



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Serifa Street, Carmen, Cagayan de Oro City

OFFICE OF THE REGIONAL DIRECTOR

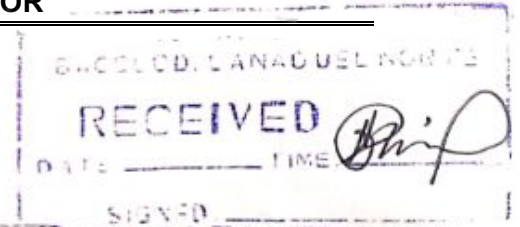
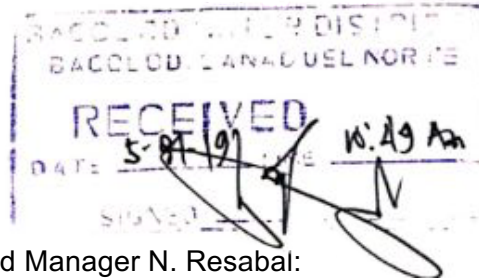
February 22, 2019

Ms. ELSA P. PANORIL

Chairperson of the Board of Directors
Bacolod Water District
Bacolod, Lanao del Norte

Engr. NOEL L. RESABAL

General Manager
Bacolod Water District
Bacolod, Lanao del Norte



Dear Chairperson E. Panoril and Manager N. Resabal:

We are pleased to transmit the Annual Audit Report on the audit of **Bacolod Water District (BWD)**, Bacolod, Lanao del Norte for Calendar Year 2018 pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with law, rules and regulations; (c) recommend agency improvement opportunities and; (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I- Audited Financial Statements, Part II-Observations and Recommendations, and Part III- Status of Implementation of Prior Years' Audit Recommendations, which were discussed with the officials and staff concerned.

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

We expressed Modified Opinion on the fairness of the presentation of the financial statements of the Bacolod Water District for the year 2018 due to the following exceptions:

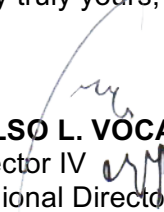
1. The accuracy and correctness of Inventories account amounting to P827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.
2. Unserviceable properties totaling P 95,268.22 remained undisposed for as long as 14 years and were still carried under the PPE account in the Books of Account contrary to Section 79 of PD 1445.

The above and other observations, together with the recommended courses of action which were discussed by the Audit Team with you and other officials of the agency in the exit conference, are discussed in detail on Part II of the Report.

We request that a status report, by accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act FY 2018.

We appreciate the invaluable support and cooperation extended by the officials of that Agency to the Audit Team which facilitated the completion of the report.

Very truly yours,



CELSO L. VOCAL
Director IV
Regional Director

Copy furnished

*The President of the Philippines
Malacañang Palace, Manila*

*The Vice-President of the Philippines
Coconut Palace, F. Maria Guerrero St.
CCP Complex, Pasay City*

*The President of the Senate
Senate of the Philippines
Roxas Boulevard, Pasay City*

*The Chairman-Senate Finance Committee
Senate of the Philippines
Roxas Boulevard, Pasay City*

*The Speaker of the House of Representatives
HOR Complex, Constitutional Hills, Quezon City*

*The Chairman-Appropriations Committee
House of Representatives
HOR Complex, Constitutional Hills, Quezon City*

*The Secretary of the Budget and Management
Department of Budget and Management
G. Solano St., San Miguel, Manila*

*The Administrator
Local Water Utilities Administration (LWUA)
MWSS-LWUA Complex, Katipunan Avenue
Balara, Quezon City*

*The Director
National Library of the Philippines
T.M. Kalaw, Ermita, Manila*

*The Chief of Office
UP Law Center, UP, Diliman, Quezon City*

File



Republic of the Philippines
COMMISSION ON AUDIT
 Provincial Satellite Auditing Office
 Iligan City
 R10-05, Water Districts

BACOLOD WATER DISTRICT
 For Calendar Year 2018
 Agency Action Plan and Status of Implementation

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
2019-002 BWD	The accuracy and correctness of Inventories account amounting to P827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.	We recommend that (a) the Inventories be valued using the Weighted Average Method and (b) the Bookkeeper record the necessary adjustment.							
2019-001 BWD	Unserviceable properties totaling P 95,268.22 remained undisposed for as long as 14 years and were still carried under the PPE account in the Books of Account contrary to Section 79 of PD 1445.	We recommend to the Management to (1) Strictly adhere to the provisions of Section 79 of PD 1445 on the disposal of unserviceable properties, and (2) Form an Inventory & Disposal Committee in charge of (a) sorting							

		<p>out the serviceable and unserviceable assets to prevent its accumulation and consistent recording in the Books of Account and (b) disposal or divestment of the properties through any of the following modes: public auction, sale thru negotiation, barter, transfer to other government agencies and destruction/condemnation. (Refer to COA Circular No. 89-296)</p>							
2019-004 BWD	<p>Bacolod Water District did not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2018, thereby making the attribution of the GAD budget doubtful.</p>	<p>We recommend management to: Prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDG in the identification, design, implementation, management, and monitoring and evaluation stages of the various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed</p>							

		<p>to the GAD budget;</p> <p>If the district is not yet trained on the use of the tool, or the GFPS is not capacitated to conduct such gender analysis, it is recommended to seek the assistance of an expert or make representation through the Board of Directors to request for training and workshop from accredited institutions;</p> <p>Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the District, as well as proper charging of the object of expenditures on actual accomplishments.</p>							
2019-003 BWD	The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2017 to implement programs,	We recommend that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section							

	projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.	35 of the FY 2017 General Appropriations Act.							
2018-003 BWD	Additional charges for the telephone use to mobile numbers were redundant with the communication/cell card allowance granted to all the employees and caused the District P2,282.00 additional expense for the first semester of 2018, thus Excessive, pursuant to criteria set in COA Circular No. 2012-003 dated October 29, 2012.	We recommend to the Management to make use of the cell card / communication allowance for official calls and stop the use of the District's telephone line for mobile calls.							
2018-004 BWD	The payment of travelling expenses without regard to the time and departure and arrival from office and the coverage of registration fees resulting to overpayment by P1,200.00 is contrary to EO 298 and COA Circular 96-004 dated April 19, 1996	We recommend to the Management to review individual components of the travelling expenses when granting travel allowance and consider the coverage of registration fees (which may include meal and accommodation), and time of arrival and departure from the destination to prevent over/double payment.							

Note: Status of Implementation may either be (a) Fully Implemented, (b) On-going, (c) Not Implemented, (d) Partially implemented or (e) Delayed

Prepared by:

ENGR. NOEL L. RESABAL
General Manager

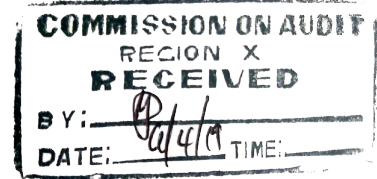


Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

OFFICE OF THE SUPERVISING AUDITOR
CGS -Water Districts and Other CGS Stand-Alone Agencies

February 22, 2019

ATTY. CELSO L. VOCAL
Regional Director
COA - Regional Office No. X
Cagayan de Oro City



Sir:

We are submitting the Annual Audit Report on the Bacolod Water District for the year ended December 31, 2018 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with laws, rules and regulations (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of three parts, namely: Part I - Audited Financial Statements; Part II – Observations and Recommendations; and Part III - Status of Implementation of Prior Years' Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

A modified-qualified opinion was rendered on the fairness of the presentation of the financial statements of which the observations affecting the financial statements were discussed in Part II of the report.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results.

