



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

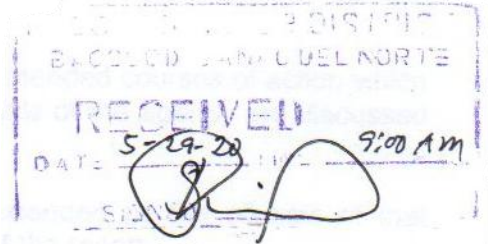
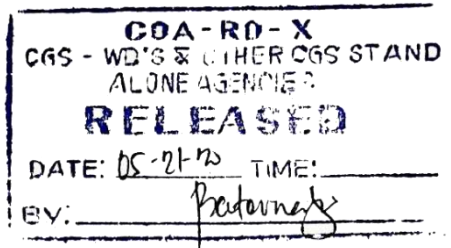


**OFFICE OF THE REGIONAL DIRECTOR**

February 21, 2020

**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 2019 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-Qualified Opinion on the fairness of the presentation of the financial statements of the Bacolod Water District for the year 2019 due to the following exceptions:

1. Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as provided for in Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱28,520,694.64 in of doubtful validity.
2. Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the

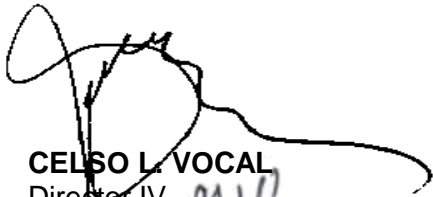
Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 1,200,713.89.

3. Water sales for the month of December 2019 amounting to P50,173.30 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

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

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 2019  
 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 to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
AOM NO: 2020-001 BWD	Water sales for the month of December 2019 amounting to P50,173.30 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.	We recommend that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.							
AOM NO: 2020-002 BWD	The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to P494,234.55 contravenes Sec. 5 of the District's Service Connection Contract	We recommend that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly							

	and unfavorably affects the Water District operations.	supported with the relevant documents.							
AOM NO: 2020-003 BWD	The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 37 of the General Appropriations Act (GAA) for FY 2019 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 2019 General Appropriations Act.							
AOM NO: 2020-004 BWD	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 2019, thereby making the attribution of the GAD budget doubtful.	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 HGDC 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							

		<p>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.</p>							
AOM NO: 2020-005 (BWD)	Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as provided for in Section 38 and 42, Volume I of	We recommend that reconciliation of Report on the Physical Count of Property Plant and Equipment (RPCPPE) to the Accounting unit's Property Plant and Equipment Ledger Card (PPELC) and to							

	<p>the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱28,520,694.64 in of doubtful validity.</p>	<p>the Property and Supply unit's Property Card (PC) be conducted and its results be submitted to be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual (GAM). Property Accountability Receipt (PAR) for these assets should be renewed every three (3) years.</p>							
<p>AOM NO: 2020-006 (BWD)</p>	<p>Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 1,200,713.89.</p>	<p>We recommend the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II.</p>							

<p>AOM NO: 2020- 007 (BWD)</p>	<p>The District did not adhere to Republic Act No. 656 (Property Insurance Law) and Section 5.1e of COA Circular 2018-004 dated May 31, 2018 to insure their properties with a book value or replacement value of ₱ 25,429,492.78 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.</p>	<p>We recommend that adherence to Republic Act 656 for all properties that the District have insurable interest to protect it from damage and loss due to force majeure and/or fortuitous events (Acts of God).</p>							
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*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

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February 20, 2020

**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, 2019 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.

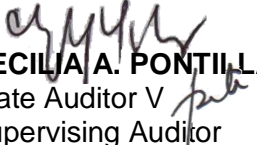
The audit was conducted to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with laws, rules and regulations (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior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

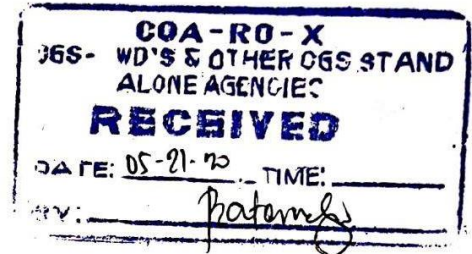
**OFFICE OF THE AUDIT TEAM LEADER**  
R10-05, CGS – Water Districts and Other CGS Stand-Alone Agencies

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February 20, 2020

**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, 2019.


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 IV  
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, 2019**

## 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, 2019, 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, 2019.

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, 2019, with the comparative figures for CY 2018, are presented below:

### *Comparative Financial Position*

As of December 31, 2019, there was an increase of 4.58% in assets, increase of 1.4% in liabilities and an increase of 8.83% in government equity, summarized as follows:

	2019	2018	Increase/ (Decrease)	Percentage
Assets	₱42,233,249.56	₱ 40,382,460.57	₱1,850,788.99	4.58%
Liabilities	₱23,403,461.11	₱-23,079,930.38	₱ 323,530.73	1.4%
Government Equity	₱18,829,788.45	₱ 17,302,530.19	₱1,527,258.26	8.83%

### *Comparative Results of Operations*

For the Calendar Year 2019, the Water District generated a total income of ₱17,160,655.71 from water sales, other businesses, fines and penalties, interest and miscellaneous income. An increase of ₱1,565,698.47 or 10.04% was noted compared to previous year's income of ₱15,594,957.24. Net income, on the other hand, decreased by 24.01% compared to last year's. Details of its results of operations are presented below.

	2019	2018	Increase/ (Decrease)	Percentage
Income	₱17,160,655.71	₱ 15,594,957.24	₱1,565,698.47	10.04%
Expenditures	₱15,598,703.88	₱ 13,539,394.99	₱2,059,308.89	15.21%
Net Income	₱1,561,951.83	₱ 2,055,562.25	₱ (493,610.42)	(24.01%)

## C. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

- a) Non-submission of the Report on Physical Count of Property, Plant and Equipment duly reconciled with records kept by the Supply Unit and Accounting Unit as provided for in Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱28,520,694.64 in of doubtful validity.
- b) Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 1,200,713.89.

- c) Water sales for the month of December 2019 amounting to P50,173.30 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

#### **D. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

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

- 1. The District did not adhere to Republic Act No. 656 (Property Insurance Law) and Section 5.1e of COA Circular 2018-004 dated May 31, 2018 to insure their properties with a book value or replacement value of ₱ 25,429,492.78 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.**

We recommended that adherence to Republic Act 656 for all properties that the District have insurable interest to protect it from damage and loss due to force majeure and/or fortuitous events (Acts of God).

