6,887,688
Total	119,948,814	117,731,501

17.2. Other Compensation

Particulars	2021	2020 (As Restated)
Other Bonuses and Allowances	10,673,748	10,803,321
Year End Bonus	10,491,461	9,856,416
Honoraria	5,686,000	6,238,120
Personnel Economic Relief Allowance (PERA)	4,351,971	4,340,206
Representation Allowance (RA)	3,557,250	3,540,227
Transportation Allowance (TA)	2,897,250	2,853,521
Productivity Incentive Allowance	2,587,333	4,968,447
Hazard pay	2,557,275	873,500
Longevity Pay	1,141,700	1,241,800
Clothing/Uniform Allowance	1,122,000	1,080,000
Cash Gift	907,500	897,250
Overtime and Night Pay	694,488	634,954
Subsistence Allowance	508,980	543,735
Loyalty	0	15,000
Total	47,176,956	47,886,497

17.3. Other Personnel Benefits

Particulars	2021	2020 (As Restated)
Terminal Leave Benefits	9,041,493	6,293,772
Other Personnel Benefits	7,636,435	6,449,626
Retirement Benefits - Civilian	0	3,875,974
Total	16,677,928	16,619,372

17.4. Personnel Benefit Contributions

Particulars	2021	2020 (As Restated)
Retirement and Life Insurance Contributions	13,732,099	14,181,125
PhilHealth Contributions	1,410,380	1,426,954
Pag-IBIG Contributions	216,500	207,900
Employees Compensation Insurance Premium	215,900	195,100
Total	15,574,879	16,011,079

18. MAINTENANCE AND OTHER OPERATING EXPENSES

These expenses include the following:

Particulars	2021	2020 (As Restated)
Professional Services	118,906,970	54,510,117
General Services	38,417,979	40,701,165
Taxes, Insurance Premiums and Other Fees	28,286,446	40,091,091
Utility Expenses	9,460,201	8,147,798
Supplies and Materials Expenses	5,831,210	5,890,035
Training Expenses	2,406,818	3,359,792
Repairs and Maintenance	1,746,302	5,793,886
Communication Expenses	1,419,860	1,738,983
Traveling Expenses	803,056	1,176,451
Extraordinary and Miscellaneous Expenses	1,071,807	1,099,624
Other Maintenance and Operating Expenses	17,485,745	15,938,452
Total	225,836,394	178,447,394

18.1. Professional Services

Particulars	2021	2020 (As Restated)
Consultancy Services	66,628,187	13,968,286
Other Professional Services	37,899,172	25,962,992
Auditing Services	14,379,611	14,578,839
Total	118,906,970	54,510,117

18.2. General Services

Particulars	2021	2020 (As Restated)
Security Services	33,277,397	36,069,111
Janitorial Services	5,140,582	4,632,054
Total	38,417,979	40,701,165

18.3. Taxes, Insurance Premiums and Other Fees

Particulars	2021	2020 (As Restated)
Taxes, Duties and Licenses	24,783,251	37,564,593
Insurance Expenses	3,385,464	2,444,984
Fidelity Bond Premiums	117,731	81,514
Total	28,286,446	40,091,091

18.4. Utility Expenses

Particulars	2021	2020 (As Restated)
Electricity Expenses	7,485,650	4,653,943
Water Expenses	1,974,551	3,493,855
Total	9,460,201	8,147,798

18.5. Supplies and Materials Expenses

Particulars	2021	2020 (As Restated)
Fuel, Oil and Lubricants Expenses	2,336,529	1,683,538
Office Supplies Expenses	1,932,286	1,445,390
Other Supplies and Materials Expenses	938,393	2,761,107
Medical, Dental and Laboratory Supplies	624,002	0
Total	5,831,210	5,890,035

18.6. Training Expenses

Particulars	2021	2020 (As Restated)
Training Expenses	2,406,818	3,359,792

18.7. Repairs and Maintenance

Particulars	2021	2020 (As Restated)
Repairs and Maintenance – Buildings and Ot Structures	1,560,702	4,389,439
Repairs and Maintenance – Transportation Equipment	131,293	387,587
Repairs and Maintenance – Machinery and Equipment	54,307	1,016,545
Repairs and Maintenance – Furniture and	0	315
Total	1,746,302	5,793,886

