



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

ANNUAL AUDIT REPORT

ON THE

TUBOD-BAROY WATER DISTRICT
Tubod, Lanao del Norte

For the Year Ended December 31, 2023



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

OFFICE OF THE REGIONAL DIRECTOR

March 15, 2024

DIR. ROLDAN JONATHAN R. GAYTA
Chairperson, Board of Directors

Mr. GEOVANNI A. HERA
General Manager
Tubod-Baroy Water District
Tubod, Lanao del Norte



Sirs:

We are pleased to transmit the Annual Audit Report on the audit of **Tubod-Baroy Water District**, Tubod, 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 the 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 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 Tubod-Baroy 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 Tubod-Baroy Water District for the year 2023 due to the following exceptions:

1. The existence, accuracy and completeness of the recorded balance of Property, Plant and Equipment (PPE) account with carrying amount of P45,846,657.55 as at December 31, 2023 could not be ascertained due to the (a) absence of Report on Physical Count of Property, Plant and Equipment (RPCPPE) for CY 2023 contrary to COA Circular No. 2020-006 dated January 31, 2020 and Section 66 of the Manual on NGAS, Volume II, (b) non-reclassification of tangible properties with cost below the P50,000.00 capitalization threshold contrary to COA Circular 2022-004 dated May 31, 2022, and (c) unserviceable assets amounting to P2,123,486.59 remained undisposed and are still carried out in the books, inconsistent with Section 79 of PD No. 1445,

thereby misleading the users of Financial Statements on the valuation and economic benefits of the recorded properties of the District at year end; and

2. The existence, accuracy, and ownership rights of the Land account amounting to P3,245,000.00 as of December 31, 2023, could not be ascertained due to Management's failure to expedite the transfer of the titles of five (5) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

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 to the Audit Team 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 IV
Regional Director

Copy furnished:

*The President of the Philippines
Malacañang Palace, Manila*

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

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

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

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

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

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

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

*Presidential Management Staff
Office of the President*

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

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

File

TUBOD-BAROY WATER DISTRICT
Tubod, Lanao del Norte

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPSI)

For Calendar Year 2023

As of _____

Sector: Corporate Sector
 Auditee: Tubod-Baroy 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:

Mr. GEOVANNI A. HERA
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 **Tubod-Baroy Water District**, Tubod, Lanao del Norte for the year ended December 31, 2023.

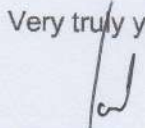
The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation 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 a modified-qualified 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 conducted an audit on the accounts and operations of **Tubod-Baroy Water District**, Tubod, 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 a reasonable basis for the results of the audit. We rendered a modified-qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,

A handwritten signature in black ink, appearing to read "Fatimah Suzanne 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

TUBOD-BAROY WATER DISTRICT
Tubod, Lanao del Norte

For the Year Ended December 31, 2023

EXECUTIVE SUMMARY

A. INTRODUCTION

The Tubod-Baroy Water District (TBWD) was created under a special law, Presidential Decree 198 as amended by PD Nos. 768 and 1479 better known as the "Provincial Water Utilities Act of 1973." TBWD was awarded with the Certificate of Conditional Conformance No. 228 by the Local Water Utilities Administration (LWUA) on November 8, 1982.

All Local Water districts were declared as Government-Owned and Controlled Corporations (GOCC) by the Supreme Court on September 13, 1991, in the case docketed as GR Nos. 95237-38.

TBWD operates as a Government Corporation with proprietary functions and is independent from the Local Government of Tubod and Baroy, Lanao del Norte. It is located at Provincial Trade Center, Sagadan, Poblacion, Tubod, Lanao del Norte.

In compliance with the guidelines provided in the DBM approved Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO), Tubod-Baroy Water District was categorized as a Category "D" Water District in March 2012.

TBWD primarily provides adequate, safe, potable and affordable water to its concessionaires within Tubod and Baroy, LDN area with a total of 5,418 active subscriptions served as of December 31, 2023.

The District has the following Objectives:

- a. To acquire, install, improve, maintain and operate water supply and distribution systems for domestic, industrial and agricultural uses for residents and land within the Municipalities of Tubod and Baroy, all of the Province of Lanao del Norte.
- b. To contribute to the economic growth and public health throughout as orderly and effective system of local utilities.