- 2. The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 37 of the General Appropriations Act (GAA) for FY 2019 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 37 of the FY 2019 General Appropriations Act.

- 3. Bacolod Water District did not use 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 2019, thereby making the attribution of the GAD budget doubtful.**

We recommended that Management:

- a. 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 HGDC 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;

- b. 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.

**A. STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

<b>Particulars</b>	<b>Balance, 12/31/2018</b>	<b>CY 2019 Issuances</b>	<b>Settlement</b>	<b>Balance, 12/31/2019</b>
Suspension	₱ 10,319.00	0.00	0.00	₱ 10,319.00
Disallowances	0.00	0.00	0.00	0.00
Charges	0.00	0.00	0.00	0.00

**B. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 8 audit recommendations embodied in the Annual Audit Report of the Water District for the CY 2018, 3 were fully implemented, 1 was partially implemented and 4 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

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**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-Qualified 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, 2019 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, 2019 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

*Bases for Modified-Qualified Opinion*

As discussed in Part II- Observations and Recommendations of this report, a modified opinion was rendered due to the following:

- a) Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as provided for in Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱28,520,694.64 in of doubtful validity.
- b) Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 1,200,713.89.

- c) Water sales for the month of December 2019 amounting to P50,173.30 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

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*

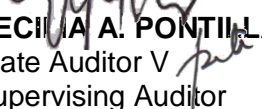
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from 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 21, 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, 2019, 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: \_\_\_\_\_

**ALMA S. MAGLANA**  
Bookkeeper Designate  
Date: \_\_\_\_\_

**ENGR. NOEL L. RESABAL**  
General Manager  
Date: \_\_\_\_\_



**BACOLOD WATER DISTRICT  
CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2019**

	<u>NOTE</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	₱ 10,854,034.47	₱ 10,434,535.53
Receivables	6	1,239,116.93	1,222,693.65
Inventories	7	1,200,713.89	1,163,598.33
Other Current Assets	8	20,758.06	18,576.21
<b>Total Current Assets</b>		<b>₱ 13,314,623.35</b>	<b>₱ 12,839,403.72</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	₱ 28,520,694.64	₱ 27,543,056.85
Investment Property		303,254.25	0.00
Other Non-Current Assets	10	94,677.32	0.00
<b>Total Non-Current Assets</b>		<b>₱ 28,918,626.21</b>	<b>₱ 27,543,056.85</b>
<b>TOTAL ASSETS</b>		<b>₱ 42,233,249.56</b>	<b>₱ 40,382,460.57</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	11	₱ 305,974.39	₱ 357,083.73
Inter-Agency Payables	12	208,535.32	320,764.78
Deferred Credits/Unearned Income	14	12,000.00	0.00
Other Payables	13	456,444.34	299,032.93
<b>Total Current Liabilities</b>		<b>₱ 982,954.05</b>	<b>₱ 976,881.44</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	15	₱ 22,382,408.06	₱ 22,064,949.94
Trust Liabilities	16	38,099.00	38,099.00
<b>Total Non-Current Liabilities</b>		<b>₱ 22,420,507.06</b>	<b>₱ 22,103,048.94</b>
<b>TOTAL LIABILITIES</b>		<b>₱ 23,403,461.11</b>	<b>₱ 23,079,930.38</b>
<b>EQUITY</b>			
Government Equity	17	₱ 325,542.96	₱ 325,542.96
Retained Earnings/(Deficit)	18	18,504,245.49	₱ 16,976,987.23
<b>Total Equity</b>		<b>₱ 18,829,788.45</b>	<b>₱ 17,302,530.19</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱ 42,233,249.56</b>	<b>₱ 40,382,460.57</b>

*(See Accompanying Notes to Financial Statements)*



**BACOLOD WATER DISTRICT  
CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>NOTE</u>	<u>2019</u>	<u>2018</u>
<b>Income</b>			
Service and Business Income	19	₱ 16,772,403.93	₱ 15,231,460.23
Other Non-Operating Income	20	388,251.78	363,497.01
<b>Total Income</b>		<b>₱ 17,160,655.71</b>	<b>₱ 15,594,957.24</b>
<b>Expenses</b>			
Personnel Services	21	₱ 5,968,903.47	₱ 4,859,844.11
Maintenance and Other Operating Expenses	22	7,173,686.98	6,185,852.24
Financial Expenses	23	1,064,420.18	1,131,114.02
Non-Cash Expenses	24	1,391,693.25	1,362,584.62
<b>Total Expenses</b>		<b>₱ 15,598,703.88</b>	<b>₱ 13,539,394.99</b>
<b>Profit/(Loss) Before Tax</b>		<b>₱ 1,561,951.83</b>	<b>₱ 2,055,562.25</b>
<b>Income Tax Expense/(Benefit)</b>		₱ 0.00	₱ 0.00
<b>Profit/(Loss) After Tax</b>		<b>₱ 1,561,951.83</b>	<b>₱ 2,055,562.25</b>
<b>Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)</b>		₱ 0.00	₱ 0.00
<b>Net Income/(Loss)</b>		<b>₱ 1,561,951.83</b>	<b>₱ 2,055,562.25</b>
<b>Other Comprehensive Income/(Loss) for the Period</b>		0.00	0.00
<b>COMPREHENSIVE INCOME/(LOSS)</b>		<b>₱ 1,561,951.83</b>	<b>₱ 2,055,562.25</b>

*(See Accompanying Notes to Financial Statements)*



**BACOLOD WATER DISTRICT  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Cumulative Translation Adjustment</b>	<b>Retained Earnings/ (Deficit)</b>	<b>TOTAL</b>
<b>BALANCE AT JANUARY 1, 2018</b>	₱ 325,542.96	₱ 16,976,987.23	₱ 17,302,530.19
<b>CHANGES IN EQUITY FOR 2018</b>			
Comprehensive Income for the year	₱ 0.00	0.00	0.00
Other Adjustments	0.00	0.00	0.00
<b>BALANCE AT DECEMBER 31, 2018</b>	₱ 325,542.96	₱ 16,976,987.23	₱ 17,302,530.19
<b>CHANGES IN EQUITY FOR 2019</b>			
Comprehensive Income for the year	₱ 0.00	1,561,951.83	1,561,951.83
Other Adjustments	0.00	(34,693.57)	(34,693.57)
<b>BALANCE AT DECEMBER 31, 2019</b>	₱ 325,542.96	₱ 18,504,245.49	₱ 18,829,788.45