18.8. Communication Expenses

Particulars	2021	2020 (As Restated)
Telephone Expenses	1,153,668	1,511,888
Cable, Satellite, Telegraph, and Radio	175,044	1,428
Postage and Courier Services	91,148	53,909
Internet Expenses	0	171,758
Total	1,419,860	1,738,983

18.9. Traveling Expenses

Particulars	2021	2020 (As Restated)
Travelling Expenses – Local	803,056	1,172,951
Travelling Expenses – Foreign	0	3,500
Total	803,056	1,176,451

18.10. Confidential, Intelligence and Extraordinary Expenses

Particulars	2021	2020 (As Restated)
Extraordinary and Miscellaneous	1,071,807	1,099,624

18.11. Other Maintenance and Operating Expenses

Particulars	2021	2020 (As Restated)
Other Maintenance and Operating Expenses	10,051,608	10,494,385
Subscription Expenses	2,165,127	1,483,332
Representation Expenses	2,149,018	1,801,731
Donation	969,269	971,196
Advertising, Promotional and Marketing Expenses	951,726	555,303
Printing and Publication Expenses	748,035	191,747
Rent/Lease Expenses	431,605	228,411
Membership Dues and Contributions to Organizations	19,357	69,689
Documentary stamp tax	0	142,658
Total	17,485,745	15,938,452

19. FINANCIAL EXPENSES

Particulars	2021	2020 (As Restated)
Interest Expenses	114,721,639	125,905,125
Other Financial Charges	33,804,749	40,169,456
Bank Charges	4,796	244,810
Total	148,531,184	166,319,391

20. NON-CASH EXPENSES

20.1. Depreciation

Particulars	2021	2020 (As Restated)
Depreciation – Service Concession Assets	6,104,424,457	6,066,167,410
Depreciation – Building and Other Structures	78,432,433	86,103,420
Depreciation – Machinery and Equipment	9,290,517	3,640,224
Depreciation – Transportation Equipment	4,361,088	3,359,883
Depreciation – Furniture and Fixtures	655,499	70,161
Total	6,197,163,994	6,159,341,098

21. NON-OPERATING INCOME, GAIN OR LOSSES

21.1. Non-Operating Income/Gain

Particulars	2021	2020 (As Restated)
Other Non-Operating Income		
Miscellaneous Income	224,759,542	847,388
Gains		
Gain from Changes in Fair Value of Financial Instruments	0	12,734,182
Gain on Foreign Exchange (FOREX)	0	403,766,880
Total	224,759,542	417,348,450

21.2. Non-Operating Losses

Particulars	2021	2020 (As Restated)
Losses		
Loss from Changes in Fair Value of Financial Instruments	2,594,325	0
Impairment loss on Dormant Receivables	574,894,924	0
Loss on Foreign Exchange (FOREX)	513,400,869	1,271,542
Total	1,090,890,118	1,271,542

22. INCOME TAX

Section 18 of the MWSS Charter (R.A. 6234) provides that “All articles imported by the Metropolitan Waterworks and Sewerage System xxx, shall be exempt from the imposition of import duties and other taxes.”

BIR Ruling No. DA-088-2001 dated May 16, 2001 ruled that the concession fees paid by the Concessionaires to MWSS, if at all they are in the nature of income, shall be excluded from the gross income subject to tax.

Categorically, MWSS is taxable with respect to its other income other than concession fees received from the concessionaires.

The account Taxes, Duties and Licenses is used to recognize the amount of taxes, duties and licenses and other fees due to regulatory agencies except income tax. This also includes taxes on interest income on savings deposits, time deposits and government securities of the bond sinking fund/other funds. (*COA Circular No. 2001-008 and the New Government Accounting Manual*)

23. CONTINGENT LIABILITIES

The MWSS is contingently liable for lawsuits or claims filed by third parties which either are pending in the courts or under negotiations. These cases involve, among others, lease of properties, collection of sum of money, water use conflict issues, payments of claims, protest on real property taxes and tax consequences resulting from revaluation/appraisal of its Property, Plant and Equipment.

