



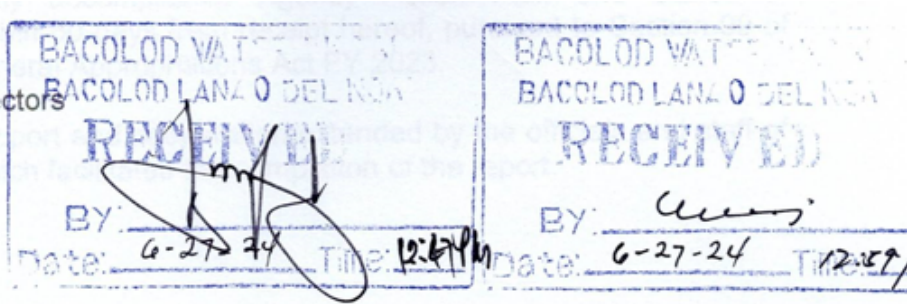
Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Seriaña Street, Carmen, Cagayan de Oro City

OFFICE OF THE REGIONAL DIRECTOR

March 15, 2024

Mrs. ELSA P. CAL
Chairperson of the Board of Directors

Engr. NOEL L. RESABAL
General Manager
Bacolod Water District
Bacolod, Lanao del Norte



Madam/Sir:

We are pleased to transmit the Annual Audit Report on the audit of **Bacolod Water District**, Bacolod, Lanao del Norte as of December 31, 2023, 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 (ISSAIs) and we believe that these standards provided a reasonable basis for the audit results.

A Modified-Qualified Opinion was rendered on the fairness of the presentation of the financial statements of the Bacolod Water District for the year ended December 31, 2023, as discussed in the Independent Auditor's Report in Part I hereof.

We expressed Modified-Qualified Opinion on the fairness of the presentation of the financial statements of Bacolod Water District for the year 2023 due to the following exceptions:

1. The existence, accuracy and completeness of the Property, Plant and Equipment (PPE) account with net value of P33,788,938.13 as at December 31, 2023 could not be ascertained due to the failure to prepare and maintain PPE Ledger Cards (PELCS) and Property Cards (PCs) for each class of PPE in its prescribed format, contrary to Section 111 of PD No. 1445 and Section 27 of the Government Accounting Manual (GAM), thus, adversely affecting the overall reliability of the financial statements; and
2. Past due and dormant Receivables aging over a year amounting P1,012,644.76 remained uncollected and were classified under current assets contrary to Philippine

Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.

We request that the remedial measures be immediately implemented, and we will appreciate being informed, through our Auditors, of the actions, plan and status of implementation thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form within 60 days from receipt hereof, pursuant to Section 99 of the General Provisions of the General Appropriations Act FY 2023.

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

Very truly yours,


MATHEW REY M. MAGNO
Director III
OIC- Regional Director

Copy furnished:

*The President of the Philippines
Malacañang Palace, Manila*

LBC Invoice No : I6N0710000107904

*The Vice-President of the Philippines
11F, Robinson Cybergate Plaza,
EDSA cor. Pioneer St.,
Mandaluyong, 1550, Metro Manila*

LBC Invoice No : I6N0710000107906

*The President of the Senate
Room 606 & 512B, 20, 211 (Extension)
GSIS Bldg., Financial Center,
Diokno Boulevard, Pasay City*

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

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

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

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File

BACOLOD WATER DISTRICT
Bacolod, Lanao del Norte

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPSI)

For Calendar Year 2023

As of _____

Sector: Corporate Sector
Auditee: Bacolod Water District
Audit Period: Calendar Year 2023

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			

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

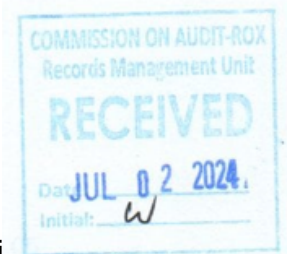
Agency Sign-off:

Engr. NOEL L. RESABAL
General Manager

Date: _____



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



OFFICE OF THE SUPERVISING AUDITOR
R10 - CGAS Water Districts and Other Stand-Alone Agencies

March 14, 2024

MATHEW REY M. MAGNO

Regional Director
COA - Regional Office No. X
Cagayan de Oro City

Sir:

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 the **Bacolod Water District**, Bacolod, Lanao del Norte for the year ended December 31, 2023.

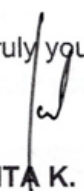
The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation 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. 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.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided reasonable basis for the results of the audit. We rendered an Unmodified Opinion on the fairness of presentation of the financial statements.

Very truly yours,


FLORITA K. KIONISALA
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 - CGAS Water Districts and Other Stand-Alone Agencies - Team 05

February 28, 2024

Ms. FLORITA K. KIONISALA

Supervising Auditor
CGAS Water Districts and Other 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, 2023.

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 prescribed 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. 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.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided a reasonable basis for the results of the audit. We rendered an Unmodified Opinion on the fairness of presentation of the financial statements.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Fatimah Suzzane A. Disamburun'.

FATIMAH SUZZANE A. DISAMBURUN

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, 2023

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, 2023, 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	:	Mrs. Elsa P. Cal	-Business Sector
Members	:	Mrs. Lerma C. Daraman, M.D	-Professional Sector
		Ms. Gershom V. Lao	-Civic Sector
		Mrs. Leah A. Marcera	-Women's 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, 2023.

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, 2023, with the comparative figures for CY 2022, are presented below:

Comparative Financial Position

As of December 31, 2023, there was an increase of 1.56%% in assets, increase of 9.66% in liabilities and an decrease of 5.59% in government equity, summarized as follows:

	2023	2022	Increase (Decrease)	Percentage
Total Assets	₱48,087,053.98	₱47,346,361.80	₱ 740,692.18	1.56%
Total Liabilities	₱24,355,798.46	₱22,210,218.67	₱ 2,145,579.79	9.66%
Total Equity	₱23,731,255.52	₱25,136,143.13	₱ (1,404,887.61)	(5.59%)

Comparative Results of Operations

For the Calendar Year 2023, the Water District generated a total income of ₱26,243,171.62 from water sales, other businesses, fines and penalties, interest and miscellaneous income. An increase of ₱2,197,728.62 or 9.14% was noted compared to previous year's income of ₱24,045,443.00. Net income, on the other hand, increased by 22.13% compared to last year's. Details of its results of operations are presented below.

	2023	2022	Increase (Decrease)	Percentage
Income	₱26,243,171.62	₱ 24,045,443.00	₱ 2,197,728.62	9.14%
Expenses	₱21,704,089.65	₱ 20,328,851.52	₱ 1,375,238.13	6.76%
Net Income	₱ 4,539,081.97	₱ 3,716,591.48	₱ 822,490.49	22.13%

C. SCOPE OF AUDIT

The audit covered the examination of the accounts and operations of Bacolod Water District, Bacolod, Lanao del Norte for the period January 1 to December 31, 2023. 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.

D. 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 the following exceptions:

1. The existence, accuracy and completeness of the Property, Plant and Equipment (PPE) account with net value of P33,788,938.13 as at December 31, 2023 could not

be ascertained due to the failure to prepare and maintain PPE Ledger Cards (PPELCs) and Property Cards (PCs) for each class of PPE in its prescribed format, contrary to Section 111 of PD No. 1445 and Section 27 of the Government Accounting Manual (GAM), thus, adversely affecting the overall reliability of the financial statements; and

2. Past due and dormant Receivables aging over a year amounting P1,012,644.76 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.

E. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

The following are the significant observations, with corresponding recommendations, which needed immediate action:

1. The Allowance for Impairment- Accounts Receivable account in the total amount of P483,708.14 was doubtful due to the absence of an appropriate basis for asset impairment inconsistent with Philippine Financial Reporting Standards (PFRS) 9- Financial Instruments.

We recommended that the Management formulate policies and/or guidelines on the measurement and recognition of the Allowance for Impairment- AR, taking into consideration the provisions of PFRS 9 and IAS 39, for approval of the Board of Directors.

2. General and subsidiary ledgers were not maintained contrary to Section 114 of Presidential Decree (P.D.) 1445 resulting to the inability of ascertaining instantly the accuracy of balances and the correctness of the appropriate classifications of the accounts reported in the financial statements.