**BACOLOD WATER DISTRICT  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Collection of Income/Revenue	₱ 17,132,156.75	₱ 15,667,813.32
Collection of Receivables	597,562.70	527,828.10
Other Receipts	12,620.83	17,395.41
<b>Total Cash Inflows</b>	<b>₱ 17,742,340.28</b>	<b>₱ 16,213,036.83</b>
Adjustments	₱ 0.00	₱ 0.00
<b>Adjusted Cash Inflows</b>	<b>₱ 17,742,340.28</b>	<b>₱ 16,213,036.83</b>
<b>Cash Outflows</b>		
Payment of Expenses	₱ 8,775,646.44	₱ 7,863,667.89
Purchase of Inventories	784,859.20	1,575,730.25
Grant of Cash Advances	490,922.24	407,690.00
Prepayments	21,761.34	21,561.63
Payments of Accounts Payable	1,583,931.45	56,785.00
Remittance of Personnel Benefit Contributions and Mandatory Deductions	2,306,733.24	2,021,391.65
<b>Total Cash Outflows</b>	<b>₱ 13,963,853.91</b>	<b>₱ 11,946,826.42</b>
Adjustments	₱ 0.00	₱ 0.00
<b>Adjusted Cash Outflows</b>	<b>₱ 13,963,853.91</b>	<b>₱ 11,946,826.42</b>
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>₱ 3,778,486.37</b>	<b>₱ 4,266,210.41</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Receipt of Interest Earned	₱ 7,597.05	₱ 0.00
<b>Total Cash Inflows</b>	<b>₱ 7,597.05</b>	<b>₱ 0.00</b>
Adjustments	₱ 0.00	₱ 0.00
<b>Adjusted Cash Inflows</b>	<b>₱ 7,597.05</b>	<b>₱ 0.00</b>
<b>Cash Outflows</b>		
Purchase/Construction of Investment Property	₱ 303,254.25	₱ 0.00
Purchase/Construction of Property, Plant and Equipment	2,167,391.00	2,189,383.00
Purchase of Intangible Assets	150,000.00	0.00
<b>Total Cash Outflows</b>	<b>₱ 2,620,645.25</b>	<b>₱ 2,189,383.00</b>
Adjustments	0.00	0.00



	<u>2019</u>	<u>2018</u>
<b>Adjusted Cash Outflows</b>	₱ 2,620,645.25	₱ 2,620,645.25
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	₱ (2,613,048.20)	₱ (2,620,645.25)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Domestic and Foreign Loans	₱ 1,986,695.00	₱ 0.00
<b>Total Cash Inflows</b>	₱ 1,986,695.00	₱ 0.00
Adjustments	₱ 0.00	₱ 0.00
<b>Adjusted Cash Inflows</b>	₱ 1,986,695.00	₱ 0.00
<b>Cash Outflows</b>		
Payment of Long-Term Liabilities	₱ 1,669,236.88	₱ 1,414,210.44
Payment of Interest on Loans and Other Financial Charges	1,063,397.35	1,080,821.55
<b>Total Cash Outflows</b>	₱ 2,732,634.23	₱ 2,495,031.99
Adjustments	0.00	0.00
<b>Adjusted Cash Outflows</b>	₱ 2,732,634.23	₱ 2,495,031.99
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	₱ (745,939.23)	₱ (2,495,031.99)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	₱ 419,498.94	₱ (418,204.58)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	₱ 0.00	₱ 0.00
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	₱ 10,434,535.53	₱ 10,852,740.11
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	₱ 10,854,034.47	₱ 10,434,535.53



Republic of the Philippines  
**BACOLOD WATER DISTRICT**  
Bacolod Lanao del Norte  
TIN 004-367-022

CCC No. 543

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019

**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:

<u>Name</u>	<u>Designation</u>	<u>Sector</u>
Mrs. Elsa P. Panoril	Chairman	Business
Mrs. Lerma C. Daraman M.D.	Vice-Chairman	Professional
Mrs. Godilla V. Lao	Secretary	Civic

<u>Name</u>	<u>Designation</u>	<u>Sector</u>
Mrs. Leah A. Marcera	Member	Women
Mr. Alejandro Visitacion	Member	Education

## 2019 Operational and Financial Highlights

A comparative financial condition and results of operations for CY 2019 and 2018 is presented below:

### Financial Condition

	2019	2018	Increase (Decrease)	Percentage
Total Assets	₱42,233,249.56	₱40,382,460.57	₱1,850,788.99	4.58%
Total Liabilities	₱23,403,461.11	₱23,079,930.38	₱ 323,530.73	1.4%
Total Equity	₱18,829,788.45	₱17,302,530.19	₱1,527,258.26	8.83%

### Results of Operations

	2019	2018	Increase (Decrease)	Percentage
Income	₱17,160,655.71	₱15,594,957.24	₱1,565,698.47	10.04%
Expenses	₱15,598,703.88	₱13,539,394.99	₱2,059,308.89	15.21%
Net Income	₱ 1,561,951.83	₱ 2,055,562.25	₱(493,610.42)	(24.01%)

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, 2019, it has 3,869 service connections and serves as estimated population of 17,420.

## 2.Summary of Significant Accounting Policies

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

### 3.1 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.

### 3.2 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.

### **3.3 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 an accrual basis except for transactions where accrual basis is impractical or when law requires other methods.

### **3.4 Monetary Denomination Used**

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

### **3.5 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.

### **3.6 Significant accounting policies observed for each account**

#### **3.6.1 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 Imprest system. All replenishment is directly charged to appropriate expense account.

#### **3.6.2 Receivables**

Receivables are stated at face value less allowance for impairment.

#### **3.6.3 Inventories**

Regular purchases are coursed thru the inventory account and issuances 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 consumed 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.

### **3.6.4 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 ten percent (10%) of the cost is set-up and depreciation starts on the second month after purchase/completion of the property, plant and equipment.

### **3.6.5 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.

### **3.6.6 Other Assets**

### **3.6.7 Liabilities**

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

### **3.6.8 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 uncollectable 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.