Very truly yours,


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor 



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

OFFICE OF THE AUDIT TEAM LEADER
R10-05, CGS – Water Districts and Other CGS Stand-Alone Agencies

February 22, 2019

Ms. CECILIA A. PONTILLAS

Acting Supervising Auditor
CGS – Water Districts and Other CGS Stand-Alone Agencies
COA - Regional Office No. X
Cagayan de Oro City

Ma'am:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of **Bacolod Water District**, Bacolod, Lanao del Norte, as of December 31, 2018.


The audit was conducted to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with laws, rules and regulations (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of three parts, namely: Part I - Audited Financial Statements; Part II – Observations and Recommendations; and Part III - Status of Implementation of Prior Year's Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

A modified-qualified opinion was rendered on the fairness of the presentation of the financial statements of which the observations affecting the financial statements were discussed in Part II of the report.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results.

Very truly yours,


AMADO PETER A. GARBANZOS
State Auditor III
Acting Audit Team Leader



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Carmen, Cagayan de Oro City

ANNUAL AUDIT REPORT

ON THE

BACOLOD WATER DISTRICT Bacolod, Lanao del Norte

For the Year Ended December 31, 2018

EXECUTIVE SUMMARY

A. INTRODUCTION

The Bacolod Water District (BWD), a government-owned and controlled corporation was created on May 23, 1994 by the Sangguniang Bayan of Bacolod, Lanao del Norte by virtue of Sangguniang Bayan Resolution No. 225. It inherited the water system from the Local Government of Bacolod which was constructed by NAWASA in 1976. On December 6, 1994, the Local Water Utilities Administration (LWUA) issued a Certificate of Conditional Conformance (CCC) No. 543.

Some of the major functions of the BWD include the following:

- a. Acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such districts;
- b. Providing, maintaining and operating waste water collection, treatment and disposal facilities; and
- c. Conducting such other functions and operations incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose.

As of December 31, 2018, the governing board of BWD is composed of directors representing the different sectors and organization within the municipality of Bacolod, who were appointed by the Local Chief Executive. They exercise corporate powers and determine policies for the operations of the BWD. They are as follows:

Chairperson	:	Ms. Elsa P. Panoril	-	Business Sector
Members	:	Dra. Lerma C. Daraman	-	Professional Sector
		Ms. Leah A. Marcera	-	Women's Sector
		Ms. Godilla V. Lao	-	Civic Sector
		Mr. Alejandro Q. Visitacion	-	Education Sector

The audit covered the examination of the accounts and financial transactions and operations of Bacolod Water District, Bacolod, Lanao del Norte as of December 31, 2018.

The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

It was also made to determine whether the District's financial statements (FS) present fairly its financial position and results of financial performance and cash flows, and whether applicable laws, rules and regulations were followed.

B. FINANCIAL HIGHLIGHTS

The financial position and the results of operation of BWD for the year ended December 31, 2018, with the comparative figures for CY 2017, are presented below:

Comparative Financial Position

As of December 31, 2018, there was an increase of 2.80% in assets, decrease of 4.78% in liabilities and an increase of 13.50% in government equity, summarized as follows:

	2018	2017	Increase/ (Decrease)	Percentage
Assets	₱ 40,382,460.57	₱ 39,483,895.47	₱ 898,566.1	2.80%
Liabilities	₱ 23,079,930.38	₱ 24,239,038.72	₱ (1,159,108.34)	(4.78%)
Government Equity	₱ 17,302,530.19	₱ 15,244,856.75	₱ 2,057,673.44	13.50%

Comparative Results of Operations

For the Calendar Year 2018, the Water District generated a total income of ₱15,594,957.24 from water sales, other businesses, fines and penalties, interest and miscellaneous income. An increase of ₱1,298,179.96 or 9.08% was noted compared to previous year's income of ₱14,296,777.28. Net income, on the other hand, decreased by 23.96% compared to last year's. Details of its results of operations are presented below.

	2018	2017	Increase/ (Decrease)	Percentage
Income	₱ 15,594,957.24	₱ 14,296,777.28	₱ 1,298,179.96	9.08%
Expenditures	₱ 13,539,394.99	₱ 11,593,374.46	₱ 1,946,020.53	16.79%
Net Income	₱ 2,055,562.25	₱ 2,703,402.82	₱ (647,840.57)	(23.96%)

C. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

A Modified Opinion was rendered on the fairness of presentation of the financial statements due to:

- a) The accuracy and correctness of Inventories account amounting to ₱827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.
- b) Unserviceable properties totaling ₱ 95,268.22 remained undisposed for as long as 14 years and were still carried under the PPE account in the Books of Account contrary to Section 79 of PD 1445.

D. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

In addition to the aforementioned reasons for a Modified-Qualified Opinion, the following were noted:

- 1. Bacolod Water District did not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2018, thereby making the attribution of the GAD budget doubtful.**

We recommended that Management prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDD in the identification, design, implementation, management, and monitoring and evaluation stages of the various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget;

If the district is not yet trained on the use of the tool, or the GFPS is not capacitated to conduct such gender analysis, it is recommended to seek the assistance of an expert or make representation through the Board of Directors to request for training and workshop from accredited institutions;

Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the District, as well as proper charging of the object of expenditures on actual accomplishments.

- 2. The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2017 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.**

We recommended that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2017 General Appropriations Act.

- 3. Additional charges for the telephone use to mobile numbers were redundant with the communication/cell card allowance granted to all the employees and caused the District P2,282.00 additional expense for the first semester of 2018, thus Excessive, pursuant to criteria set in COA Circular No. 2012-003 dated October 29, 2012.**

We recommended that Management make use of the cell card / communication allowance for official calls and stop the use of the District's telephone line for mobile calls.

- 4. The payment of travelling expenses without regard to the time and departure and arrival from office and the coverage of registration fees resulting to overpayment by P1,200.00 is contrary to EO 298 and COA Circular 96-004 dated April 19, 1996.**

We recommended that Management review individual components of the travelling expenses when granting travel allowance and consider the coverage of registration fees (which may include meal and accommodation), and time of arrival and departure from the destination to prevent over/double payment.

A. STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES

<i>Particulars</i>	<i>Balance, 12/31/2017</i>	<i>CY 2018 Issuances</i>	<i>Settlement</i>	<i>Balance, 12/31/2018</i>
Suspension	P-0.00	P-18,319.00	P-8,000.00	P-10,319.00
Disallowances	P-23,800.00	P-0.00	P-23,800.00	P-0.00
Charges	P-0.00	P-0.00	P-0.00	P0.00

B.STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 7 audit recommendations embodied in the Annual Audit Report of the Water District for the CY 2017, 5 were fully implemented, 1 was partially implemented and another 1 remained unimplemented.