We recommended the District Accountant to strictly prepare and maintain general and subsidiary ledgers for every account reported in the financial statements. Furthermore, balances of SLs should be totaled regularly or at the end of each month and reconciled with their respective GL account.

3. The agency did not take undertake preliminary actions on the development of a Water Safety Plan (WSP) 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 measure.

We recommended the management to immediately carry out the necessary steps in the preparation and development of a Water Safety Plan as provided under DOH Administrative Order No. 2014-0027.

4. The agency failed to prepare and submit the Disaster Risk Reduction and Management Plan and Budget, as well as implement programs and activities, contrary to Section 40, General Provisions of General Appropriations Act of 2023 (RA 11936) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121).

We recommended and management agreed that the agency:

- Formulate and implement programs and activities intended to address Disaster Risk Reduction and Management,
- Coordinate with the Local Disaster Risk Reduction and Management Council as to possible programs and activities that involves the community, and
- Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2024.

F. SUMMARY OF TOTAL SUSPENSION, DISALLOWANCE AND CHARGES AS OF YEAR-END

There are no Notice of Suspensions, Disallowances, and Charges issued by the Audit Team for CY 2023. There are also no balances of suspensions, disallowances, and charges from January 1, 2023 to December 31, 2023.

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the forty (40) prior years' audit recommendations embodied in the CY 2023, 2022, 2021, 2020 and 2019 Annual Audit Report (AAR), twenty-seven (27) or 67.50% were fully implemented and thirteen (13) or 32.50% were not implemented.

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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
R10 - CGAS Water Districts and Other Stand-Alone Agencies

INDEPENDENT AUDITOR'S REPORT

MRS. ELSA P. CAL

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

Unmodified 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, 2023 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-Qualified 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, 2023, and of its comprehensive income and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Unmodified Opinion

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

1. The existence, accuracy and completeness of the Property, Plant and Equipment (PPE) account with net value of P33,788,938.13 as at December 31, 2023 could not be ascertained due to the failure to prepare and maintain PPE Ledger Cards (PPELCs) and Property Cards (PCs) for each class of PPE in its prescribed format, contrary to Section 111 of PD No. 1445 and Section 27 of the Government Accounting Manual (GAM), thus, adversely affecting the overall reliability of the financial statements; and
2. Past due and dormant Receivables aging over a year amounting P1,012,644.76 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.

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-Qualified opinion.

Key Audit Matters

Except for the matter described in the Bases for Modified-Qualified 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 Philippine Financial Reporting Standards (PFRS) and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

BY: 
FLORITA K. KIONISALA
State Auditor V
Supervising Auditor

March 14, 2024



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, 2023, 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. CAL
Chairman of the Board
Date: February 16, 2024

ALMA S. MAGLANA
Senior Corporate Accounts Analyst
Date: February 16, 2024

ENGR. NOEL L. RESABAL
General Manager
Date: February 16, 2024



**BACOLOD WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	<u>NOTE</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	₱ 7,335,168.31	₱ 6,365,587.12
Receivables	6	2,002,734.44	1,433,826.32
Inventories	7	3,376,463.30	1,898,138.88
Other Current Assets	8	1,404,246.98	1,023,722.36
Total Current Assets		₱ 14,118,613.03	₱ 10,721,274.68
Non-Current Assets			
Property, Plant and Equipment	9	₱ 33,884,938.13	₱ 35,343,983.85
Investment Property		0.00	0.00
Other Non-Current Assets	10	0.00	0.00
Other Assets, (net)		83,502.82	226,033.34
Total Non-Current Assets		₱ 33,968,440.95	₱ 36,625,087.12
TOTAL ASSETS		₱ 48,087,053.98	₱ 47,346,361.80
LIABILITIES			
Current Liabilities			
Financial Liabilities	11	₱ 187,864.00	₱ 428,545.00
Inter-Agency Payables	12	281,181.92	302,114.17
Deferred Credits/Unearned Income	14	0.00	2,000.00
Other Payables	13	5,354,482.00	648,292.08
Total Current Liabilities		₱ 5,823,527.92	₱ 1,380,951.25
Non-Current Liabilities			
Financial Liabilities	15	₱ 18,494,171.54	₱ 20,791,168.42
Trust Liabilities	16	38,099.00	38,099.00
Total Non-Current Liabilities		₱ 18,532,270.54	₱ 20,829,267.42
TOTAL LIABILITIES		₱ 24,355,798.46	₱ 22,210,218.67

EQUITY

Government Equity	17	₱ 1,039,710.96	₱ 1,039,710.96
Retained Earnings/(Deficit)	18	22,691,544.56	24,096,432.17
Total Equity		<u>₱ 23,731,255.52</u>	<u>₱ 25,136,143.13</u>
TOTAL LIABILITIES AND EQUITY		<u>₱ 48,087,053.98</u>	<u>₱ 47,346,361.80</u>

(See Accompanying Notes to Financial Statements)



BACOLOD WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>NOTE</u>	<u>2023</u>	<u>2022</u>
Income			
Service and Business Income	19	₱ 25,735,271.67	₱ 23,400,087.90
Other Non-Operating Income	20	507,899.95	645,355.10
Total Income		₱ 26,243,171.62	₱ 24,045,443.00
Expenses			
Personnel Services	21	₱ 9,423,582.66	₱ 8,711,388.84
Maintenance and Other Operating Expenses	22	9,653,757.01	8,860,681.37
Financial Expenses	23	874,450.12	980,029.11
Non-Cash Expenses	24	1,752,299.86	1,776,752.20
Total Expenses		₱ 21,704,089.65	₱ 20,328,851.52
Profit/(Loss) Before Tax		₱ 4,539,081.97	₱ 3,716,591.48
Income Tax Expense/(Benefit)		0.00	0.00
Profit/(Loss) After Tax		₱ 4,539,081.97	₱ 3,716,591.48
Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)		0.00	0.00
Net Income/(Loss)		₱ 4,539,081.97	₱ 3,716,591.48
Other Comprehensive Income/(Loss) for the Period		0.00	0.00
COMPREHENSIVE INCOME/(LOSS)		₱ 4,539,081.97	₱ 3,716,591.48

(See Accompanying Notes to Financial Statements)



**BACOLOD WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**

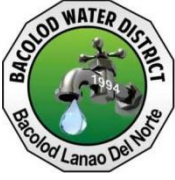
	Cumulative Translation Adjustment	Retained Earnings/ (Deficit)	TOTAL
BALANCE AT JANUARY 1, 2022	₱ 325,542.96	₱ 21,194,007.56	₱ 21,519,550.52
CHANGES IN EQUITY FOR 2022			
Additional Capital from National Government	714,168.00	0.00	714,168.00
Comprehensive Income for the year	0.00	₱ 3,716,591.48	₱ 3,716,591.48
Other Adjustments	0.00	(814,166.87)	(814,166.87)
BALANCE AT DECEMBER 31, 2022	₱ 1,039,710.96	₱ 24,096,432.17	₱ 25,136,143.13
CHANGES IN EQUITY FOR 2023			
Comprehensive Income for the year	₱ 0.00	₱ 4,539,081.97	₱ 4,539,081.97
Other Adjustments	0.00	(5,943,969.58)	(5,943,969.58)
BALANCE AT DECEMBER 31, 2023	₱ 1,039,710.96	₱ 22,691,544.56	₱ 23,731,255.52



**BACOLOD WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	₱ 23,008,903.58	₱ 22,140,497.97
Collection of Receivables	1,181,394.36	1,609,758.87
Other Receipts	0.00	0.00
Total Cash Inflows	₱ 24,875,334.07	₱ 23,750,256.84
Adjustments	₱ 0.00	₱ 0.00
Adjusted Cash Inflows	₱ 24,875,334.07	₱ 23,750,256.84
Cash Outflows		
Payment of Expenses	₱ 12,086,970.01	₱ 11,602,338.83
Purchase of Inventories	328,948.67	325,189.78
Grant of Cash Advances	2,310,002.15	1,756,186.10
Prepayments	85,269.79	81,499.35
Payments of Accounts Payable	1,632,197.78	2,615,249.08
Remittance of Personnel Benefit Contributions and Mandatory Deductions	3,980,944.77	3,576,759.88
Other disbursements	0.00	0.00
Total Cash Outflows	₱ 20,424,333.17	₱ 19,957,223.02
Adjustments	₱ 0.00	₱ 0.00
Adjusted Cash Outflows	₱ 20,424,333.17	₱ 19,957,223.02
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	₱ 4,451,000.90	₱ 3,793,033.82
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	₱ 2,675.09	₱ 2,509.79
Total Cash Inflows	₱ 2,675.09	₱ 2,509.79
Adjustments	₱ 0.00	₱ 0.00
Adjusted Cash Inflows	₱ 2,675.09	₱ 2,509.79
Cash Outflows		
Purchase/Construction of Investment Property	₱ 0.00	₱ 276,031.00
Purchase/Construction of Property, Plant and Equipment	312,647.80	255,558.30
Purchase of Intangible Assets	0.00	0.00