The powers, privileges and duties of the District are exercised and performed by the through the Board of Directors but the executive, administrative and ministerial power is delegated to the management. It has five (5) members who are appointed by the Provincial Governor. The policy-making body composed of the following:

Chairman	- Mr. Andrial C. Kwan
Vice-Chairman	- Mr. Roldan Jonathan R. Gayta
Secretary	- Ms. Evangeline M. Codilla
Member	- Ms. Gemma A. Harun
Member	- Engr. Jene Joseph S. Serino

B. FINANCIAL HIGHLIGHTS

Financial Condition

As of December 31, 2023, TBWD has reached ₱65.91 million in assets, total liabilities of ₱15.79 million and Equities that amounted to ₱50.11 million:

	2023	2022	2023 vs. 2022 Increase/(Decrease)	
			Amount	Percentage
Assets	₱ 65,911,285.94	₱ 54,076,632.71	₱ 11,834,653.23	17.9%
Liabilities	₱ 15,796,854.65	₱ 11,078,757.60	₱ 4,718,097.05	2.9%
Equities	₱ 50,114,431.29	₱ 42,997,875.11	₱ 7,116,556.18	14.2%

Results of Operation

The operation of TBWD for CY2023 yielded to overall net income of ₱8.81 million pesos as a net of sales revenue of ₱41.46 million and expenses of ₱32.84 million pesos.

	2023	2022	2023 vs. 2022 Increase/(Decrease)	
			Amount	Percentage
Sales	₱ 41,460,768.26	₱ 38,780,996.70	₱ 4,425,262.17	10.6%
Expenses	₱ 32,846,776.51	₱ 35,019,226.05	₱ (426,958.930)	(1.29%)
Net Income	₱ 8,813,994.75	₱ 3,761,770.65	₱ 5,052,224.10	57.3%

C. SCOPE OF AUDIT

The audit covered the examination of the accounts and operations of Tubod-Baroy Water District, Tubod, 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 recorded balance of Property, Plant and Equipment (PPE) account with carrying amount of P45,846,657.55 as at December 31, 2023 could not be ascertained due to the (a) absence of Report on Physical Count of Property, Plant and Equipment (RPCPPE) for CY 2023 contrary to COA Circular No. 2020-006 dated January 31, 2020 and Section 66 of the Manual on NGAS, Volume II, (b) non-reclassification of tangible properties with cost below the

P50,000.00 capitalization threshold contrary to COA Circular 2022-004 dated May 31, 2022, and (c) unserviceable assets amounting to P2,123,486.59 remained undisposed and are still carried out in the books, inconsistent with Section 79 of PD No. 1445, thereby misleading the users of Financial Statements on the valuation and economic benefits of the recorded properties of the District at year end; and

2. The existence, completeness, accuracy, and ownership rights of the Land account amounting to P3,245,000.00 as of December 31, 2023, could not be ascertained due to Management's failure to expedite the transfer of the titles of five (5) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

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

1. The accuracy and valuation of the Accounts Receivable (AR) balance as appearing in the Financial Statements (FS) amounting to P4,960,767.43 as of December 31, 2023 were doubtful due to (a) improper provision of Allowance for Impairment- Accounts Receivable by P1,356,213.09, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016 and (b) unresolved difference of P92,548.38 between the balances per FS and schedule of aging of AR contrary to Philippine Accounting Standards (PAS) 1 and PFRS Framework. Moreover, collectability of the account could not be ascertained due to non-institution of new and more effective collection strategies in violation of Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I.

We recommended the management to:

- To reconcile the difference of AR balance between the FS and the Schedule of Aging and properly record the difference thereof;
 - To review, send confirmations letters and examine all long overdue accounts receivables and prepare adjusting journal entry reflecting appropriate Allowance for Impairment- Accounts Receivables;
 - Through the Accountant, to conduct regular and periodic verification, analysis, and validation of the existence of receivables;
 - To set up Allowance for Impairment- Accounts Receivables based on collectability and evaluation of factors such as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts; and
 - Upon identification of actual unrealizable receivables, to request for write-off of accounts abiding COA Circular 2016-005 dated December 19, 2016 specifically on items 8.2. to 8.3 in order to achieve fair presentation of financial statements.
2. Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine

Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/PCW and whether the gender issues had been fully addressed.

We recommended the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001 without demand.

3. The District was unable to prepare a comprehensive plan, provide adequate budgetary allocations and implement various projects, activities and programs concerning Disaster Risk Reduction and Management (DRRM) inconsistent with the provisions of Republic Act (RA) No. 10121 and Section 40, Volume I of General Appropriations Act of 2023 (RA 11936) thus, leaving the District incapable of being ready prior to, during and after every disaster.

We recommended that the agency:

- Allocate adequate budget for DRRM programs and activities;
- Develop a DRRM Program and have a framework for disaster preparedness, response, prevention and mitigation, and rehabilitation and recovery, pursuant to RA 10121; 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

Particulars	Balance, 01/01/2023	CY 2023 Issuances	CY 2023 Settlements	Balance, 12/31/2023
Suspensions	₱ 30,752.00	0.00	0.00	₱ 30,752.00
Disallowances	₱ 316,478.40	0.00	0.00	₱ 316,478.40
Charges	₱ 0.00	0.00	0.00	₱ 0.00

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the forty-three (43) prior years' audit recommendations embodied in the CY 2023, 2022, 2021, 2020 and 2019 Annual Audit Report (AAR), nineteen (19) or 44.18% were fully implemented and twenty-four (24) or 55.81% were not implemented.