### **3.6.9 Expenses**

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

### **3.6.10 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.

### **3.6.11 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.

### **3.6.12 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.

### **3.6.13 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.

## **4. 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.

#### **4.1 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**

<b>ACCOUNT</b>	<b>DEPRECIATION METHOD</b>	<b>USEFUL LIFE</b>
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

## 5. 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

Particulars	Account Number	2019	2018
Cash –Collecting Officer		₱ 83,982.98	₱ 17,400.95
Cash in Bank- Local Currency, Current Account	C/A#0322106653	3,687,448.51	5,802,532.31
Cash in Bank- Local Currency, Savings Account	S/A#0321116515	3,808,449.12	3,325,556.47
Cash in Bank- Local Currency, Savings Account	S/A#0321223303	1,590,213.11	1,289,045.80
Cash in Bank- Local Currency, Current Account	C/A#0322117108	1,683,940.75	0.00
<b>TOTAL</b>		<b>₱10,854,034.47</b>	<b>₱10,434,535.53</b>

### 6. Receivables

This account can be broken down as follows:

Particulars	2019	2018
Accounts Receivable	₱ 1,243,797.21	₱ 1,247,109.75
Allowance for Impairment-Accounts Receivables	(295,607.94)	(257,958.78)
Other Receivables:	262,053.33	212,487.35
Allowance for Impairment-Other Receivables	(10,616.30)	(10,616.30)
Betty BAgo	39,490.63	31,761.63
<b>TOTAL</b>	<b>₱ 1,239,116.93</b>	<b>₱ 1,222,693.65</b>

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:

Particulars	2019	2018
Other Supplies and Materials Inventory	₱ 813,404.19	₱ 797,942.41
Office Supplies Inventory	14,781.91	40,589.92
Accountable Forms, Plates and Stickers Inventory	38,371.79	38,850.00
<b>SUB -TOTAL</b>	<b>₱ 866,557.89</b>	<b>₱ 877,382.33</b>

Semi-Expendable Machinery and Equipments	₱ 43,700.00	₱ 28,700.00
Semi-Expendable Office Equipment	67,145.00	35,295.00
Semi-Expendable Furniture ,Fixtures& Books	182,531.00	182,531.00
Semi-Expendable Sports Equipment	28,900.00	28,900.00
Semi-Expendable DRRE	4,800.00	4,800.00
Semi-Expendable Communication Equipment	7,080.00	5,990.00
<b>SUB -TOTAL</b>	<b>₱ 334,156.00</b>	<b>₱ 286,216.00</b>
<b>TOTAL</b>	<b>₱ 1,200,713.89</b>	<b>₱ 1,163,598.33</b>

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

## 8. Other Current Assets

Particulars	2019	2018
Prepaid Insurance	₱ 20,758.06	₱ 18,576.21

## 9. Property, Plant and Equipment

This account includes the following:

COST	Jan 1,2019	ADDITIONS	ADJUST- MENTS	Dec. 31,2019
LOT-Esperanza	₱ 61,021.00	₱ 0.00	₱ 0.00	₱ 61,021.00
LOT-Poblacion	432,900.00	200,000.00	0.00	632,900.00
LOT- Binuni	255,000.00	1,719,150.00	0.00	1,974,150.00
Land Improvement	173,100.00	0.00	0.00	173,100.00
Buildings	3,500,000.00	0.00	0.00	3,500,000.00
Buildings –other Structures	199,249.00	0.00	0.00	199,249.00
Water Plant, Structures & Improvements	12,296,110.76	0.00	5,275.00	12,290,835.76

<b>COST</b>	<b>Jan 1,2019</b>	<b>ADDITIONS</b>	<b>ADJUST- MENTS</b>	<b>Dec. 31,2019</b>
Machinery and Equipment	4,269,599.79	184,160.00	278,215.75	4,175,544.04
Transportation Equipment	2,108,089.34	67,316.00	8,799.34	2,166,606.00
Other Property, Plant & Equipment	15,151,155.93	102,733.50	0.00	15,253,849.43
Computer System	0.00	150,000.00	0.00	150,000.00
<b>TOTAL</b>	<b>₱38,446,185.82</b>	<b>₱ 2,423,359.50</b>	<b>₱ 292,290.00</b>	<b>₱40,577,255.23</b>

<b>ACCUMULATED DEPRECIATION</b>	<b>Jan 1,2019</b>	<b>ADDITIONS</b>	<b>ADJUST- MENTS</b>	<b>Dec. 31,2019</b>
LOT-Esperanza	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
LOT-Poblacion	0.00	0.00	0.00	
Land Improvement	26,557.20	31,158.00	0.00	57,715.20
Buildings	105,000.00	105,000.00	0.00	210,000.00
Buildings-Other Structures	9,804.17	13,630.92	0.00	23,435.09
Water Plant, Structures & Improvements	2,088,619.44	360,330.96	1,360.54	2,447,589.86
Machinery and Equipment	2,340,723.93	254,621.28	193,520.48	2,401,824.73
Transportation Equipment	559,193.48	163,074.39	7,622.57	714,645.30
Other Property ,Plant& Equipment	5,773,230.75	428,119.66	0.00	6,201,350.41
<b>TOTAL</b>	<b>₱10,903,128.97</b>	<b>₱1,355,935.21</b>	<b>₱ 202,503.59</b>	<b>₱12,056,560.59</b>

#### 10. Other Assets

These are assets which are included in Inventory and Inspection Report of Unserviceable Property.

<b>Particulars</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
PPE-Water Plant Structures & Improvement	₱ 5,275.00	₱ 1,360.54	₱ 3,914.46
PPE-Office Equipment	110,204.75	88,813.47	21,391.28
PPE-Communication Equipment	48,024.50	42,275.91	5,748.59
PPE-Other Equipment	119,986.50	57,540.28	62,446.22
PPE-Transportation Equipment	8,799.34	7,622.57	1,176.77

Particulars	Cost	Accumulated Depreciation	Book Value
<b>TOTAL</b>	<b>₱ 292,290.09</b>	<b>₱ 197,612.77</b>	<b>₱ 94,677.32</b>

## 11. Current Liabilities

### *Financial Liabilities*

Accounts Payable-This account composes the following:

Particulars	2019	2018
Iligan Datavision	₱ 44,714.00	₱ 0.00
Legacy Sales	0.00	29,500.00
Geonmor Printing	0.00	76,800.00
GTSG	50,040.00	50,600.00
MIE Oro Plast Corporation	35,201.00	49,788.00
MIE Oro Plast Corporation	49,202.00	45,478.00
FMV Drilling	0.00	115,644.00
Ralph -Renz	0.00	9,486.00
Pinche Enterprises	48,102.00	0.00
AVK Philippines	78,715.39	0.00
<b>TOTAL</b>	<b>₱ 305,974.39</b>	<b>₱ 377,296.00</b>