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**PART I –
AUDITED FINANCIAL STATEMENTS**



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

OFFICE OF THE SUPERVISING AUDITOR
Audit Group CGS - Water Districts and Other CGS Stand-Alone Agencies

INDEPENDENT AUDITOR'S REPORT

MS. ELSA P. PANORIL

Chairperson of the Board of Directors
Bacolod Water District
Bacolod, Lanao del Norte

ENGR. NOEL L. RESABAL

General Manager
Bacolod Water District
Bacolod, Lanao del Norte

Modified Opinion

We have audited the financial statements of the **Bacolod Water District**, Bacolod Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2018 and the related Statements of Comprehensive Income, Cash Flows and Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Modified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Bacolod Water District as at December 31, 2018 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

Bases for Modified Opinion

As discussed in Part II- Observations and Recommendations of this report, a modified opinion was rendered because the accuracy and correctness of Inventories account amounting to P827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method and Unserviceable properties totaling P 95,268.22 remained undisposed for as long as 14 years and were still carried under the PPE account in the Books of Accounts contrary to Section 79 of PD 1445.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities

in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified opinion.

Key Audit Matters

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

COMMISSION ON AUDIT


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor

February 22, 2019



Republic of the Philippines
BACOLOD WATER DISTRICT
Bacolod, Lanao del Norte
TIN 004-367-022
CCC No. 543
Tel. No. (063) 227-2041

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR
FINANCIAL STATEMENTS**

The Management of the Bacolod Water District is responsible for the preparation of the financial statements as at December 31, 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

The Commission on Audit has audited the financial statements of the Bacolod Water District in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

ELSA P. PANORIL
Chairman of the Board
Date: 2-20-19

ALMA S. MAGLANA
Bookkeeper Designate
Date: 2-20-19

ENGR. NOEL L. RESABAL
General Manager
Date: 2-20-19



**BACOLOD WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

	<u>NOTE</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	P10,434,535.53	P10,852,740.11
Receivables	6	1,222,693.65	1,326,151.84
Inventories	7	1,163,598.33	730,412.96
Other Current Assets	8	18,576.21	4,762.04
Total Current Assets		P12,839,403.72	P12,914,066.95
Non-Current Assets			
Property, Plant and Equipment	9	P27,543,056.85	P26,569,828.52
Total Non-Current Assets		27,543,056.85	26,569,828.52
Total Assets		P40,382,460.57	P39,483,895.47
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	P357,083.73	P56,785.00
Inter-Agency Payables	11	320,764.78	181,589.20
Other Payables	13	299,032.93	288,960.70
Total Current Liabilities		P976,881.44	P527,334.90
Non-Current Liabilities			
Financial Liabilities	14	P22,064,949.94	P23,673,604.82
Trust Liabilities	15	38,099.00	38,099.00
Total Non-Current Liabilities		P22,103,048.94	P23,711,703.82
Total Liabilities		P23,079,930.38	P24,239,038.72

EQUITY

Government Equity	16	P325,542.96	P325,542.96
Retained Earnings/(Deficit)	17	16,976,987.23	14,919,313.79
Total Equity		P17,302,530.19	P15,244,856.75
Total Liabilities and Equity		P40,382,460.57	P39,483,895.47



**BACOLOD WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>NOTE</u>	<u>2018</u>	<u>2017</u>
Income			
Service and Business Income	18	P15,231,460.23	P14,052,623.54
Other Non-Operating Income	19	363,497.01	244,153.74
Total Income		P 15,594,957.24	P 14,296,777.28
Expenses			
Personnel Services	20	P 4,859,844.11	P4,760,756.86
Maintenance and Other Operating Expenses	21	6,185,852.24	4,568,997.86
Financial Expenses	22	1,131,114.02	1,135,281.38
Non-Cash Expenses	23	1,362,584.62	1,128,338.36
Total Expenses		P13,539,394.99	P11,593,374.46
Profit/(Loss) Before Tax		P2,055,562.25	
Income Tax Expense/(Benefit)		0.00	P 2,703,402.82
Profit/(Loss) After Tax			0.00
Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)		0.00	2,703,402.82
Net Income/(Loss)		P 2,055,562.25	0.00
Other Comprehensive Income/(Loss) for the Period		0.00	P2,703,402.82
Comprehensive Income/(Loss)		P 2,055,562.25	P 2,703,402.82



**BACOLOD WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Cumulative Translation Adjustment	Retained Earnings/ (Deficit)	TOTAL
BALANCE AT JANUARY 1, 2017	325,542.96	12,180,852.59	12,506,395.55
CHANGES IN EQUITY FOR 2017			
Comprehensive Income for the year	0.00	2,703,402.82	0.00
Other Adjustments	0.00	35,058.38	0.00
BALANCE AT DECEMBER 31, 2017	325,542.96	14,919,313.79	15,244,856.75
CHANGES IN EQUITY FOR 2018			
Comprehensive Income for the year	0.00	2,055,562.25	0.00
Other Adjustments	0.00	2,111.19	0.00
BALANCE AT DECEMBER 31, 2018	325,542.96	16,976,987.23	17,302,530.19



**BACOLOD WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services		
Collection of Income/Revenue	₱15,667,813.32	₱14,153,647.23
Collection of Receivables	527,828.10	2,938,529.67
Other Receipts	17,395.41	
Total Cash Inflows	₱16,213,036.83	₱17,092,176.90
Adjustments		3,691.07
Adjusted Cash Inflows	₱16,213,036.83	₱17,095,867.97
Cash Outflows		
	₱7,863,667.89	
Payment of Expenses		₱7,399,381.74
Purchase of Inventories	1,575,730.25	617,358.96
Grant of Cash Advances	407,690.00	395,155.00
Prepayments	21,561.63	9,121.49
Payments of Accounts Payable	56,785.00	251,939.08
Remittance of Personnel Benefit Contributions and Mandatory Deductions	2,021,391.65	1,651,481.76
Other Disbursements	0.00	2,349,519.20
Total Cash Outflows	₱11,946,826.42	₱12,673,957.23
Adjustments		3,691.07
Adjusted Cash Outflows	₱11,946,826.42	₱12,677,648.30
Net Cash Provided by/(Used in) Operating Activities	₱4,266,210.41	₱4,418,219.67

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Cash Outflows

Purchase/Construction of Property, Plant and Equipment	2,189,383.00	4,252,037.95
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Total Cash Outflows	₱2,189,383.00	4,252,037.95
Adjustments	0.00	0.00
Adjusted Cash Outflows		4,252,037.95

Net Cash Provided By/(Used In) Investing Activities		(4,252,037.95)
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**CASH FLOWS FROM FINANCING
ACTIVITIES**

Cash Inflows

Proceeds from Domestic and Foreign Loans		2,975,000.00
---	--	--------------

Total Cash Inflows		2,975,000.00
Adjustments		
Adjusted Cash Inflows		2,975,000.00

Cash Outflows

Payment of Long-Term Liabilities	1,414,210.44	1,163,941.00
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Payment of Interest on Loans and Other Financial Charges	1,080,821.55	1,135,331.38
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Total Cash Outflows	2,495,031.99	2,299,272.38
Adjustments	0.00	0.00
Adjusted Cash Outflows		2,299,272.38

Net Cash Provided By/(Used In) Financing Activities	₱(2,495,031.99)	₱-675,727.62
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INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	₱ (418,204.58)	₱-841,909.34
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Effects of Exchange Rate Changes on Cash and Cash Equivalents	0.00	0.00
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CASH AND CASH EQUIVALENTS, JANUARY 1	₱ 10,852,740.11	₱-10,010,830.77
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CASH AND CASH EQUIVALENTS, DECEMBER 31	₱ 10,434,535.53	₱-10,852,740.11
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BACOLOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Brief Historical Background:

Bacolod Water District (BWD) was formed on May 23, 1994 by virtue of Sangguniang Bayan Resolution No. 225. As a consequence, it inherited from the local government the water system which was constructed by NAWASA in 1976. The District's Certificate of Conditional Conformance (CCC) numbered 543 was subsequently issued by the Local Water Utilities Administration (LWUA) on December 6, 1994.