	<u>2023</u>	<u>2022</u>
Total Cash Outflows	₱ 312,647.80	₱ 531,589.30
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 312,647.80	₱ 531,589.30
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	₱ (309,972.71)	₱ (529,079.51)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Proceeds from Domestic and Foreign Loans	₱ 0.00	₱ 0.00
Total Cash Inflows	₱ 0.00	₱ 0.00
Adjustments	₱ 0.00	₱ 0.00
Adjusted Cash Inflows	₱ 0.00	₱ 0.00
 Cash Outflows		
Payment of Long-Term Liabilities	₱ 2,296,996.88	₱ 2,200,105.88
Payment of Interest on Loans and Other Financial Charges	874,450.12	976,029.11
Total Cash Outflows	₱ 3,171,447.00	₱ 3,176,134.99
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 3,171,447.00	₱ 3,176,134.99
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	₱ (3,171,447.00)	₱ (3,176,134.99)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	₱ 969,581.19	₱ 87,819.32
Effects of Exchange Rate Changes on Cash and Cash Equivalents	₱ 0.00	₱ 0.00
CASH AND CASH EQUIVALENTS, JANUARY 1	₱ 6,365,587.12	₱ 6,277,767.80
CASH AND CASH EQUIVALENTS, DECEMBER 31	₱ 7,335,168.31	₱ 6,365,587.12



Republic of the Philippines
BACOLOD WATER DISTRICT
Bacolod Lanao del Norte
TIN 004-367-022
CCC No. 543

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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. Cal	Chairman	Business
Mrs. Lerma C. Daraman M.D.	Vice-Chairman	Professional
Ms. Gershom V. Lao	Secretary	Civic
Mrs. Leah A. Marcera	Member	Women
Mr. Alejandro Visitacion	Member	Education

2023 Operational and Financial Highlights

A comparative financial condition and results of operations for CY 2023 and 2022 is presented below

Financial Condition

	2023	2022	Increase (Decrease)	Percentage
Total Assets	₱48,087,053.98	₱47,346,361.80	₱ 740,692.18	1.56%
Total Liabilities	₱24,355,798.46	₱22,210,218.67	₱ 2,145,579.79	9.66%
Total Equity	₱23,731,255.52	₱25,136,143.13	₱ (1,404,887.61)	(5.59%)

Results of Operations

	2023	2022	Increase (Decrease)	Percentage
Income	₱26,243,171.62	₱24,045,443.00	₱ 2,197,728.62	9.14%
Expenses	₱21,704,089.65	₱20,328,851.52	₱ 1,375,238.13	6.76%
Net Income	₱ 4,539,081.97	₱ 3,716,591.48	₱ 822,490.49	22.13%

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, 2023, it has 4,577 service connections and serves an estimated population of 20,050.

2. Summary of Significant Accounting Policies

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

2.1 Basis of Financial Statement Presentation

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

2.2 Significant Accounting Judgments and Estimates

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

2.3 Basis of Recording

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

2.4 Monetary Denomination Used

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

2.5 Method of Accounting

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

2.6 Significant accounting policies observed for each account

2.6.1 Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash is valued at face value. Petty Cash Fund is maintained under the Imprest system. All replenishment is directly charged to appropriate expense account.

2.6.2 Receivables

Receivables are stated at face value less allowance for impairment.

2.6.3 Inventories

Regular 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 consuming within the accounting period is recorded as inventory following the perpetual inventory method.

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

2.6.4 Property, Plant and Equipment

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

Initial Recognition

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

Subsequent recognition

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

Derecognition

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

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

Depreciation

The straight-line method of depreciation is used over the estimated useful lives of the assets. A residual value equivalent to 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.

2.6.5 Construction in Progress

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

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

2.6.6 Other Assets

2.6.7 Liabilities

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

2.6.8 Revenue

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise. However, when an uncertainty arises about the collectability of an amount already included in revenue, the 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.

2.6.9 Expenses

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

2.6.10 Events after the Balance Sheet Date

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

2.6.11 Employee benefits

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

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

2.6.12 Changes in accounting policies and estimates

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

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

2.6.13 Correction of Errors

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

3. Significant Management's Accounting Judgments and Estimates

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

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

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

3.1 Key Sources of Estimation Uncertainty

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

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

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

Estimated Useful Lives of Property and Equipment

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

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

PROPERTY, PLANT AND EQUIPMENT

Account	Depreciation Method	Useful Life
Office Equipment	Straight-line method	10 years
Motor Vehicles	Straight-line method	10 years
Communication Equipment	Straight-line method	5 years
Other Equipment	Straight-line method	10-15 years
Water Plant, Structures & Improvements	Straight-line method	30 years
Other Property, Plant & Equipment	Straight-line method	10-30 years

4. Budget Information

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

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

5. Cash and Cash Equivalents

Particulars	Account Number	2023	2022
Cash –Collecting Officer		₱ 80,058.06	₱ 87,347.59
Cash in Bank- Local Currency, Current Account	C/A#0322106653	407,277.11	415,986.44
Cash in Bank- Local Currency, Savings Account	S/A#0321116515	4,035,139.91	3,553,602.80
Cash in Bank- Local Currency, Savings Account	S/A#0321223303	2,038,670.74	1,987,912.10
Cash in Bank- Local Currency, Current Account	C/A#4382100234	774,022.49	320,738.19
TOTAL		₱ 7,335,168.31	₱ 6,365,587.12

6. Receivables

This account can be broken down as follows:

Particulars	2023	2022
Accounts Receivable	₱ 2,210,561.79	₱ 1,625,862.97
Allowance for Impairment-Accounts Receivables	(483,708.14)	(411,782.04)
Other Receivables:	254,171.61	198,036.21
Allowance for Impairment-Other Receivables	(9,962.45)	(9,962.45)
Betty Bago	31,671.63	31,671.63
TOTAL	₱ 2,002,734.44	₱ 1,433,826.32

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	2023	2022
Office Supplies and Materials Inventory	₱ 468,668.37	₱ 647,487.98
Office Supplies Inventory	59,062.82	51,581.58
Accountable Forms, Plates and Stickers Inventory	13,921.67	29,250.00
Semi-Expendable Machinery and Equipment	1,755,406.25	651,560.85
Semi-Expendable Office Equipment	659,037.67	216,134.65
Semi-Expendable Furniture, Fixtures & Books	378,581.52	268,423.82

Particulars	2023	2022
Semi-Expendable Sports Equipment	36,985.00	28,900.00
Semi-Expendable DRRE	4,800.00	4,800.00
TOTAL	₱ 3,376,463.30	₱ 1,898,138.88

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

8. Other Current Assets

Particulars	2023	2022
Prepaid Insurance	₱ 21,320.56	₱ 21,307.09
Accrued Income	1,382,926.42	1,002,415.27
TOTAL	₱ 1,404,246.98	₱ 1,023,722.36

9. Property, Plant and Equipment

This account includes the following:

Cost	Jan 1, 2023	Additions	Adjustments	Transfers/ Capitalization	Dec. 31, 2023
LOT-Esperanza	₱ 61,021.00	-	-	-	₱ 61,021.00
LOT-Poblacion	632,900.00	-	-	-	632,900.00
LOT- Binuni	1,974,150.000	-	-	-	1,974,150.000
Land Improvement	173,100.00	-	-	-	173,100.00
Buildings	3,500,000.00	-	-	-	3,500,000.00
Buildings –other Structures	199,249.00	77,100.83	-	70,475.00	205,874.83
Water Plant, Structures & Improvements	15,568,012.61	78,991.93	-	116,046.95	15,530,957.59
Machinery and Equipment	6,490,991.45	221,545.00	265,129.00	1,301,369.60	5,179,037.85
Transportation Equipment	2,230,356.00	-	-	-	2,230,356.00
Other Property, Plant & Equipment	20,455,557.22	744,697.06	109,520.07	1,133,207.18	19,924,527.03
Computer System	150,000.00	-	-	-	150,000.00
TOTAL	₱ 51,435,337.28	1,122,334.82	374,649.07	2,621,098.73	49,561,924.30