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

## 12. Inter-Agency Payables

Particulars	2019	2018
Due to BIR	₱ 37,567.58	₱ 72,549.09
Due to GSIS	122,463.00	108,536.26
Due to PAG-IBIG	38,422.87	31,594.32
Due to Philhealth	7,066.87	5,754.01
Due to Other NGAs-COA	0.00	99,316.10
Guaranty/Security Deposit Payable	3,015.00	3,015.00
<b>TOTAL</b>	<b>₱ 208,535.32</b>	<b>₱ 320,764.78</b>

## 13. Other Payables-

This account composes the following:

Particulars	2019	2018
R.Uy Shell Station	₱ 24,215.41	₱ 3,900.00
CQ Printing Press	79,500.00	0.00
PLDT	2,602.60	2,689.12

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Representation Expenses	4,100.00	0.00
Other M & O Expenses	5,930.00	0.00
Electricity	206,675.19	216,742.68
Taxes, Duies & Licenses	88,921.14	85,238.01
Dawn Garden	44,500.00	0.00
<b>TOTAL</b>	<b>₱ 456,444.34</b>	<b>₱ 308,569.81</b>

#### 14. Other Unearned Revenue/Income

Unearned Revenue/Income	<b>₱ 12,000.00</b>
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#### 15. Non-Current Liabilities

##### Financial Liabilities

<b>Loan Number</b>	<b>2019</b>	<b>2018</b>
3-766	<b>₱ 1,322,988.08</b>	<b>₱ 1,466,333.08</b>
4-2258A	5,318,200.00	5,858,857.00
4-2258B	865,710.00	953,724.00
9-0488	10,166,592.74	10,674,924.74
4-2859	1,986,695.00	0.00
Landbank-Office Building	2,722,222.24	3,111,111.12
<b>TOTAL</b>	<b>₱ 22,382,408.06</b>	<b>₱ 22,064,949.94</b>

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

#### 16. Trust Liabilities

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Customers' Deposits Payable	<b>₱ 38,099.00</b>	<b>₱ 38,099.00</b>

#### 17. Government Equity

Contributed Capital. This account includes the following donations:

LGU's piping system installed at Upper Demologan in CY2000	<b>₱ 200,000.00</b>
Distribution pipes donated by Barangay Binuni	15,978.16
Pipes donated by Senator Loren Legarda	94,564.80
LCD TV with cable donated by contractor	15,000.00
<b>TOTAL</b>	<b>₱ 325,542.96</b>

18. **Retained Earnings** is composed of the following:

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Balance at beginning of period	₱ 16,976,987.23	₱ 14,919,313.79
Changes during the period		
Erroneous entry		(0.70)
Reversal of Impairment Loss	0.00	2,434.60
Prior period adjustment	(45,012.57)	(322.71)
Disallowances	10,319.00	
Net Income/(Loss)	1,561,951.83	2,055,562.25
<b>Balance at end of period</b>	<b>₱ 18,504,245.49</b>	<b>₱ 16,976,987.23</b>

19. **Business Income**

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Income from Waterworks System	₱ 15,892,464.02	₱ 14,463,291.87
Fines & Penalties-Business Income	597,562.65	523,909.30
Interest Income	7,596.74	8,179.06
Other Business Income	274,780.52	236,080.00
<b>TOTAL</b>	<b>₱ 16,772,403.93</b>	<b>₱ 15,231,460.23</b>

20. **Other Non-Operating Income**

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Miscellaneous Income	₱ 388,251.78	₱ 363,497.01

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

21. **Personnel Services**

This accounts consists of the following:

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
<b>Salaries &amp; Wages</b>		
Salaries & Wages-Regular	₱ 3,539,513.92	₱ 2,913,924.70
Salaries and Wages Casual/Cont	0.00	7,977.26
<b>Other Compensation</b>		
Personnel Economic Relief Allowance	294,000.00	256,000.00
Representation Allowance	60,000.00	60,000.00
Transportation Allowance	60,000.00	60,000.00
Clothing Allowance	90,000.00	72,000.00
Honoraria	367,380.00	194,496.00

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Longevity Pay	15,000.00	10,000.00
Overtime & Holiday Pay	179,532.00	173,508.00
Year-end Bonus	267,364.00	238,103.00
Cash Gift	75,000.00	55,000.00
Other Bonuses & Allowances	0.00	22,000.00
<b>Personnel Benefit Contribution</b>		
Retirement and Life Insurance Premium	389,895.60	340,177.20
PAG-IBIG Contribution	14,700.00	13,000.00
Philhealth Contribution	37,289.73	32,862.26
Employees Compensation Insurance	14,700.00	13,200.00
<b>Other Personnel Benefits</b>		
Terminal Leave Benefits	72,164.22	103,259.69
Other Personnel Benefits	492,364.00	294,336.00
<b>TOTAL</b>	<b>₱ 5,968,903.47</b>	<b>₱ 4,859,844.11</b>

## 22. Maintenance and Other Operating Expenses

This account consists of the following:

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Travel Expenses-Local	₱ 382,683.84	₱ 205,744.24
Training Expense	72,930.00	171,200.00
Office Supplies Expenses	99,330.47	87,725.70
Accountable Forms Expenses	48,628.21	40,950.00
Fuel, Oil, & Lubricant Expenses	244,957.12	234,483.99
Chemical and Filtering Suppliss	32,086.00	44,565.00
Water Expenses	15,517.50	34,253.90
Electricity Expenses	2,383,462.18	2,662,245.32
Postage and Courier Services	8,124.80	9,203.02
Telephone Expenses	45,656.65	43,834.96
Internet Subscription Expenses	21,375.00	21,375.00
Cable, Satellite, Telegraph and Radio Expenses	3,150.00	4,950.00
Legal Services	4,300.00	3,600.00
Auditing Services	86,594.60	99,316.10
Security Services	458,946.60	168,000.00
Survey Expenses	14,500.00	0.00
Fidelity Bond Premium	5,625.00	5,625.00
Repairs & Maintenance-Buildings & Other Structures	0.00	5,330.00
Repairs & Maintenance-Machinery & Equipment	64,015.45	46,799.75