All Local Water Districts were declared as government-owned and controlled corporations (GOCC's) by the Supreme Court on September 13, 1991 in case docketed as GR Nos. 95237-38.

The Board of Directors had diligently assisted in managing the operation of the district. Since August 1995, the District is actively headed by the General Manager in attaining its objectives, mission and vision.

Mission

Committed to provide adequate, safe, sustainable, potable and affordable water, and outstanding services in a financially responsible manner through an excellent operation and development.

Vision

To be an effective partner of the community in sustaining life and development through excellent water services with utmost concern of a good management.

The policy-making body of the Bacolod (LDN) Water District is the Board of Directors, composed of the five members:

Name	Designation	Sector
Mrs. Elsa P. Panoril	Chairman	Business
Mrs. Lerma C. Daraman M.D.	Vice-Chairman	Professional
Mrs. Godilla V. Lao	Secretary	Civic
Mrs. Leah A. Marcera	Member	Women
Mr. Alejandro Visitacion	Member	Education

2018 Operational and Financial Highlights

A comparative financial condition and results of operations for CY 2018 and 2017 is presented below.

Financial Condition

	2018	2017	Increase(Decrease)	Percentage
Total Assets	₱40,382,460.57	₱39,483,895.47	898,566.1	2.276%
Total Liabilities	₱23,079,930.38	₱24,239,038.72	(1,159,108.34)	(4.78%)
Total Equity	₱17,302,530.19	₱15,244,856.75	2,057,673.44	13.497%

Results of Operations

	2018	2017	Increase(Decrease)	Percentage
Income	₱15,594,957.24	₱14,296,777.28	1,298,179.96	9.08%
Expenses	₱13,539,394.99	₱11,593,374.46	1,946,020.53	16.785%
Net Income	₱2,055,562.25	₱2,703,402.82	(647,840.57)	(23.96%)

The District is operating profitably and maintains a good financial position, indicating its capability to recover the cost invested to the system operation. As of December 31, 2018, it has 3,358 service connections and serves as estimated population of 16,425.

2. Summary of Significant Accounting Policies

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

2.1 Basis of Financial Statement Presentation

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and the Revised Chart of Accounts (RCA) for Government Corporations (GC.) classified as Government Business Enterprises (GBEs) under COA Circular No. 2015-010.

2.2 Significant Accounting Judgments and Estimates

The preparation of the financial statements are in accordance with the PFRS which require the use of certain critical accounting estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires management to exercise its judgment in applying the district's accounting policies. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

2.3 Basis of Recording

The District adopts the accrual method of accounting. All expenses are recognized when incurred and reported in the financial statements in the period to which they relate. Income is on accrual basis except for transactions where accrual basis is impractical or when law requires other methods.

2.4 Monetary Denomination Used

The financial statements are presented in Philippine Peso as its monetary domination used to facilitate proper recording and reporting of the transactions except when otherwise indicated.

2.5 Method of Accounting

The District uses the Revised Chart of Accounts prescribed under COA Circular No. 2015-010 dated December 01, 2015 effective January 01, 2016.

2.6 Significant accounting policies observed for each account

2.6.1 Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash is valued at face value.

Petty Cash Fund is maintained under the Imp-rest system. All replenishment is directly charged to appropriate expense account.

2.6.2 Receivables

Receivables are stated at face value less allowance for impairment.

2.6.3 Inventories

Regular purchase are coursed thru the inventory account and issuance's thereof are recorded as they take place except those purchased out of Petty Cash which shall be for immediate use and not for stock. Such case shall be charged immediately to the appropriate expense accounts.

Purchase of supplies and materials for stock, regardless of whether or not they are consuming within the accounting period is recorded as inventory following the perpetual inventory method.

Inventories include assets for consumption in the normal course of operations. Inventories of the District include materials and supplies that are kept in stock for future use in operations. These are grouped into office supplies inventory, accountable forms, plates and stickers inventory and other supplies and materials inventory.

2.6.4 Property, Plant and Equipment

Property, Plant and Equipment consist of infrastructure assets, machinery and equipment, transportation equipment and construction in progress. The District's PPE are recorded at cost.

Initial Recognition

The initial cost of property and equipment consists of its purchase price, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use like transportation, freight, installation costs, etc. In the books of accounts, the purchase is immediately recorded as asset.

Subsequent recognition

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to Maintenance and Other Operating Expenses (MOOE) in the period in which the costs are incurred.

Derecognition

When assets are sold and retired, their cost and accumulated depreciation and amortization are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income and expenses.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

Depreciation

The straight-line method of depreciation is used over the estimated useful lives of the assets. A residual value equivalent to five percent (10%) of the cost is set-up and depreciation starts on the second month after purchase/completion of the property, plant and equipment.

2.6.5 Construction in Progress

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

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

2.6.6 Other Assets

2.6.7 Liabilities

Liabilities are recognized only when goods are delivered and/or services rendered or when suppliers' bills are received.

2.6.8 Revenue

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollected amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense, rather than as an adjustment of the amount of revenue originally recognized.

When bill is imposed and not paid on time or after the lapse of due date, the district recognizes such delay as Fines and Penalties-Business Income.

2.6.9 Expenses

All expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate.

2.6.10 Events after the Balance Sheet Date

Any post year-end events that provide additional information about the District's position at balance sheet date (adjusting events) are reflected in the financial statements. Any post year-end event that is not adjusting event is disclosed in the notes to financial statements, when material.

2.6.11 Employee benefits

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

The District recognizes the undiscounted amount of short term employee benefits, such as salaries, wages, bonuses, allowances, etc., as expense.

2.6.12 Changes in accounting policies and estimates

The 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 District recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

2.6.13 Correction of Errors

Fundamental errors of prior years were corrected using the Prior Year's Adjustment account while errors affecting the current year's operations were affected to the current year accounts.

3. Significant Management's Accounting Judgments and Estimates

The preparation of the District's financial statements in conformity with Philippine Financial Reporting Standards requires Management to make judgments, estimates and assumptions that affect the amounts reported in the District's financial statements and accompanying notes.

The estimates and assumptions used in the District's financial statements are based upon Management's evaluation of relevant facts and circumstances as of the date of the District's financial statements.

Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Key Sources of Estimation Uncertainty

In the application of the District's accounting policies, Management is required to make, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the District's financial statements.