Accumulated Depreciation	Jan 1, 2023	Additions	Adjustments	Transfers/ Capitalization	Dec. 31,2023
Computer Software	₱ 40,500.00	13,500.00	-	-	54,000.00
Land Improvements	151,189.20	4,600.80	-	-	155,790.00
Buildings	525,000.00	105,000.00	-	-	630,000.00
Buildings-Other Structures	64,327.85	7,409.14	-	11,627.88	60,109.11
Water Plant, Structures & Improvements	3,699,794.41	459,600.14	-	42,255.60	4,117,138.95
Machinery and Equipment	2,784,226.89	341,834.14	129,112.25	493,615.53	2,503,333.25
Transportation	1,192,180.91	153,343.56	-	-	1,345,524.47
Other Property, Plant & Equipment	6,709,445.92	595,085.98	54,876.33	438,565.18	6,811,090.39
TOTAL	₱15,166,665.18	1,680,373.76	183,714.78	986,064.19	15,676,986.17

10. Other Assets

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

Particulars	Cost	Accumulated Depreciation	Book Value
Other PPE	210,000.00	₱ 196,000.00	₱ 14,000.00
Other PPE	210,000.00	196,000.00	14,000.00
Roll Up Door	5,147.28	4,014.40	1,132.88
T&D (8-31-23)	109,520.07	55,150.13	54,369.94
TOTAL	534,667.35	₱ 451,164.53	₱ 83,502.82

11. Current Liabilities

Financial Liabilities

Accounts Payable-This account composes the following:

Particulars	2023	2022
FMV Drilling Industries	-	₱ 79,000.00
FMV Drilling Industries	-	32,890.00
FMV Drilling Industries	-	6,365.00
CQ Printing Press	-	103,150.00
GTSG	-	20,200.00
GTSG	-	33,250.00

Particulars	2023	2022
MIE Oro Plast Corporation	82,764.00	121,655.00
DACCUS Plumbing Supplies & Distribution	-	32,035.00
CQ PRINTING	105,100.00	-
TOTAL	₱ 187,864.00	₱ 428,545.00

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	2023	2022
Due to BIR	₱ 56,881.62	₱ 96,539.84
Due to GSIS	183,162.96	164,780.33
Due to PAG-IBIG	24,375.66	24,614.52
Due to Philhealth	13,746.68	13,164.48
Due to Other NGAs-COA	0	-
Guaranty/Security Deposit Payable	3,015	3,015
TOTAL	₱ 281,181.92	₱ 302,114.17

The amount of P 302,114.17 were remitted for those mandatory obligations in the ensuing month before the cut-off and /or 10th day of January 2024.

13. Other Payables-

Other payables which are due and demandable within one year from the reporting date.

Particulars	2023	2022
PLDT	₱ 1,288.56	₱ 1,293.65
Auditing Services	107,393.51	-
Generation, Transmission & Distribution Expenses	343,531.94	466,620.76
Electricity	14,093.12	21,157.46
Taxes, Dues & Licenses	115,173.56	109,813.58
Fuel, Oil & Lubricants	27,208.47	27,509.30
Security Expenses	27,081.12	21,897.33
TOTAL	₱ 635,770.28	₱ 648,292.08

14. Other Unearned Revenue/Income

This account is the amount collected from new service connections that are going to be tapped the following month.

Unearned Revenue/Income	0.00
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15. Non-Current Liabilities

Financial Liabilities

Loan Type	Purpose	Date Granted	2023	2022
LWUA L/A # 3-766	Water service expansion	1998	₱ 616,701.08	₱ 815,469.08
LWUA L/A # 4-2258A	Water service expansion	2006	2,654,276.00	3,403,975.00
LWUA L/A # 4-2258B	Water service expansion	2006	432,046.00	554,091.00
LWUA KfW L/A #9-0488	Source Development and Pipeline Extension	11/15/2011	8,133,264.74	8,641,596.74
LWUA-ICG/4-2859	Source Development and Pipeline Extension	August 2019	5,491,217.00	5,820,481.00
Sub-total			17,327,504.82	19,235,612.82
Landbank-Office Building	Office building	November 2016	1,166,666.72	1,555,555.60
TOTAL			₱18,494,171.54	₱20,791,168.42

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

16. Trust Liabilities

Particulars	2023	2022
Customers' Deposits Payable	₱ 38,099.00	₱ 38,099.00

17. Government Equity

Contributed Capital. This account includes the following donations:

Particulars	Cost
<i>LGU's piping system installed at Upper Demologan in CY2000</i>	₱ 200,000.00
<i>Distribution pipes donated by Barangay Binuni</i>	15,978.16

Particulars	Cost
Pipes donated by Senator Loren Legarda	94,564.80
LCD TV with cable donated by contractor	15,000.00
LGU's piping system installed at Barangay Mate 2022	516,628.00
HDPE pipe #3Ø x 6m donated by LGU (6-30-22) JEV 109	197,540.00
TOTAL	₱ 1,039,710.96

18. Retained Earnings is composed of the following:

Particulars	2023	2022
Balance at beginning of period	₱ 24,096,432.17	₱ 21,194,007.56
Erroneous entry	-	-
Prior period adjustment	(4,957,539.27)	(5,586.99)
Prior period adjustment-Reversal	(1,002,415.27)	(808,579.88)
Double entry	15,984.96	-
Taxes	-	-
Net Income/(Loss)	4,539,081.97	3,716,591.48
Balance at end of period	₱ 22,691,544.56	₱ 24,096,432.17

19. Business Income

Particulars	2023	2022
Income from Waterworks System	₱ 24,548,963.04	₱ 22,370,974.87
Fines & Penalties-Business Income	862,258.54	705,343.24
Interest Income	2,675.09	2,509.79
Other Business Income	321,375.00	321,260.00
TOTAL	₱ 25,735,271.67	₱ 23,400,087.90

20. Other Non-Operating Income

Particulars	2023	2022
Miscellaneous Income	₱ 507,899.95	₱ 645,355.10

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 account consists of the following:

Particulars	2023	2022
Salaries & Wages		

Particulars	2023	2022
Salaries & Wages-Regular	₱ 5,072,365.00	₱ 4,940,172.00
Salaries and Wages Casual/Cont	54,000.00	-
Other Compensation		
Personnel Economic Relief Allowance	384,000.00	384,000.00
Representation Allowance	102,000.00	102,000.00
Transportation Allowance	102,000.00	102,000.00
Clothing Allowance	96,000.00	96,000.00
Honoraria	566,670.00	362,115.00
Longevity Pay	20,000.00	5,000.00
Overtime & Holiday Pay	399,444.44	287,812.46
Year-end Bonus	425,231.00	407,181.00
Cash Gift	80,000.00	80,000.00
Other Bonuses & Allowances	255,392.15	200,921.10
Personnel Benefit Contribution		
Retirement and Life Insurance Premium	608,683.68	586,340.64
PAG-IBIG Contribution	19,200.00	19,200.00
Philhealth Contribution	92,684.10	88,505.84
Employees Compensation Insurance	19,200.00	19,200.00
Other Personnel Benefits		
Terminal Leave Benefits	304,830.29	207,119.80
Other Personnel Benefits	821,883.00	823,821.00
TOTAL	₱ 9,423,582.66	₱ 8,711,388.84

22. Maintenance and Other Operating Expenses

This account consists of the following:

Particulars	2023	2022
Travel Expenses-Local	₱ 211,576.00	₱ 114,070.00
Training Expense	131,800.00	22,900.00
Office Supplies Expenses	116,471.80	129,010.44
Accountable Forms Expenses	60,308.33	54,861.40
Fuel, Oil, & Lubricant Expenses	300,977.67	383,553.95
Chemical and Filtering Supplies	178,000.00	193,200.00
Water Expenses	18,876.06	13,629.64
Generation, Transmission & Distribution Expense	4,802,918.28	4,700,344.90
Electricity Expenses	216,704.92	260,494.89
Postage and Courier Services	2,619.00	3,690.00
Telephone Expenses	28,174.53	63,704.71
Internet Subscription Expenses	61,006.67	34,831.41
Cable, Satellite, Telegraph and Radio Expenses	2,561.00	3,150.00
Legal Services	-	-

Particulars	2023	2022
Auditing Services	107,393.51	21,268.86
Security Services	649,946.88	525,535.92
Fidelity Bond Premium	10,950.00	9,825.00
Repairs & Maintenance-Buildings & Other Structures	86,400.00	6,435.000
Repairs & Maintenance-Machinery & Equipment	137,773.00	73,390.00
Repairs & Maintenance-Transportation Equipment	292,870.83	149,107.06
Repairs & Maintenance-Other PPE	448,897.62	733,895.70
Repairs & Maintenance-Furniture, Fixtures& Books	-	-
Repairs & Maintenance-Infrastructure Assets	157,800.00	121,056.00
Taxes, Duties & Licenses	459,919.03	440,338.74
Semi-Expendable Machinery & Equipment Expense	-	11,308.66
Semi-Expendable Office Equipment	4,500.00	-
Insurance Expenses	85,256.32	64,183.86
Advertising, Promotional & Marketing Expenses	177,071.90	235,021.48
Prizes	68,127.00	41,752.44
Printing and Publication Expenses	10,230.00	10,418.00
Representation Expenses	51,451.00	34,808.00
Donation	10,000.00	10,000.00
Membership Dues & Contribution	15,907.00	8,471.25
Other Maintenance & Operating Expenses	746,268.66	386,424.06
TOTAL	₱ 9,653,757.01	₱ 8,860,681.37

23. Financial Expenses

Particulars	2023	2022
Interest Expenses	₱ 874,450.12	₱ 976,029.11
Bank Charges	-	4,000.00
TOTAL	₱ 874,450.12	₱ 980,029.11

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

Bank charges is the amount paid to Landbank for the processing of the bouncing check.

24. Non-Cash Expenses

This account consists of the following:

Particulars	2023	2022
Depreciation-Building & Other Structures	₱ 572,009.28	₱ 579,901.56
Depreciation-Machinery and Equipment	341,834.14	376,107.02
Depreciation-Transportation Equipment	153,343.56	153,343.56
Depreciation-Other PPE	595,085.98	580,299.18
Depreciation- Other Land Improvement	4,600.80	31,158.00
Impairment Loss-Loans and Receivables	71,926.10	42,442.88
Amortization-Computer Software	13,500.00	13,500.00
TOTAL	₱ 1,752,299.86	₱ 1,776,752.20

**PART II –
AUDIT OBSERVATIONS AND
RECOMMENDATIONS**

Part II- AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. AUDIT QUALIFICATIONS / FINANCIAL AUDIT OBSERVATION

Accounts Receivable

1. Past due and dormant Receivables aging over a year amounting P1,012,644.76 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.

1.1. Paragraph 15 of Philippine Accounting Standard (PAS) 1 states that:

“The financial statements must “present fairly” the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure, when necessary, is presumed to result in financial statements that achieve a fair presentation.”

1.2. Furthermore, Paragraph 66 of the same PAS states that an entity shall classify an asset as current when (a) it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realize the asset within twelve months after the reporting period; or (d) the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets shall be classified as non-current.

1.3. Also, paragraph 58 of PAS 39 provides that “[a]n entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.”

1.4. Paragraph 63 states that if there is objective evidence that an impairment on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the assets shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in profit or loss

1.5. Moreover, Item 7.1 of COA Circular No. 2016-005 dated December 19, 2016 provides that “[t]he Accountant shall conduct regular and periodic verification, analysis and validation of the existence of the receivables, xxx and determine the concerned debtors, xxx.”

- 1.6. The receivable accounts as of December 31, 2023 and December 31, 2022 together with its aging showed the following:

	Less than 60 days	61-180 Days	181-365 Days	Over 1 Year
2022	609,708.85	324,109.08	236,932.13	455,112.91
2023	593,521.21	277,322.68	327,073.14	1,012,644.76

- 1.7. The aging shows that of the total amount of the Receivables, P1,012,644.76 or 45.81% of the total receivables are aged more than a year and which doubled its amount over the year. Moreover, these were all classified as current accounts.
- 1.8. During the inquiry, the Accounting Processor said that they did not reclassify or separate the Receivable accounts with the hope that these will be collected within the ensuing year. It was also disclosed that they are preparing for the writing-off of these dormant accounts and that the delay is due to the difficulties in the gathering of supporting documents for the write-off.
- 1.9. With the foregoing observations, the incorrect presentation or the non-separation of current and non-current receivables of the District affects the fair presentation of the Financial Statements.
- 1.10. Additionally, considering the amount involved, Management should seriously consider exploring ways and means of collecting these accounts. As fiscal responsibility rests directly with the chief or head of the agency. He or the governing board is thus obliged to prudently exercise this assigned or imputed authority in the management of the agency's financial resources emphasizing on economical, efficient, effective, and adequate monitoring of the receivable accounts.
- 1.11. We recommended that Management:**
- **Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1;**
 - **Exert efforts to collect the receivables thru demand letters; and**
 - **File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.**

Management Comment/s:

- 1.12. The General Manager is amenable with the audit recommendation. He instructed his Accounting Processor to reclassify the accounts, issue demand letter, and gather documents necessary to facilitate the request for write-off of accounts that are due for write-off.

Allowance for Impairment Loss

2. The Allowance for Impairment- Accounts Receivable account in the total amount of P483,708.14 was doubtful due to the absence of an appropriate basis for asset impairment inconsistent with Philippine Financial Reporting Standards (PFRS) 9- Financial Instruments.

2.1. Philippine Financial Reports Standards (PFRS) 9- Financial Instruments provides that an entity must classify financial asset as subsequently measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income. According to 5.2.2 of Philippine Financial Reporting Standard (PFRS) 9- Financial Instruments: *“An entity shall apply the impairment requirements in paragraphs 58-65 and AG84-AG93 of IAS 39 to financial assets measured at amortized cost.”*

2.2. Pertinent provisions of International Accounting Standards (IAS) 39 provide that:

58 *An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.*

59 *A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset. xxx*

2.3. Review of the Accounts Receivable account as of December 31, 2023 revealed that the District recognized an impairment loss in the amount of P71,926.10 for CY 2023. This resulted to a total amount of Allowance for Impairment- AR of P483,708.14 as of year-end. The impairment of the accounts receivable is recognized every year by debiting “Impairment Loss- Loans and Receivables” and crediting “Allowance for Impairment- AR.” with the provision for impairment computed by applying a uniform rate multiplied by the outstanding accounts receivable at the end of each year, as shown below:

Age of Accounts	Percentage	Amount	Doubtful Accounts
1-60 days	1%	P593,521.21	P5,935.21
61-180 days	2%	277,322.68	5,546.45

Age of Accounts	Percentage	Amount	Doubtful Accounts
181-1 year	3%	327,073.14	9,812.19
More than 1 year	5%	1,012,644.76	50,632.24
Total		P2,210,561.79	P71,926.10

- 2.4. Although the provision of allowance for impairment was set up to reflect the Net Realizable Value (NRV) or Carrying Amount of the AR, the amount of P483,708.14 could not be relied upon because the District was not able to assess the estimated future loss by evaluating the collectability, based on factors such as aging of accounts, collection experiences, expected loss experiences, and identified doubtful accounts which may constitute as evidence required by IAS 39.
- 2.5. The Accounting Processor commented that it had been the practice of the District to compute and recognize an impairment allowance by applying the fixed percentage on the AR. She further explained that the District has no existing policy or guidelines on the setting up the allowance for impairment.
- 2.6. There are certainly some concessionaires/consumers who are either inactive or deceased or with pat due accounts which could clearly impair the balance of the AR As defined under COA Circular No. 2020-002 dated January 28, 2010, Re: Adoption of the Updated Revised Chart of Accounts for Government Corporations, the "Allowance for Impairment-Accounts Receivable" account is being credited upon recognition of impairment which may arise from non-collection. In the case of the District, the setting-up of an allowance for impairment should be based on the status and collectability of the AR and past collection and loss experiences. Rather than using a uniform percentage for the provision for impairment, the District should objectively assess the degree of certainty of the collectability of the customers' accounts.
- 2.7. In view of the foregoing, the Allowance for Impairment- AR account is doubtful.
- 2.8. **We recommended that the Management formulate policies and/or guidelines on the measurement and recognition of the Allowance for Impairment- AR, taking into consideration the provisions of PFRS 9 and IAS 39, for approval of the Board of Directors.**

Management Comment/s:

- 2.9. The Management acknowledged the deficiencies noted and assured compliance with the audit recommendations.