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Repairs & Maintenance-Transportation Equipment	78,526.94	119,968.74
Repairs & Maintenance-Other PPE	481,142.47	357,905.63
Repairs & Maintenance-Furniture,Fixtures& Books	0.00	13,130.00
Repairs & Maintenance-Infrastructure Assets	1,123,281.08	774,900.44
Repairs & Maintenance-Semi-Expendable Machinery & Equipment	4,576.92	0.00
Taxes, Duties & Licenses	388,533.84	362,731.80
Semi-Expendable Machinery & Equipment Expense	5,564.00	0.00
Insurance Expenses	19,579.49	21,348.19
Advertising, Promotional & Marketing Expenses	119,733.80	45,171.06
Prizes	36,528.30	30,810.50
Printing and Publication Expenses	9,397.70	6,880.00
Representation Expenses	134,204.53	107,124.85
Transportation & Delivery Expenses	9,211.49	8,122.72
Donation	10,000.00	0.00
Membership Dues & Contribution	17,059.50	5,200.00
Bank Charges	0.00	50.00
Other Maintenance & Operating Expenses	683,280.96	342,518.33
Extraordinary & Misc. Expenses	61,182.54	100,788.00
<b>TOTAL</b>	<b>₱ 7,173,686.98</b>	<b>₱ 6,185,852.24</b>

### 23. Financial Expenses

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Interest Expenses	₱ 1,064,420.18	₱ 1,131,114.02

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.

### 24. Non-Cash Expenses

This account is consists of the following:

	<b>2019</b>	<b>2018</b>
Depreciation-Building & Other Structures	₱ 478,961.88	₱ 474,369.78
Depreciation-Machinery and Equipment	252,730.16	249,825.00
Depreciation-Transportation Equipment	163,074.39	147,281.38
Depreciation-Other PPE	428,119.66	426,275.48

Depreciation- Other Land Improvement	31,158.00	27,322.55
Impairment Loss-Loans and Receivables	37,649.16	37,510.43
<b>TOTAL</b>	<b>₱ 1,391,693.25</b>	<b>₱ 1,362,584.62</b>



**PART II –**

**OBSERVATIONS AND  
RECOMMENDATIONS**

## PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL AND COMPLIANCE AUDIT

1. **Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as provided for in Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱28,520,694.64 in of doubtful validity.**

Section 38 of Volume I of the General Accounting Manual (GAM) provides:

**Sec. 38. Physical Count of Property, Plant and Equipment (PPE).** *The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 71) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.*

In addition, Section 42, Volume 1 of the GAM provides:

**Sec. 42. Accounting and Property Records to be maintained for Property Plant and Equipment (PPE).** *The Chief Accountant shall maintain the Property Plant and Equipment Ledger Cards (PPELC) for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain Property Card (PC) for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.*

As of December 31, 2020, the balance of Property, Plant and Equipment (PPE) amounted to Php 28,520,694.64 as shown below:

Particular	Gross Amount	Accumulated Depreciation	Net Amount
Land	₱2,668,071.00		₱2,668,071.00
Land Improvements	173,100.00	57,715.20	115,384.80
Building	3,500,000.00	210,000.00	3,290,000.00
Building-Other Structures	199,249.00	23,435.09	175,813.91
Water Plant, Structures & Improvements	12,290,835.76	2,447,589.86	9,843,245.90

<b>Particular</b>	<b>Gross Amount</b>	<b>Accumulated Depreciation</b>	<b>Net Amount</b>
Machinery and Equipment	4,175,544.04	2,401,824.73	1,773,719.31
Transportation Equipment	2,166,606.00	714,645.30	1,451,960.70
Other Property Plant and Equipment	15,253,849.43	6,201,350.41	9,052,499.02
Computer System	150,000.00		150,000.00
Total	₱40,577,255.23	₱12,056,560.59	₱28,520,694.64

Verification and analysis of the accounts as to ownership, valuation and propriety of items composing the respective asset accounts cannot be undertaken as no RPCPPE with corresponding analysis of its changes in comparison with the individual Property Plant and Equipment Ledger Cards (PPELC) kept by the accounting office and Property Cards (PC) kept by the Property and Supply Unit, was not submitted to this office.

The District maintains that they have indeed undertaken physical inventory of their PPE but because of intervening events or activities, they have not reconciled it to the individual PPELC and PC and therefore did not submit it to the Office of the Auditor. It was also revealed that Property Acknowledgement Receipt (PAR) or Memorandum Receipt (MR) for fixed assets was not renewed every three (3) years as provided by Section V, paragraph 3 of COA Circular 80-124 dated January 18, 1980.

The actual physical count of assets and its corresponding reconciliation with the accounting records is of paramount importance not only to comply with laws, rules and regulations but also to determine that assets recorded in the books actually exist. It also ensure that they are utilized and maintained properly. As inventory taking is an indispensable procedure for checking the integrity of property, plant and equipment including its custodianship, reconciliation of said RPCPPE with the Property and Supply unit's PC and the Accounting Units PPELC is indispensable for to prove the accuracy of the account, serving as its internal control. Considering the materiality of the amount of the PPE Accounts in the financial statements and the risk of misstatement attached thereto, reconciliation of the PPE Accounts should be given utmost importance in addition to its inventory taking.

**Recommendation:**

We recommended that reconciliation of Report on the Physical Count of Property Plant and Equipment (RPCPPE) to the Accounting unit's Property Plant and Equipment Ledger Card (PPELC) and to the Property and Supply unit's Property Card (PC) be conducted and its results be submitted to be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual (GAM). Property Accountability Receipt (PAR) for these assets should be renewed every three (3) years.

**Management Comment:**

The Property Custodian and the Accounting Unit are conducting reconciliation of Property Card (PC) and PPELC and will submit the results as soon as possible. The Supply Officer is validating the Property Accountability Receipt (PAR) for the assets to be renewed.