Estimated Useful Lives of Property and Equipment

The District estimates the useful lives of property, plant and equipment based on the LWUA's Commercial Practices Manual-COA.

Depreciation and amortization are calculated on a straight-line basis, and assets are depreciated over the following estimated useful lives as follows:

PROPERTY, PLANT AND EQUIPMENT

ACCOUNT	DEPRECIATION METHOD	USEFUL LIFE
Office Equipment	Straight-line method	10 years
Motor Vehicles	Straight-line method	10 years
Communication Equipment	Straight-line method	5 years
Other Equipment	Straight-line method	10-15 years
Water Plant, Structures & Improvements	Straight-line method	30 years
Other Property, Plant & Equipment	Straight-line method	10-30 years

4. Budget Information

Section 3.3 of DBM Corporate Circular No. 20 dated April 27, 2005 states that any increase in the approved principal corporate operating budget in the course of the budget year, as may be warranted by additional corporate receipts, shall require submission and approval of a supplemental corporate budget to cover the additional expenditures in line with the national government decentralization policy.

The Department of Budget and Management authorized augmentation of funds or realignment of savings within the expense class without the need of prior approval.

5. Cash and Cash Equivalents

	2018	2017
Cash –Collecting Officer	₱17,400.95	₱ 18,896.50
Cash in Bank- Local Currency, Current Account C/A#0322106653	5,802,532.31	7,002,343.09
Cash in Bank- Local Currency, Savings S/A#0321116515	3,325,556.47	

Account			2,843,055.29
Cash in Bank- Local Currency, Savings Account	S/A#0321223303	1,289,045.80	988,122.52
Cash in Bank- Local Currency, Current Account	C/A#0322117108	0.00	322.71
TOTAL		P 10,434,535.53	P 10,852,740.11

6. Receivables

This account can be broken down as follows:

	2018	2017
Accounts Receivable	₱ 1,247,109.75	₱ 1,328,208.01
Allowance for Impairment-Accounts Receivables	(257,958.78)	(220,448.35)
Other Receivables:	212,487.35	197,767.35
Allowance for Impairment-Other Receivables	(10,616.30)	(11,046.80)
Receivable- Disallowances/Charges Betty BAgO BOD,GM,Cashier Office Building	31,761.63	31,671.63
TOTAL	₱ 1,222,693.65	₱ 1,326,151.84

Accounts Receivables are open receivables arising from services rendered to customers for water sales and other incidental services. The concessionaires are categorized as Residential, Government and Commercial.

7. Inventories

This account consists of the following:

	2018	2017
Other Supplies and Materials Inventory	₱ 797,942.41	₱ 411,341.06
Office Supplies Inventory	40,589.92	38,220.90
Accountable Forms, Plates and Stickers Inventory	38,850.00	17,900.00
SUB -TOTAL	877,382.33	467,461.96
Semi-Expendable Machinery and	28,700.00	17,300.00

Equipments		
Semi-Expendable Office Equipment	35,295.00	32,645.00
Semi-Expendable Furniture , Fixtures & Books	182,531.00	179,306.00
Semi-Expendable Sports Equipment	28,900.00	28,900.00
Semi-Expendable DRRE	4,800.00	4,800.00
Semi-Expendable Communication Equipment	5,990.00	
SUB -TOTAL	286,216.00	262,951.00
TOTAL	₱ 1,163,598.33	₱ 730,412.96

Inventories are stated at cost using the moving average method required under existing COA regulations (COA Circular 2005-001)

8. Other Current Assets

	2018	2017
Prepaid Insurance	18,576.21	4,762.04

9. Property, Plant and Equipment – This account includes the following:

COST	Jan 1, 2018	ADDITIONS	2018
LOT-Esperanza	₱ 61,021.00	0.00	₱ 61,021.00
LOT-Poblacion	432,900.00	255,000.00	687,900.00
Land Improvement	134,080.00	39,020.00	173,100.00
Buildings	3,500,000.00		3,500,000.00
Buildings –other Structures	148,226.00	51,023.00	199,249.00
Water Plant, Structures & Improvements	12,296,110.76		12,296,110.76
Machinery and Equipment	3,921,399.79	348,200.00	4,269,599.79
Transportation Equipment	608,199.34	1,499,890.00	2,108,089.34
Other Property, Plant & Equipment	15,045,946	105,169.52	15,151,115.93
TOTAL	₱ 36,147,883.30	₱ 2,298,302.52	₱ 38,446,185.82

ACCUMULATED
DEPRECIATION
LOT-Esperanza
LOT-Poblacion

Land Improvement		26,557.20	26,557.20
Buildings		105,000.00	105,000.00
Buildings-Other Structures		9,804.17	9,804.17
Water Plant, Structures & Improvements	1,728,288.48	360,330.96	2,088,619.44
Machinery and Equipment	2,090,918.91	249,825.00	2,340,743.91
Transportation Equipment	411,892.12	147,281.38	559,173.50
Other Property, Plant & Equipment	5,346,955.27	426,275.48	5,773,230.75
TOTAL		₱9,578,054.78	₱10,903,128.97

10. Current Liabilities

Financial Liabilities

Accounts Payable-This account composes the following:

	2018	2017
Flo systems Import & Export	₱ 0.00	₱ 12,480.00
Legacy Sales	29,500.00	0.00
Geonmor Printing	76,800.00	0.00
GTSG	50,600.00	0.00
MIE Oro Plast Corporation	49,788.00	44,305.00
MIE Oro Plast Corporation	45,478.00	0.00
FMV Drilling	115,644.00	0.00
Ralph -Renz	9,486.00	0.00
TOTAL	377,296.00	56,785.00
Less: Due to BIR	20,212.27	0.00
NET	₱ 357,083.73	₱ 56,785.00

Accounts Payables represent liabilities from suppliers and other payables which are due and demandable within one year from the reporting date.

11. Inter-Agency Payables

	2018	2017
Due to BIR	₱ 72,549.09	₱ 55,619.21
Due to GSIS	108,536.26	95,434.58
Due to PAG-IBIG	31,594.32	25,935.41
Due to Philhealth	5,754.01	4,600.00
Due to Other NGAs-COA	99,316.10	0.00
Guaranty/Security Deposit Payable	3,015.00	0.00
TOTAL	₱ 320,764.78	₱ 181,589.20

12. Other Payables-This account composes the following:

	2018	2017
R.Uy Shell Station	₱ 3,900.00	₱ 10,054.00
CQ Printing Press		76,800.00
PLDT	2,689.12	2,910.60
SKY and RAINS SISTER		874.00
RER		530.00
LANECO		197,792.10
Electricity	216,742.68	0.00
Taxes,Duies & Licenses	85,238.01	0.00
TOTAL	308,569.81	91,168.60
Less: Due to BIR	9,536.88	0.00
NET	₱ 299,032.93	₱ 288,960.70

13. Non-Current Liabilities

Financial Liabilities

Loan Type	2018	2017
3-766	₱ 1,466,333.08	₱ 1,598,429.08
4-2258A	5,858,857.00	6,357,089.00
4-2258B	953,724.00	1,034,830.00
9-0488	10,674,924.74	11,183,256.74
Landbank- Office Building	3,111,111.12	3,500.000.00
TOTAL	₱ 22,064,949.94	₱ 23,673,604.82

Loans Payable-Domestic represents the financial assistance/grant from the Local Water Utilities Administration (LWUA) and the Non-LWUA Initiated funds (NLIF).