- a. The System has pending court litigations concerning project contracts and land disputes totaling P29.71 million prior to its privatization in 1997. The MWSS has also disputed the real estate taxes charged by the local government of Quezon City in the amount of P264 million. In 2010, the Quezon City government auctioned some of the properties located in the area. To prevent the inclusion of MWSS property in the auction held in December 2010, the System deposited P30 million. The legal issues on the matter are elevated before the Supreme Court and subsequently, a temporary restraining order (TRO) was issued on January 21, 2011 enjoining the Local Government of Quezon City from proceeding with the levy of the subject properties until further orders from the court.
- b. Other significant legal cases are as follows:
 - MWSS vs. Maynilad Water Services, Inc. Civil Case R-QZN-15-06702-CV
 - Neri Colmenares and Carlos Zarate of Bayan Muna partylist vs Cesar Purisima, MWSS, et.al GR. 219352
 - Lina Francia F. Badeo vs. MWSS for reinstatement with back wages and others
 - Lease of MWSS property along Katipunan Avenue by SM Prime Holdings, Inc.
 - Water for all Refund Movement vs. MWSS GR. 207444/208207/210147

- Gabriel Advincula vs. MWSS; GR. 179217, Re: Severance Pay
- Alexander Lopez, et.al vs. MWSS, GR 198693, Re: Contract Collectors Claim
- CSC vs MWSS; indirect Contempt on Alexander Lopez, et.al, Separation Pay and Terminal Leave of Contract Collectors
- Various cases regarding Unlawful Detainer on Land Properties of MWSS

24. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS NO. 15-2010

In compliance with the above regulation, MWSS' taxes and withholding taxes paid and accrued during the year are categorized as follows:

a. Income Tax

For the Year 2021, the MWSS incurred P68.573 million Corporate Income Tax Expense.

b. VAT Output Tax

MWSS is a VAT registered company with VAT Output Tax declaration of P47.160 million for the year based on the amount reflected in the Income/Receivables Account of P392.999 million.

c. VAT Input Tax

The amount of VAT Input taxes claims is broken down as follows:

Particulars	Amount
Beginning of the year	12,834,835
Current year's purchases	39,856,512
Total	52,691,347
Claim for tax credits and other adjustments	(33,985,329)
Input VAT for 2022 (January)	18,706,018

d. The amount of withholding taxes categorized into:

Particulars	Amount
i. Tax on Compensation and Benefits	13,179,459
ii. Creditable Withholding Tax/es	24,989,191
iii. Final Withholding Tax/es	10,202,066

25. UNRECONCILED ASSET ACCOUNT BALANCES

The summary of the unreconciled balances in the Asset accounts are as follows:

Particulars	2021	2020 (As Restated)
Asset Accounts		
Loans and Receivable Accounts	21,596,858	21,596,858
Other Receivables	1,108,354	1,108,354
Other Current Assets	96,513,125	96,513,125
Property, Plant and Equipment, net	474,832,332	474,832,332
Other Non-Current Assets	(19,575,783)	(19,575,783)
Allowance for Impairment Loss	(574,474,886)	0
Total Unreconciled Assets	0	574,474,886

The unreconciled balances refer to carryforward balances from prior years and most were dated before the privatization in CY 1997. Previous reconciliations have already been conducted which substantially reduced the balances to their current amounts. In view of the difficulty in finding the supporting documents and lack of manpower, Finance Department finds it difficult to conduct reconciliation of the accounts.

In CY 2021, the Finance Department provided an allowance for impairment loss on the unaccounted and undocumented assets and reverted the unaccounted and undocumented liabilities to Accumulated Surplus/Deficit. The reversion of liabilities was also incorporated in the restatement of CY 2020 balances.

26. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The budget was prepared on a cash basis, covering the period from January 1 to December 31, 2021. The MWSS CO and RO have a separate budget approval from the DBM.