**2. Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 1,200,713.89.**

In filling out the Report of Physical Count of Inventory (RPCI), Section D and E, Appendix 66 of Volume II of the Government Accounting Manual (GAM) provides:

*C. The report shall be reconciled with the Supply Ledger Cards (SLCs) and Stock Cards (SCs) maintained by the accounting Division/Unit and Proper and /or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly.*

*D. The reports shall be prepared in four (4) copies and certified correct by the Inventory Committee, approved by the Head of Agency or his/her authorized representative, and verified by the COA Auditor. This shall be distributed as follows:*

<i>Original</i>	-	<i>COA Auditor, through the Accounting Division/Unit</i>
<i>Copy 2</i>	-	<i>Supply and/or Property Division/Unit</i>
<i>Copy 3</i>	-	<i>Inventory Officer/Committee</i>
<i>Copy 4</i>	-	<i>Accounting Division/Unit</i>

*E. The report shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.*

As of December 31, 2020, the balance of Inventory as reflected in the financial statements amounted to ₱ 1,200,713.89 as shown below:

<b>Particulars</b>	<b>2019</b>
Office Supplies Inventory	₱ 14,781.91
Accountable Forms, Plates and Stickers Inventory	38,371.79
Other Supplies and Materials Inventory	813,404.19
Semi-Expendable Machinery and Equipments	43,700.00
Semi-Expendable Office Equipment	67,145.00
Semi-Expendable Furniture ,Fixtures& Books	182,531.00
Semi-Expendable Sports Equipment	28,900.00
Semi-Expendable DRRE	4,800.00
Semi-Expendable Communication Equipment	7,080.00
<b>TOTAL</b>	<b>₱ 1,200,713.89</b>

The RPCI indicating therein the reconciliation made was not submitted to this office on the above-mentioned deadlines and therefore verification and analysis of the accounts as to valuation and propriety of items composing the respective inventory accounts cannot be undertaken. In addition, no invitation was received was received by this office in connection with their inventory-taking.

The District maintains that they have indeed undertaken physical count of their inventory but because of intervening events or activities, they have not yet reconciled it to the individual SLC and PC and therefore did not submit it to the Office of the Auditor.

The actual physical count of inventory and its corresponding reconciliation with the accounting records and property/supply records is of paramount importance not only to comply with laws, rules and regulations, ensuring that they are utilized and maintained properly, but also to determine that assets recorded in the books actually exist. As inventory taking is an indispensable procedure for checking the integrity of property and supply custodianship, reconciliation of said RPCI with the Property and Supply Unit's PC and the Accounting Units SLC is equally indispensable for accuracy of the account and acts as check and balance or internal control to the said account. Considering the materiality of the amount of the inventory accounts in the financial statements and the risk of misstatement attached thereto, reconciliation of the inventory accounts should be given utmost importance in addition to its inventory taking.

**Recommendation:**

We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II.

**Management Comment:**

The Property and Supply unit and the Accounting unit have been reconciling both copies of the each report each year.

**Auditor's Rejoinder:**

The District presented copies of Report of Physical Count of Inventory (RPCI) including the Report of Physical Count of Property, Plant and Equipment (RPCPPE) signed by the head of the agency and/or Property and Supply Officer or Accounting Unit representative but it cannot be determined by these reports that reconciliation have been conducted. These reports are not in the form prescribed by the Government Accounting Manual (GAM), Volume III. We reiterate the recommendation using the forms as shown in the GAM, Volume III, specifically, Appendix 66 – RPCI, and Appendix 73 – RPCPPE.

**3. The District did not adhere to Republic Act No. 656 (Property Insurance Law) and Section 5.1e of COA Circular 2018-004 dated May 31, 2018 to insure their**

**properties with a book value or replacement value of ₱ 25,429,492.78 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.**

Section 5 of Republic Act 656 or the Property Insurance Law provides,

*Section 5. Every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies: Provided, however, That the System reserves the right to disapprove the whole or a portion of the amount of insurance applied for: Provided, further, That such property or part thereof as may not be insurable or acceptable for insurance may be insured with any private insurance company. A municipal government below first class may upon application insure its properties in the Fund under such rules and regulations as the System may prescribe.*

As can be gleaned from above, the Government Service Insurance System (GSIS) is the official government insurer and provides insurance coverage to government assets and properties that have government insurable interests. Insurable interest, as defined in RA No. 10607 (PD No. 612, as amended), otherwise known as the Insurance Code and Administrative Order No. 33 mean every interest in property, whether real or personal, or any relation, thereto, or liability in respect thereof, of such nature that a contemplated peril might directly damnify the insured.

In this connection, COA Circular 2018-002 dated May 31, 2018 was issued by the Commission reiterating adherence to RA No. 656 and to require government agencies to submit the Property Inventory Form (PIF) to the GSIS and to the Office of the Supervising Auditor/Audit Team Leader not later than April 30 of each year (Section 5.1e).

Examination of records reveal that the District has properties having a book value in the amount of ₱ 26,882,630.25 of which the District has an insurable interest, as shown below:

Particulars	Cost	Accumulated Depreciation	Book Value
Inventories			₱ 1,200,713.89
Buildings	₱ 3,500,000.00	₱ 210,000.00	3,290,000.00
Buildings –other Structures	199,249.00	23,435.09	175,813.91
Water Plant, Structures & Improvements	12,290,835.96	2,447,589.86	9,843,246.10
Machinery and Equipment	4,175,544.04	2,401,824.73	1,773,719.31
Transportation Equipment	2,166,606.00	714,645.30	1,451,960.70
Other Property, Plant & Equipment	15,253,849.43	6,201,350.41	9,052,499.02
PPE-Water Plant Structures & Improvement	5,275.00	1,360.54	3,914.46
PPE-Office Equipment	110,204.75	88,813.47	21,391.28
PPE-Communication Equipment	48,024.50	42,275.91	5,748.59
PPE-Other Equipment	119,986.50	57,540.28	62,446.22
<b>TOTAL</b>	<b>₱ 37,869,575.18</b>	<b>₱ 12,188,835.59</b>	<b>₱ 26,881,453.48</b>

Of the items properties that the District have insurable interest, only the motor vehicles was insured. Insurable assets amounting to ₱ 25,429,492.78 was not covered by insurance.

Inquiry revealed that the District did not know about insuring properties with the GSIS other than the transportation equipment/vehicle as it is required when renewing the registration of the said vehicles.

In these times of uncertainty, adherence to Section 5 of RA 656 by the District is important not because it is in compliance with laws, rules and regulations and provides the GSIS additional premium income for the General Insurance Fund (GIF), but it also protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty.

**Recommendation:**

We recommended that adherence to Republic Act 656 for all properties that the District have insurable interest to protect it from damage and loss due to force majeure and/or fortuitous events (Acts of God).

**Management Comment:**

The District has been made listing of properties to be insured and ready for payment as soon as the GSIS will resume their regular working hours.