14. Trust Liabilities

	2018	2017
Customers' Deposits Payable	38,099.00	38,099.00

15. Government Equity

Contributed Capital

This account includes the following donations:	
LGU's piping system installed at Upper Demologan in CY2000	₱ 200,000.00
Distribution pipes donated by Barangay Binuni	15,978.16
Pipes donated by Senator Loren Legarda	

LCD TV with cable donated by contractor	94,564.80
TOTAL	₱ 325,542.96

16. Retained Earnings is composed of the following:

Particulars	2018	2017
Balance at beginning of period	₱ 14,919,313.79	₱ 12,180,852.59
Changes during the period		
Proir Years Payable		(33,566.00)
Erroneou entry	(0.70)	
Reversal of Impairment Loss	2,434.60	10,314.75
Prior period adjustment	(322.71)	58,309.63
Settlement of Disallowances		
Net Income/(Loss)	2,055,562.25	2,703,402.82
Balance at end of period	₱ 16,976,987.23	₱ 14, 919, 313. 78

17. Business Income

	2018	2017
Income from Waterworks System	₱ 14,463,291.87	₱ 13,321,325.92
Fines & Penalties-Business Income	523,909.30	481,588.05
Interest Income	8,179.06	15,894.57
Other Business Income	236,080.00	233,845.00
TOTAL	₱ 15,231,460.23	₱ 14,052,653.54

18. Other Non-Operating Income

	2018	2017
Miscellaneous Income	363,497.01	244,153.74

Miscellaneous Income is the result of the customer billing amount less the cost of materials used during the installation of new connection.

19. Personnel Services

This account consists of the following:

	2018	2017
Salaries & Wages		
Salaries & Wages-Regular	₱ 2,913,924.70	₱ 2,667,804.06
Salaries and Wages Casual/Cont	7,977.26	40,329.53
Other Compensation		
Personnel Economic Relief	256,000.00	264,000.00

Allowance		
Representation Allowance	60,000.00	60,000.00
Transportation Allowance	60,000.00	60,000.00
Clothing Allowance	72,000.00	55,000.00
Honoraria	194,496.00	259,056.00
Longevity Pay	10,000.00	5,000.00
Overtime & Holiday Pay	173,508.00	182,984.25
Year-end Bonus	238,103.00	220,742.00
Cash Gift	55,000.00	55,000.00
Other Bonuses & Allowances	22,000.00	22,000.00
Personnel Benefit Contribution		
Retirement and Life Insurance	340,177.20	317,033.28
Premium		
PAG-IBIG Contribution	13,000.00	13,200.00
Philhealth Contribution	32,862.26	27,600.00
Employees Compensation Insurance	13,200.00	13,200.00
Other Personnel Benefits		
Terminal Leave Benefits	103,259.69	99,459.37
Other Personnel Benefits	294,336.00	398,348.37
TOTAL	P 4,859,844.11	P 4,760,756.86

20. Maintenance and Other Operating Expenses

This account consists of the following:

	2018	2017
Electricity Expenses	P 2,662,245.32	P 2,371,718.65
Repairs & Maintenance-Infrastructure Assets	774,900.44	
Taxes, Duties & Licenses	362,731.80	297,459.62
Repairs & Maintenance-Other PPE	357,905.63	101,697.52
Other Maintenance & Operating Expenses	342,518.33	374,370.48
Fuel, Oil, & Lubricant Expenses	234,483.99	159,332.47
Travel Expenses-Local	205,744.24	169,373.83
Security Services	168,000.00	168,000.00
Training Expense	171,200.00	129,916.75
Repairs & Maintenance-Transportation Equipment	119,968.74	56,439.52
Representation Expenses	107,124.85	171,288.75
Extraordinary & Misc. Expenses	100,788.00	0.00
Auditing Services	99,316.10	
Office Supplies Expenses	87,725.70	104,122.96
Repairs & Maintenance-Machinery & Equipment	46,799.75	91,828.25
Advertising, Promotional & Marketing Expenses	45,171.06	142,194.50
Chemical and Filtering Suppliss	44,565.00	8,945.00
Telephone Expenses	43,834.96	41,505.54
Accountable Forms Expenses	40,950.00	42,250.00
Water Expenses	34,253.90	17,425.15

Prizes	30,810.50	
Internet Subscription Expenses	21,375.00	36,375.00
Insurance Expenses	21,348.19	8,481.45
Repairs & Maintenance- Furniture,Fixtures& Books	13,130.00	8,025.00
Postage and Courier Services	9,203.02	5,952.61
Transportation & Delivery Expenses	8,122.72	587.81
Printing and Publication Expenses	6,880.00	4,247.00
Fidelity Bond Premium	5,625.00	5,625.00
Repairs & Maintenance-Buildings & Other Structures	5,330.00	3,965.00
Membership Dues & Contribution	5,200.00	1,450.00
Cable, Satellite, Telegraph and Radio Expenses	4,950.00	5,320.00
Legal Services	3,600.00	2,100.00
Rent/Lease Expenses	0.00	39,000.00
Bank Charges	50.00	
TOTAL	P 6,185,852.24	P 4,568,997.86

21. Financial Expenses

	2018	2017
Interest Expenses	P 1,131,114.02	P 1,135,281.38
Bank Charges		
TOTAL	P 1,131,114.02	P 1,135,281.38

Interest Expenses are interests paid to Local Water Utilities Administration (LWUA) and Non-LWUA Initiated Funds.

Bank charges is the amount paid to Landbank for the processing of the office building loan.

22. Non-Cash Expenses

This account is consists of the following

	2018	2017
Depreciation-Building & Other Structures	P474,369.78	P360,331.26
Depreciation-Machinery and Equipment	249,825.00	215,299.23
Depreciation-Transportation Equipment	147,281.38	83,303.91
Depreciation-Other PPE	426,275.48	424,612.88
Depreciation- Other Land Improvement	27,322.55	0.00
Impairment Loss-Loans and Receivables	37,510.43	44,791.08
TOTAL	P 1,362,584.62	P 1,128,338.36

PART II –

**OBSERVATIONS AND
RECOMMENDATIONS**

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

- 1. The accuracy and correctness of Inventories account amounting to P827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.**

Section 6, Chapter 8 of GAM provides for the use of Weighted Average Method for costing inventories. It states that:

“This method calls for the re-calculation of the average cost of all items in stock after every purchase. Therefore, the weighted average cost is the total cost of all units subsequent to the latest purchase, divided by their total number of units available. The Accounting Division/Unit shall be responsible in computing the cost of inventory on a regular basis as shown in the following sample Supplies Ledger Card (SLC).”

Inquiry with the District’s bookkeeper revealed that the agency employs First In, First Out (FIFO) method for costing inventories.

The valuation of inventories using the FIFO method has been the practice of the agency. It was confirmed that they were not aware of the application of Weighted Average Method in accordance with the GAM.

The incorrect valuation of Inventory accounts questions the accuracy and correctness of the Current Assets as reflected in the Financial Statements.

Recommendation:

We recommend that management value using the Weighted Average Method and (b) the Bookkeeper record the necessary adjustment.