Property, Plant and Equipment

3. **The existence, accuracy and completeness of the Property, Plant and Equipment (PPE) account with net value of P33,788,938.13 as at December 31, 2023 could not be ascertained due to the failure to prepare and maintain PPE Ledger Cards (PELCs) and Property Cards (PCs) for each class of PPE in its**

prescribed format, contrary to Section 111 of PD No. 1445 and Section 27 of the Government Accounting Manual (GAM), thus, adversely affecting the overall reliability of the financial statements.

- 3.1. As of December 31, 2023, the net book value of the PPE accounts presented in the Statement of Financial Position amounted to P33,788,938.13 as shown below:

PPE Account	Gross Amount	Accumulated Depreciation	Net Value
Land	P2,668,071.00	0.00	P2,668,071.00
Land Improvements	173,100.00	155,790.00	17,310.00
Buildings and Other Structures	19,236,832.42	4,807,826.31	14,429,006.11
Machinery and Equipment	5,092,457.85	2,455,930.70	2,636,527.15
Transportation Equipment	2,230,356.00	1,345,524.47	884,831.53
Furniture, Fixtures and Books	86,580.00	47,402.55	39,177.45
Other Property, Plant and Equipment	19,924,527.03	6,810,512.14	13,114,014.89
Total			P33,788,938.13

- 3.2. Section 111(1) of Presidential Decree (PD) 1445 mandates that *“The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the Government.”*
- 3.3. Furthermore, Section 111(2) of the same law 1445 states that *“The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.”*
- 3.4. Moreover, Section 27 of the Government Accounting Manual (GAM) requires that the Accounting Unit maintain PPE Ledger Cards (PPELCs) as subsidiary ledgers for each class of PPE to record the acquisition, description, custody, estimated life, depreciation, impairment, issue/transfers/disposal, repair history and other information about the property which shall be reconciled with the physical inventory reports and general ledger balances.
- 3.5. For check and balance, the Supply and Property Unit shall maintain Property Card (PC) for each class of PPE to record the acquisition, issuance, transfer or disposal and the information about the asset based on reference documents such as Inspection and Acceptance Report (IAR) and Property Acknowledgment Receipt (PAR). The balance per PC should always reconcile with that in the PPELC maintained by the Accounting Unit.
- 3.6. In the course of the audit, it was noted that there was no PPELCs maintained by the Accountant as well as no PCs kept by the Supply Officer. Both the Accounting Unit and the Property Unit have ledger cards for each class of property but not the one prescribed in the General Accounting Manual. Some details required in the GAM were not present in the ledger cards they maintained.

- 3.7. The Corporate Accounts Analyst and Supply Officer both stated that they were not used to maintaining such journals and ledgers as they were not aware of the prescribed format. Besides it was their longtime practice.
- 3.8. Due to non-maintenance of records and controls such as PPELCs and PCs, the details on the validity and accuracy of the composition of the PPE accounts cannot be determined. Similarly, the said condition will lead to question on whether or not the agency recorded its financial transactions and operations conformably with generally accepted accounting principles. Hence, rendering the reconciliation of the PPE accounts in the financial statements with other independent subsidiary accounting and property records infeasible.
- 3.9. **We recommended the District Accountant and the Supply Officer to strictly prepare and maintain PPE Ledger Cards and Property Cards, respectively, for every PPE account reported in the financial statements in accordance with the prescribed format in the Government Accounting Manual. Furthermore, balances of PPELCs should be totaled regularly or at the end of each month and reconciled with their respective Property Cards.**

Management Comment/s:

- 3.10. The Management committed to comply with the audit recommendation within the year. Also, they committed to monitor updates in financial rules and regulations to avoid occurrence of mistakes like these.

B. OTHER AUDIT OBSERVATION

Non-maintenance of General Ledgers and Subsidiary Ledgers

4. **General and subsidiary ledgers were not maintained contrary to Section 114 of Presidential Decree (P.D.) 1445 resulting to the inability of ascertaining instantly the accuracy of balances and the correctness of the appropriate classifications of the accounts reported in the financial statements.**
 - 4.1. Section 114 of PD 1445 provides that the government accounting system shall be on double entry basis with a general ledger in which all financial transactions are recorded and subsidiary records shall be kept when necessary.
 - 4.2. Section 12 of the Government Accounting Manual (GAM) for NGAs, Volume I prescribed, in conformity with the foregoing, the following books of accounts to be maintained by national government agencies, to wit:
 - a. *Journals*
 1. *General Journal (Appendix 1)*
 2. *Cash Receipts Journal (Appendix 2)*
 3. *Cash Disbursements Journal (Appendix 3)*
 4. *Check Disbursements Journal (Appendix 4)*

b. Ledgers

1. General Ledgers (Appendix 5)
2. Subsidiary Ledgers (Appendix 6)

General Journal- This journal shall be maintained in the Accounting Division/Unit by fund cluster. Only transactions not recorded in the Special Journals shall be recorded in this journal.

General Ledger- This ledger summarizes all transactions recorded in the GJ and special journal (e.g. CRJ, CDJ, CkDJ, etc.) maintained in the Accounting Division/Unit. The ledger sheet is arranged in the same order or sequence of the accounts appearing in the RCA. Postings to this ledger shall come directly from the General and Special Journals.

Subsidiary Ledger- This ledger shows detail for each control account in the GL which is maintained per account and fund cluster by the Accounting Division/Unit.

- 4.3. Postings to GL shall come directly from the GJ. At the end of each month, the debit and credit columns of each account shall be footed in pencil and the balance indicated in ink. At the end of the fiscal year, each account shall be ruled and closed. All totals shall be written legibly in ink and the balance of the account shall be carried forward as the opening balance of the new GL for the next fiscal year. GL accounts shall be supported by details in the SL. At the end of each month, the totals of the SL balances shall be reconciled with the corresponding controlling account balances.
- 4.4. Verification of the accounts in the financial statements particularly for cash, receivables, inventories, investments, property, plant and equipment and liabilities revealed that these are not supported by general and subsidiary ledgers in the prescribed format under the Government Accounting Manual (GAM). Schedules of the accounts are prepared by the Finance Department but in a different format, and some of the required details are not present in the ledgers they use.
- 4.5. The Corporate Accounts Analyst stated that they were not used to maintaining such journals and ledgers as they were not aware of the prescribed format. Besides it was their longtime practice.
- 4.6. Since the prescribed general and subsidiary ledgers provide the detailed individual balances making up the financial statement account balances, non-maintenance thereof resulted in the difficulty of determining the validity and accuracy of the accounts as presented in the financial statements. Similarly, the said condition will lead to question on whether or not the agency recorded its financial transactions and operations conformably with generally accepted accounting principles.
- 4.7. **We recommended the District Accountant to strictly prepare and maintain general and subsidiary ledgers for every account reported in the financial statements. Furthermore, balances of SLs should be totaled**

regularly or at the end of each month and reconciled with their respective GL account.

Management Comment/s:

- 4.8. The Management agreed with the audit findings and assured compliance with the audit recommendations of the Audit Team.

Water Safety Plan

- 5. The agency did not take undertake preliminary actions on the development of a Water Safety Plan (WSP) 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 measure.**

- 5.1. LWUA Memorandum Circular No. 010.14 provides that:

“The Department of Health (DOH) has issued on September 4, 2014, Administrative Order (AO) No. 2014-0027 declaring the development and implementation of Water Safety Plan (WSP) by all drinking-water service providers as national policy for drinking-water quality management. In support of the objectives of the DOH and in compliance with the AO, LWUA is Adopting the 11-step process of the World Health Organization (WHO) as the main guideline in developing WSP for all WD and RWSA; and directing all water districts and RWSA to develop and implement WSP and comply with the provisions of DOH AO No. 2014-0027.”