**4. The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to P494,234.55 contravenes Sec. 5 of the District's Service Connection Contract and unfavorably affects the Water District operations.**

Sec. 5. of the District's Service Connection Contract provides that:

*"The applicant shall pay the bills regularly and on time at the Bacolod Water District Office. Failure to receive a bill does not relieve the customer of liability and shall be deemed a debt to the BWD. Customer due date is eight (8) working days from billing date within which time without penalty. After due date, all water bills shall be penalized of ten percent (10%) in addition to the total amount of bills. Disconnection shall be made if not settled within five (5) working days from due date. To reopen a closed connection, the applicant shall pay the reopening fee of P150.00 or the current rates as approved by the BWD Board, full payment of outstanding obligation. Two months guaranty deposit when it will be reopened after three (3) months from disconnection made."*

Review of the District's Aging of Accounts Receivables disclosed that receivables amounting to P494,234.55 is classified under the "over 1 year" column but further inquiry with the District personnel revealed that some of this amount has actually remained in the asset account for over 13 years.

The District did not adhere to the provision of Sec. 5 of the service contract. It is the practice of the agency to wait for 2 months before they finally disconnect the water supply for default concessionaires. P453,290.30 of the long outstanding receivables is due from the Local Government Unit Concessionaires. A portion of this was recommended by the previous auditor for demand and collection but it remains unpaid up to date. The latest water consumption billing sent by the Water District to the Local Government Unit connections was dated August 28, 2019. As of December 31, 2019, the Municipality still has not yet paid their payables despite their water bills and the District failed to follow up on their claims. This amount as well as the accounts receivables from other concessionaires remained unsettled and just increasing over the years. Some of these inactive accounts are receivables from customers who have passed away or moved out of town and can no longer be collected by the agency. Management may refer to COA Circular No. 2016-005 dated December 18, 2016 for the guidelines to write off accounts.

The Management did not follow the provisions of their Service Connection Contract. They also failed to realize that the District relies on its own generated income to meet its obligations. Some of the inactive accounts have not moved for more than 13 years, thus, depriving the District of the use of needed funds. Disregarding the collection of these receivables unfavorably affects agency operations.

**Recommendation:**

We recommended that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents.

**Management Comment:**

The District will pay close attention of the receivables and on the process of recognizing outstanding balances for the dormant accounts.

**5. Water sales for the month of December 2019 amounting to P50,173.30 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.**

Philippine Accounting Standards (PAS) 18 provided for the guideline on measuring, recognition and disclosure requirements of revenues arising from certain types of transactions and events. Revenue is recognized when it is probable that any economic benefit will flow to the entity and measured reliably.

Further, PAS 1 enumerates the general feature and overall presentation of Financial Statements for the fair presentation and compliance with the Philippine Financial Reporting Standards (PFRS). One of its considerations is the accrual basis of accounting. Accrual basis is the method of recording accounting transactions for revenue when earned and expense when incurred.



Further, according procedures requires for accruals made at the end of the accounting period, particularly for affected real accounts such as assets and liabilities, to be reversed on the first day of the following accounting period to avoid double recording of revenues and expenses to facilitate the regular or usual entry of transactions.

Review of District's billing summary disclosed that water meter reading is cut off every 6th of the month. This means that billed water for 17 days in a 31-month period pertained to the water consumption of concessionaires of the previous month. It was estimated that P731,091.37 and P781,264.67 out of the reported billing summary for the months of January 2019 and January 2020 respectively pertained to December 2018 and December 2019 water sales thus the recorded income for the year ended 2019 is understated by a net estimate of P50,173.30.

Refer to the table below for the computation of the net understatement:

<b>Billing period</b>	January 2019	January 2020	Net estimate
<b>Water Sales</b>	P 1,333,166.60	1,424,659.10	
<b>Portion pertaining to previous month</b>	17 out of 31 days	17 out of 31 days	
<b>Water Sales pertaining to previous month</b>	P 731,091.37*	P 781,264.67*	P 50,173.30*
	*(1,333,166.60 x 17/31 = 731,091.37)	*(1,424,659.10 x 17/31 = 781,264.67)	*(1,333,166.60 - 1,424,659.10 = (50,173.30)
<b>Effect to 2019 Income</b>	Overstatement	Understatement	Understatement

Inquiry revealed that it was the usual practice of the District not to accrue their income and recognize it only after the billing summary was submitted to them. To prevent errors on certain accounts, the agency needs to differentiate between the revenue that they have earned versus revenue that they have not earned yet.

The non-accrual and non-recognition of the accrued income resulted to understatement of both income from water sales and accounts receivable accounts, thereby affecting the accuracy and reliability of the reported revenues for the year ended December 31, 2019.

**Recommendation:**

We recommended that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.

**Management Comment:**

The Management will follow the suggested adjustment computed as follows

**6. The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 37 of the General Appropriations Act**

**(GAA) for FY 2019 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 37 of 2019 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 37 of the FY 2019 General Appropriations Act.

**Management Comment:**

The District is on the process of streamlining the plans, programs, projects and other activities in compliance with Section 4 of the IRR 10121 and Section 35 of the FY 2019 General Appropriations Act.

**7. Bacolod Water District did not use 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 2019, 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-disaggregated 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 2019 amounted to P 657,325.00 per prepared Annual GAD Plan and Budget (GPB) for various activities to address gender issues of clients and the organization. This is a reiteration of previous year AOM. Inquiry revealed that Management still has not performed any initial step for the utilization of the GAD Plan and Budget.

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-disaggregated 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:

<b>HGDG Score</b>	<b>Description</b>	<b>Corresponding Budget for the Year of the Program that may be Attributed to the GAD Budget</b>
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-disaggregated data resulted to doubtful attribution of its GAD budget.

**Recommendation:**

We recommended that Management:

- a. 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 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;

- b. 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.

**Management Comment:**

The management is on the process of formulating a policy requiring the collection, maintenance/updating and utilization of sex disaggregated data (SDD).

**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 2018 AAR and noted the following:

<b>Status of Implementation</b>	<b>No. of Recommendations</b>
Fully Implemented	3
Partially Implemented	1
Not Implemented	3

<b>Reference</b>	<b>Audit Observations</b>	<b>Audit Recommendations</b>	<b>Status of Implementation</b>
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.	Fully Implemented
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 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	Not Implemented  Properties are due for disposal.

		<p>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 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 HG DG 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;</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</p>	<p>Not Implemented</p> <p>District has not yet performed initial steps for the preparation of GAD Plan.</p>

		<p>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, 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.	<p>Partially Implemented</p> <p>The management is initiating making programs, projects and activities to address the adverse effects of climate change and DRRM.</p>
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	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.	Fully Implemented



	No. 2012-003 dated October 29, 2012.		
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.	Fully Implemented
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.