Management Comment:

The management prefers to use FIFO costing method since it has less work than the Weighted Average Method.

- 2. Properties totaling P 95,268.22 remained unserviceable for as long as 14 years and were still carried under the PPE account in the Books of Account contrary to Section 79 of PD 1445.**

Section 79 of PD 1445 provides the guidelines for the destruction or sale of unserviceable property.

“When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by

printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.”

Review of the District’s Inventory and Inspection Report of Unserviceable Properties disclosed that several IT equipment and furniture and fixtures have been unserviceable for 1 to 14 years. Details of these items are as follows:

Articles	Unit Cost	Accumulat ed Depreciatio n	Date Acquired	No. of years in service
Handheld Radio w/ Charger	₱7,200.00	₱	September 2004	5
4 Battery Packs	6,400.00	6,400.00	September 2004	10
Repeater Installation	6,268.50	5,547.71	January 2007	5
Mountain Bike	2,660.00	2,394.00	July 2006	10
Mountain Bike	2,535.00	2,394.00	August 2003	10
Desktop	26,000.00	23,400.00	December 2007	10
DC Battery 12V 11 plates	7,300.00	3,120.75	September 2013	4
4 Office Cabinets	10,254.72	10,254.72	February 2000	4
Computer Monitor 15"	4,350.00	3,882.72	January 2004	3
Epson FX2175 Printer	22,300.00	20,070.00	December 2007	10
Total	₱95,268.22			

Ever since their acquisition, these properties have been carried in the Books of Account even when they were already fully-depreciated or no longer capable of providing economic benefit or service to the District.

As a result, Property, Plant and Equipment accounts were overstated.

Recommendation:

We recommended that Management to (1) adhere strictly to the provisions of Section 79 of PD 1445 on the disposal of unserviceable properties, and (2) Form an Inventory & Disposal Committee in charge of (a) sorting out the serviceable and unserviceable assets to prevent its accumulation and consistent recording in the Books of Account and (b) disposal or divestment of the properties through any of the following modes: public auction, sale thru negotiation, barter, transfer to other government agencies and destruction/condemnation. (Refer to COA Circular No. 89-296)

Management Comment:

The management has been implementing the disposal of unserviceable assets with the previous auditors.

- 3. Bacolod Water District did not use not use gender statistics and sex-dis aggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2018, thereby making the attribution of the GAD budget doubtful.**

PCW MC 2018-04 provides that the agency, led by the GFPS, shall conduct gender analysis based on the results of the application of gender analysis tools such as the Gender Mainstreaming Evaluation Framework (GMEF), Harmonized Gender and Development Guidelines (HGDG), Participatory Gender Audit (PGA) and other gender analysis tools; including the use of gender statistics and sex-dis aggregated data to determine the extent of the gender-responsiveness of its programs, activities, and projects.

The total budget for Gender and Development (GAD) of Bacolod Water District for calendar year 2018 amounted to ₱ 840,000.00 per prepared Annual GAD Plan and Budget (GPB) for various activities to address gender issues of clients and the organization.

Further verification revealed that though the District created its GAD Focal Point System and conducted capability building on GAD, some elements needed in the planning and budgeting such as the agency's level of gender mainstreaming or extent of the gender-responsiveness of its policies, programs, and projects were still missing. GAD information to include gender statistics and sex-dis-aggregated data for both clients and the organization were not developed or integrated in its existing database that are useful in the planning, budgeting, programming, and policy formulation.

The use of the HGDG will yield a maximum score of 20 points for each program or project, and depending on the District's score on the tool, a percentage of the budget of the existing and proposed major program shall be attributed to the GAD budget as follows:

HGDG Score	Description	Corresponding budget for the year of the program that may be attributed to the GAD budget
Below 4.0	GAD is invisible	0% or no amount of the program budget for the year may be attributed to the GAD budget
4.0-7.9	Promising GAD prospects (conditional pass)	25% of the budget for the year of the program may be attributed to the GAD budget
8.0-14.9	Gender sensitive	50% of the budget for the year of the program may be attributed to the GAD budget
15.0-19.9	Gender-responsive	75% of the budget for the year of the program may be attributed to the GAD budget
20.0	Fully gender-responsive	100% of the budget for the year of the program may be attributed to the GAD budget

GAD Plan and Budget of the District not duly supported with gender analysis tool whereby the extent of its PAPs gender-responsiveness cannot be determined as well as the lack of gender statistics and sex-dis aggregated data resulted to doubtful attribution of its GAD budget.

Recommendation:

We recommended management to prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDG in the identification, design, implementation, management, and monitoring and evaluation stages of the various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget;

If the district is not yet trained on the use of the tool, or the GFPS is not capacities to conduct such gender analysis, it is recommended to seek the assistance of an expert or make representation through the Board of Directors to request for training and workshop from accredited institutions;

Improve and develop the existing GAD Database or Sex-Dis aggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the District, as well as proper charging of the object of expenditures on actual accomplishments.

Management Comment:

The management will comply with the COA recommendation.

4. The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2017 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.

Section 4 of the Implementing Rules and Regulation of Republic Act 10121 (*An Act Strengthening the Philippine Disaster Risk Reduction and Management System, Providing for the National Disaster Risk Reduction and Management Framework and Institutionalizing*

the National Disaster Risk Reduction and Management Plan, Appropriating Funds therefor and for Other Purposes) provides for the scope of disaster risk reduction and mitigation which shall be at all levels of the government. Moreover, in compliance with the above provision, Section 35 of 2017 General Appropriations Act mandates that the agencies of the government shall implement programs, projects and activities designed to enhance climate change adaptation and mitigation.

This is a reiteration of previous year AOM. Inquiry revealed that Management still has no definite plans, programs and projects designed to address disasters, or to mitigate the adverse effects of it due to climate change in their area or jurisdiction contrary to the above-mentioned provisions.

Although Management and other agency personnel was invited by the provincial / local government in consultative meetings, symposia and the likes for disaster risk reduction and mitigation, it seems that the importance of having concrete plans, programs and projects to address disasters due to climate change was not emphasized.

Water is indispensable for human survival. Disasters which has stricken the nation during recent years have shown that water supply was the first to be affected and local water districts as a forefront agency should provide for alternative source of water in cooperation with the local government unit where they belong should disasters strike.

Recommendation:

We recommended that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2017 General Appropriations Act.

Management Comment:

The management started working out about this matter.

- 5. Additional charges for the telephone use to mobile numbers were redundant with the communication/cell card allowance granted to all the employees and caused the District P2,282.00 additional expense for the first semester of 2018, thus Excessive, pursuant to criteria set in COA Circular No. 2012-003 dated October 29, 2012.**

Section 6.0 of COA Circular No. 2012-003 dated October 29, 2012 defined “Excessive Expenditure” as those incurred at an immoderate quantity and exorbitant price. It also includes expenses which exceed what is usual or proper, expenses which are unreasonably high and beyond just measure or amount, and expenses in excess of reasonable limits.