- 5.2. Also, Item VI.A of DOH Administrative Order No. 2014-0027 dated September 4, 2014 provides the guidelines that *“all drinking-water service providers shall develop water safety plans for their water supply systems within three years after the issuance of this Order and ensure its implementation after its approval.”*
- 5.3. Inquiry with Management revealed that the Agency did not undertake the initial steps in the development of the Water Safety Plan (WSP) as required by the above stated provisions. And there were no compensatory actions to ensure the quality safety of the water provided.
- 5.4. The Corporate Accounts Analyst reasoned that they were not able to undertake the steps required to develop the WSP as they do not know how to start the development of such plan. She, however, clarified that they are in the process of benchmarking with the other water districts who already has WSP, to serve as guide in the preparation of their own.
- 5.5. Water supply system is vulnerable to contamination due to extreme weather events brought by global warming and climate change and occurrences of disasters. These threaten the safety quality of water, thus DOH in accordance with its mandate of being primarily responsible for the formulation, planning, implementation and coordination of policies and programs in the field of health,

strongly supports the application of a risk management approach, known as the Water Safety Plan, by all water service providers.

- 5.6. The WSP is a management tool that can be applied to all types of water systems to ensure the safe quality of supplied water. The WSP uses comprehensive risk assessment and risk management approach encompassing all steps in water supply from water source and public health.
- 5.7. The WSP aims to prevent or minimize contamination of water source, remove contamination thru treatment and prevent re-contamination during storage, distribution and handling of drinking-water. The preparation and development of the WSP, together with the application of the appropriate control measures, will properly address the risks that threaten the safe quality of water and public health.
- 5.8. **We recommended the management to immediately carry out the necessary steps in the preparation and development of a Water Safety Plan as provided under DOH Administrative Order No. 2014-0027.**

Management Comment/s:

- 5.9. The Management admitted its failure to comply with the law on Water Safety Plan. They committed to implement the audit recommendation as soon as possible.

Disaster Risk Reduction and Management Fund

6. **The agency failed to prepare and submit the Disaster Risk Reduction and Management Plan and Budget, as well as implement programs and activities, contrary to Section 40, General Provisions of General Appropriations Act of 2023 (RA 11936) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121).**

- 6.1. Section 40 of the General Provisions of RA 11936 or the General Appropriations Act (GAA) of 2023 provides that:

“Sec. 40. Disaster Risk Reduction and Climate Change Adaptation and Mitigation Measures Incorporated in All Agencies Projects. All agencies of the government should implement projects incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation.

To ensure that the disaster risk reduction and climate change adaptation measures are appropriate in the light of intensifying hazards, all national government projects should be subjected to multi-scenario, probabilistic analysis. For this purpose, the CCC shall extend the necessary technical and capacity building assistance to all agencies of the government in the conduct of risk assessment, as well as adaptation and mitigation planning.

Agencies shall likewise integrate energy-saving solutions and consider climate resilience in the planning and implementation of all infrastructure projects,

office programs, and activities, as well as assess their organizational carbon footprint and pursue appropriate emission reduction measure, to mitigate and adapt to the effects of climate change pursuant to the provisions of R.A. No. 9729.”

- 6.2. Furthermore, Section 5, Rule 19 of the Implementing Rules and Regulations of RA 10121, also known as Philippine Disaster Risk Reduction and Management Act of 2010 states that:

“Section 5. Funding for DRRM Projects. All departments, bureaus, offices and agencies of the government are hereby authorized to use a portion of their appropriations to implement projects designed to address DRRM activities in accordance with the guidelines to be issued by the NDRRMC in coordination with the DBM.”

- 6.3. Verification of the status of the Agency’s compliance with the above-stated provisions disclosed that a Disaster Risk Reduction and Management (DRRM) Plan and Budget was not prepared and submitted to the Audit Team.
- 6.4. The DRRM Officer disclosed that she was not able to prepare and submit a comprehensive Disaster Risk Reduction and Management Plan and Budget due to the lack of profound knowledge as to the programs, activities and projects ascribable to DRRMF.
- 6.5. DRRM Plan and Budget must include programs and activities regarding preparedness, mitigation, prevention, response, and rehabilitation before, during and after a disaster. Non-implementation of these programs and activities, including climate change adaptation and mitigation programs, for CY 2023 is contrary to cited laws. The Water District’s role and contribution to disaster-resilient community has not been achieved. Additionally, it casts doubt on the capacity of the agency to prepare for and respond to national disasters and calamities, thus, increasing the risk not only to the agency but also to the community.
- 6.6. **We recommended the management to:**
- **Formulate and implement programs and activities intended to address Disaster Risk Reduction and Management,**
 - **Coordinate with the Local Disaster Risk Reduction and Management Council as to possible programs and activities that involves the community, and**
 - **Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2024.**

Management Comment/s:

- 6.7. The Management acknowledged that they are still having a hard time identifying programs, projects and activities that are chargeable to DRRM Funds. Nevertheless, they will comply with the audit recommendations. They also obliged to allocate the required budget for DRRM Fund.

C. REMITTANCE OF GSIS, PAG-IBIG AND PHILHEALTH PREMIUMS

7. The Water District complied with the obligation to deduct from officer's and employee's compensation the mandatory employee's contribution and the corresponding employer's share for CY 2023 and remitted the same (1) to the GSIS pursuant to Sections 5 and 6 of RA No. 8291 or the Revised Government Service Insurance Act of 1997 and (2) to the PHIC pursuant to RA No. 10606, an act amending RA No, 7875, otherwise known as the National Health Insurance Act of 1995, as amended, and for other purposes. Furthermore, the District substantially complied with the provisions of Rule VII of IRR 9670 dated July 21, 2009 and HDMF Circular No. 275 dated January 22, 2010.

D. COMPLIANCE WITH TAX LAWS, RULES AND REGULATIONS INCLUDING REMITTANCES TO BIR

8. Taxes withheld from the salaries and benefits of employees, payments for the purchase of materials and services, franchise tax and other related taxes amounting to P1,164,389.30 for CY 2023, were regularly withheld and remitted to the BIR in compliance with Revenue Regulations No. 2-98 dated April 17, 1998.

E. STATUS OF NOTICE OF DISALLOWANCE, NOTICE OF SUSPENSION AND NOTICE OF CHARGES

9. The total audit suspension, disallowances and charges found in the audit of various transactions of the agency as of December 31, 2023 is P0.00, based on the Notice of Suspension (NS), Notice of Disallowance (ND), and Notice of Charge (NC) issued by the Commission, as summarized below:

Particulars	Balance, 12/31/2022	CY 2023 Issuances	CY 2023 Settlement	Balance, 12/31/2023
Suspensions	₱ 0.00	0.00	0.00	₱ 0.00
Disallowances	₱ 0.00	0.00	0.00	₱ 0.00
Charges	₱ 0.00	0.00	0.00	₱ 0.00

**PART III –
STATUS OF IMPLEMENTATION OF
PRIOR YEARS' AUDIT RECOMMENDATIONS**

**Part III- STATUS OF IMPLEMENTATION OF
PRIOR YEARS' AUDIT RECOMMENDATIONS**

We made a follow-up on the action taken by the District to implement the recommendations of CY 2022, 2021, 2020 and 2019 AARs and noted the following:

Status of Implementation	No. of Recommendations	Percentage
Fully Implemented	27	67.50%
Not Implemented (For Implementation)	13	32.50%

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2022 Finding No. 1	Past due and dormant Accounts Receivables aging over a year amounting P452,287.87 remained uncollected and classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and COA Circular No. 2016-005 dated December 19, 2016.	We recommend that Management: a. Require the Accountant to classify these past-due accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1;	Not Implemented ₀₁
		b. Exert efforts to collect the receivables thru demand letters; and	Not Implemented ₀₂
		c. File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.	Not Implemented ₀₃
AAR 2022 Finding No. 2	Unserviceable properties totaling P59,444.32 as at December 31, 2022 remained undisposed contrary to Section 79 of the Presidential Decree (PD) No. 1445 and Section 40 (c & d), Chapter 10, Volume 1 of the Government Auditing Manual (GAM) for National Government Agencies (NGAs).	We recommend the Management to: a. Dispose unserviceable properties in accordance with the regulation on disposal of properties;	Not Implemented ₀₄
		b. Regularly sort out unserviceable from unserviceable properties to prevent its accumulation and consistent recording in the books of accounts; and	Fully Implemented ₀₁
		c. Adhere strictly to Section 79 of PD 1445.	Not Implemented ₀₅
	The Non-Revenue Water (NRW) of the District is	We recommend the management to:	Fully Implemented ₀₂