Bacolod Water District subscribed to PLDT’s Internet and Telephone Plan at a fixed amount of P2,301.00 (Internet – P1,781.25 and Telephone – P519.75) plus VAT and additional usage charges for telephone use to different telephone line and long distance calls. Review of the usage charges for the first semester of 2018 reveals that charges amounting to P2,282.00 were calls to mobile numbers (list is attached as Annex A). This is redundant to the purpose for which all employees of the District are receiving cell card/communication allowance.

Inquiry with the management reveals that listed calls were made to suppliers and other offices with which the District has official business, especially those without telephone line.

From the standpoint of economy and efficiency, the foregoing transactions were deemed Excessive Expenditure, pursuant to the criteria set in COA Circular No. 2012-003 dated October 29, 2012. It likewise redounds to sacrificing funds for other priority needs of the agency and exposing public funds to wastage.

Recommendation:

We recommended that Management make use of the cell card / communication allowance for official calls and stop the use of the District’s telephone line for mobile calls.

Management Comment:

We followed the recommendation of the auditor.

6. The payment of travelling expenses without regard to the time and departure and arrival from office and the coverage of registration fees resulting to overpayment by P1,200.00 is contrary to EO 298 and COA Circular 96-004 dated April 19, 1996.

Section 4 of Executive Order (EO) No. 298 dated March 23, 2004, re-amending EO 248 as amended by EO 248-A prescribes the new rates and time of entitlement of allowances for official travel of government personnel as follows:

Particulars	Percentage	To Cover
Arrival not later than 12:00 Noon	100%	Hotel/lodging (50%); Meals (30%) and incidental (20%)
Arrival after 12:00 Noon	80%	Hotel/lodging (50%); dinner (10%) and incidental (20%)
Departure before 12:00 Noon	30%	Breakfast (10%) and incidental (20%)
Departure at 12:00 Noon and later	40%	Breakfast (10%); lunch (10%) and incidental (20%)

COA Circular provides the guidelines in the implementation of Section 16 of EO 248 as amended by EO 248-A and amended further by EO 298, and Section 3.1.1.9 thereof states that:

*“To preclude double payment of expenditures, the travel allowance prescribed shall **not be allowed** in cases where the fare paid for transportation includes meals and quarters enroute, or where **meals** and lodging are **paid for or furnished by the government.**”*

Review of the District's travelling expenses discloses that travelling expenses were paid without taking into consideration the time of departure from the venue/place of destination. Details of paid excessive travelling expenses violating Section 4 of EO 298 are as follows:

Training	Participant(s)	Time of Departure	Travelling Expense		Difference
			Paid	Prescribed Rate	
PhilGEPS Training P1 - PhilGEPS System Modernization Project	Jasmin G. Alangilan	9:30 AM	₱320.00	₱240.00	₱ 80.00
	Romuel M. Luzon		320.00	240.00	80.00
CHRMP - Succession Planning	Genalin A. Amantiad	9:00 AM	400.00	240.00	160.00
Orientation on the 2017 Phil Nat'l Standards for Drinking Water	Romuel M. Luzon	9:30 AM	400.00	240.00	160.00
	Richard A. Japson		400.00	240.00	160.00
Total			₱1,840.00	₱ 1,200.00	₱ 640.00

The registration for below listed seminars/trainings included lunch for the participants which the management likewise failed to consider:

Training	Participant(s)	Inclusive Dates	Lunch doubly paid
PhilGEPS Training P1 - PhilGEPS System Modernization Project	Jasmin G. Alangilan	2/27-28/2018	₱160.00
	Romuel M. Luzon		160.00
CHRMP - Succession Planning	Genalin A. Amantiad	3/26-28/2018	240.00
Total			₱560.00

Interview with the Management discloses that grant of full meal allowance without regard to the coverage of the registration paid has long been practiced. Also, the management may have overlooked the time of departure when accounting for the percentage of entitlement of the travelling personnel.

The management's failure to fully consider factors such as registration and time of departure resulted to overpayment of travelling expenses by P1,200.00 (640.00 and 560.00), which the Management could have saved and used for other priority programs of the District.

Recommendation:

We recommended that Management review individual components of the travelling expenses when granting travel allowance and consider the coverage of registration fees (which may include meal and accommodation), and time of arrival and departure from the destination to prevent over/double payment.

Management Comment:

The management complied with the recommendation.

PART III –

**STATUS OF IMPLEMENTATION OF PRIOR
YEAR'S AUDIT RECOMMENDATIONS**

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

We made a follow-up on the action taken by the District to implement the recommendations of CY 2017 AAR and noted the following:

<i>Status of Implementation</i>	<i>No. of Recommendations</i>
Fully Implemented	5
Partially Implemented	1
Not Implemented	1

Reference	Audit Observations	Audit Recommendations	Status of Implementation
2018-004 BWD	The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P26,569,828.52 and P730,412.96 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.	We recommend that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it.	Fully Implemented
2018-003 BWD	The Agency did not prepare its Corporate Operating Budget as in accordance with the provisions of DBM Corporate Budget No. 22 dated December 1, 2016 and submit it to the Department of Budget and Management within the prescribed deadline.	We recommended that Management prepare its Corporate Operating Budget embodying estimates of revenues and expenditures that would serve as a guide in its operations.	Fully Implemented
2018-002 BWD	Procurement for the construction materials with an estimated budget of P2,285,153.00 for the Construction of the Two-Storey Office Building was conducted through Shopping, contrary to the	We recommend to the Management through the Procurement Unit and Bids and Awards Committee to maximize the purpose of preparing Annual Procurement Plan and	Fully Implemented

	<p>guidelines prescribed by GPPB through Resolution No. 018-2006 dated December 6, 2006.</p>	<p>carefully plan for the procurement of the needs of the District, in such manner that will not violate the allowable mode of procurement for each purchase.</p>	
<p>2018-001 (BWD)</p>	<p>The District failed to withhold the mandatory 5% Final Vat and 2% Income Tax on its payment to New Queenbee Security Services, Inc. for the Security Services of the District, contrary to Revenue Regulations 4-2007 and 2-98.</p>	<p>We recommend to the Management through the Accounting unit to perform its responsibility as withholding agent and contribute to the revenue collection efforts of the national government by religiously withholding 5% Final VAT, and the 1% for Goods and 2% for Services' Creditable Income Tax on its payment to suppliers and/or service providers.</p>	<p>Fully Implemented</p>
<p>2018-005 BWD</p>	<p>The Agency did not procure common-use supplies and materials from the Procurement Service (PS), which is not in compliance with the provisions of Administrative Order No. 17.</p>	<p>We recommended that Management start procuring common-use supplies and materials from the Procurement Service pursuant to the provisions of Administrative Order No. 17. In cases that these items are not available from the PS, the management must secure a certification that said supplies and materials are not available before procuring the same from other suppliers. The procurement of supplies regularly</p>	<p>Fully Implemented</p>

		needed by the Agency should be done on a quarterly basis.	
2018-006 BWD	The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures.	We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2017 as provided under DOH Administrative Order No. 2014-0027.	Not Implemented The Water District is on the process of formulating the WSP and yet the concerned personnel will be attending training seminar on June 18-20, 2019 sponsored by LWUA.
2018-007 BWD	The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2017 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.	We recommend that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2017 General Appropriations Act.	Partially Implemented The management is initiating making programs, projects and activities to address the adverse effects of climate change and DRRM.