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2022 Finding No. 3	equivalent to 25.97 percent which exceeded the 20 percent maximum acceptable NRW prescribed by LWUA resulting to unaccounted water losses, which is not in accord with LWUA Memorandum Circular No. 014-10 dated December 2, 2010 and LWUA Resolution No. 444 series of 2009, hence, resulting in monetary loss of P292,604.08 to the District.	a. Conduct regular performance audit on all its water meters (i.e., flow meters and service meters) and pipes to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and	
		b. Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.	Not Implemented ₀₆
AAR 2022 Finding No. 4	The effectiveness of the District's GAD programs and activities cannot be properly evaluated due to deficiencies in GAD Planning procedures and the allocation of GAD Budget below five percent (5%) of the District's Corporate Operating Budget for the year.	We recommended and management agreed that the agency: a. Allocate at least 5% of the total budget of the agency for the implementation of gender and development programs, project and activities for every fiscal year either by specific appropriation or by attribution;	Fully Implemented ₀₃
		b. Implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness;	Fully Implemented ₀₄
		c. Establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities; and	Fully Implemented ₀₅
		d. Evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.	Fully Implemented ₀₆

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2021 No. 1	Delayed submission of the Bank Reconciliation Statements (BRS) and Trial Balances (TB) and non-submission of quarterly financial statements are contrary to Section 74 of Presidential Decree No. 1445, COA Circular Nos. 2009-006 dated September 15, 2009, 92-89E dated March 8, 1992, and the Government Accounting Manual (GAM) for NGAs Volume I, casting doubt on Cash in Bank balance at any given time.	We recommended that the management direct the Accounting to: a. Immediately prepare and submit the BRS not submitted for CY 2022 for all five (5) bank accounts maintained;	Fully Implemented ₀₇
		b. Prepare and submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor or make use of a snapshot to expediate preparation and submission thereof;	Fully Implemented ₀₈
		c. Immediately submit the monthly trial balances for April – December 2022; and	Fully Implemented ₀₉
		d. Submit future monthly TBs and quarterly financial statements within the first ten (10) days of the ensuing month.	Fully Implemented ₁₀
AAR 2021 No. 2	Past Due and Dormant Accounts Receivable accounts aging one to more than ten years amounting P412,898.13 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016	We recommended that Management: a. Exert efforts to collect the receivables thru demand letters;	Not Implemented ₀₇ A list of deceased customers is still being confirmed with their respective barangays and management is yet to issue demand letters for those who are still existing.
		b. Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1; and	Not Implemented ₀₈ Management was not able to reclassify the accounts, thus reiterated in this report.
		c. File the request for authority to write-off dormant receivable accounts following the provisions of	Not Implemented ₀₉ Management is still gathering supporting

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		COA Circular No. 2016-005 dated December 19, 2016.	documents for the request for write-off.
AAR 2021 No. 3	Power costs incurred in pumping stations amounting to P3,237,562.67 were erroneously recorded as Electricity Expense (P3,164,254.27) and Fuel, Oil and Lubricants Expenses (P73,308.40) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expense, causing both expense accounts misstated, contrary to COA Circular No. 2015-010 dated December 1, 2015.	<p>We recommended to the management:</p> <p>a. To direct the Accountant to prepare the necessary adjusting entries for the current year's erroneous recording of the electricity for the pumping stations to reclassify them to their appropriate accounts as prior years' journal entries have already been closed to Accumulated Surplus/Deficit;</p> <p>b. Through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and</p> <p>c. To comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of a Revised Chart of Accounts (RCA) for Government Corporations, including Water Districts.</p>	Fully Implemented ¹¹
AAR 2021 No. 5	The District failed to prepare its Septage Management Plan (SMP) as required by RA 9275 and PD 198 depriving its concessionaires of a sound wastewater treatment and disposal system.	We recommended that Management to coordinate with the Local Government Unit and prepare its Septage Management Plan (SMP) providing for a strategic objective of the District, the courses of action to be undertaken with its desired/expected outcomes and outputs, target timelines, accountabilities, means of monitoring and evaluation, and key performance indicators, among other items, for an effective and efficient	Not Implemented ¹⁰ The result of a Financial Evaluation on Feasibility Study conducted showed that BWD is not yet capable in investing in the said project since it will cost not less than 50 million Pesos.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		implementation and monitoring.	
AAR 2021 No. 9	Insurable properties of the Agency, except for the Transportation Equipment, were not covered with the appropriate property insurance with the Government Service Insurance System (GSIS) as required in Republic Act (R.A.) No. 656 or Property Insurance Law and COA Circular No. 2018-002 dated May 31, 2018 exposes the District's PPEs to risk of loss without indemnification.	We recommended that Management shall insure all its insurable properties with the GSIS by strictly following the guidelines provided in the COA Circular No. 2018-002 dated May 31, 2018.	Fully Implemented ¹⁴
AAR 2020 No. 1	Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱22,354,849.69 is of doubtful validity.	We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts.	Fully Implemented ¹⁵
AAR 2020 No. 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 ₱1,704,553.81.	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.	Fully Implemented ¹⁶
AAR 2020 No. 3	The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in LWUA Memorandum Circular	We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY	Not Implemented ¹¹ Management has started the initial steps in preparing a

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	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.	2020 as provided under DOH Administrative Order No. 2014-0027.	WSP but they need further training or seminar due to lack of technical knowledge on the matter.
AAR 2020 No. 4	The Annual Procurement Plan (APP) prepared by the District is incomplete, inadequate and lacked the necessary information on the mode of procurement, schedule of each procurement activity, brief description of the programs/projects, source of funds, among others, as required under Section 7 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and Government Procurement Policy Board (GPPB) Circular No. 07-2015 dated July 16, 2015, thus relevance and usefulness of APP as a planning and control tool was not attained, resulting in uncoordinated procurements that do not promote efficiency, economy and transparency.	We recommend that the District require the personnel in charge to: a. Formulate the APP in accordance with Section 7 of the Revised IRR of RA No. 9184;	Fully Implemented ¹⁷
b. Ensure that all the necessary information required in the APP and its amendments are reflected therein for its continuous relevance and usefulness as a planning and control tool;		Fully Implemented ¹⁸	
c. Submit the duly approved copy of APP to the GPPB in accordance with Section 1(a) of Executive Order No. 662, series of 2007, as amended.		Fully Implemented ¹⁹	
d. Attach a copy of the APP to the disbursement vouchers for the payment of all types of procurement, in compliance to COA Circular 2012-001 dated June 14, 2012; and		Fully Implemented ²⁰	
e. Include in the APP, provisions for foreseeable emergencies based on historical records as well as the manner of procurement thereof.		Fully Implemented ²¹	
AAR 2019 No. 1	Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept	We recommended that reconciliation of Report on the Physical Count of Property Plant and Equipment	Fully Implemented ²²

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	<p>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.</p>	<p>(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.</p>	
<p>AAR 2019 No. 2</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 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.</p>	<p>Fully Implemented²³</p>
<p>AAR 2019 No. 3</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>	<p>Fully Implemented²⁴</p>
<p>AAR 2019 No. 4</p>	<p>The failure of the District to collect long outstanding and</p>	<p>We recommend that Management closely monitor</p>	<p>Not Implemented¹²</p>

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	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.	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 is still gathering supporting documents for the request for write-off.
AAR 2019 No. 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.	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.	Fully Implemented ²⁵
AAR 2019 No. 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.	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.	Not Implemented ¹³ The Management is yet to appoint a DRRM Officer
AAR 2019 No. 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.	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	Fully Implemented ²⁶

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		<p>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;</p>	
		<p>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.</p>	Fully Implemented ₂₇