TABLE OF CONTENTS

	<u>PAGE/S</u>
Part I AUDITED FINANCIAL STATEMENTS	
• Independent Auditor's Report	1
• Financial Statements	
○ Statement of Management Responsibility	3
○ Comparative Statement of Financial Position	4
○ Comparative Statement of Comprehensive Income	5
○ Statement of Changes in Government Equity	6
○ Comparative Statement of Cash Flows	7
○ Notes to Financial Statements	9
Part II OBSERVATIONS AND RECOMMENDATIONS	
• Detailed Observations and Recommendations	20
Part III STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS	 34

**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

DIR. ROLDAN JONATHAN R. GAYTA

Chairperson, Board of Directors
Tubod-Baroy Water District
Tubod, Lanao del Norte

Mr. GEOVANNI A. HERA

General Manager
Tubod-Baroy Water District
Tubod, Lanao del Norte

Modified-Qualified Opinion

We have audited the financial statements of the **Tubod-Baroy Water District**, Tubod Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2023, and the related Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows 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 Tubod-Baroy 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 Modified-Qualified 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 recorded balance of Property, Plant and Equipment (PPE) account with carrying amount of P45,846,657.55 as at December 31, 2023 could not be ascertained due to the (a) absence of Report on Physical Count of Property, Plant and Equipment (RPCPPE) for CY 2023 contrary to COA Circular No. 2020-006 dated January 31, 2020 and Section 66 of the Manual on NGAS, Volume II, (b) non-reclassification of tangible properties with cost below the P50,000.00 capitalization threshold contrary to COA Circular 2022-004 dated May 31, 2022, and (c) unserviceable assets amounting to P2,123,486.59 remained undisposed and are still carried out in the books, inconsistent with Section 79 of PD No. 1445, thereby misleading the users of Financial Statements on the valuation and economic benefits of the recorded properties of the District at year end; and

2. The existence, completeness, accuracy, and ownership rights of the Land account amounting to P3,245,000.00 as of December 31, 2023, could not be ascertained due to Management's failure to expedite the transfer of the titles of five (5) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

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.

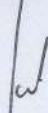
Those charged with governance are responsible for overseeing the District's financial reporting process.

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
TUBOD-BAROY WATER DISTRICT
Tubod, Lanao del Norte

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of the **Tubod-Baroy Water District, Tubod, Lanao del Norte** 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 circumstance.

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 had audited the financial statements of the Tubod-Baroy 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.

DIR. ROLDAN JONATHAN R. GAYTA
Chairman of the Board
Date: February 14, 2024

GAY L. BONTUYAN
Senior Accounting Processor B
Date: February 14, 2024

GEOVANNI A. HERA
General Manager
Date: February 14, 2024



**TUBOD-BAROY 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	1	P 10,242,404.86	P 5,740,264.84
Receivables	2	3,998,637.90	4,323,063.08
Inventories	3	4,674,355.93	4,662,727.31
Total Current Assets		<u>P 18,915,398.69</u>	<u>P 14,726,055.23</u>
Non-Current Assets			
Receivables		P 898,084.40	898,084.40
Property, Plant and Equipment	4	45,846,657.55	38,184,108.34
Other Non-Current Assets		54,291.11	205,005.19
Intangible Assets		196,854.19	63,379.55
Total Non-Current Assets		<u>P 46,995,887.25</u>	<u>P 39,350,577.48</u>
TOTAL ASSETS		<u>P 65,911,285.94</u>	<u>P 54,076,632.71</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	5	P 8,075,495.25	P 1,760,358.90
Inter-Agency Payables	6	733,858.78	626,385.75
Total Current Liabilities		<u>P 8,809,354.03</u>	<u>P 2,386,744.65</u>
Non-Current Liabilities			
Financial Liabilities	7	P 3,601,745.42	P 5,297,180.37
Provisions	8	3,385,755.20	3,394,832.58
Total Non-Current Liabilities		<u>P 6,987,500.62</u>	<u>P 8,692,012.95</u>
TOTAL LIABILITIES		<u>P 15,796,854.65</u>	<u>P 11,078,757.60</u>
EQUITY			
Government Equity			
Government Equity		P	P 236,659.00
Retained Earnings/(Deficit)		50,114,431.29	42,761,216.11
TOTAL EQUITY		<u>P 50,114,431.29</u>	<u>P 42,997,875.11</u>
TOTAL LIABILITIES AND EQUITY		<u>P 65,911,285.94</u>	<u>P 54,076,632.71</u>

(See Accompanying Notes to Financial Statements)



TUBOD-BAROY 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	9	₱ 42,762,983.00	₱ 38,780,996.70
Shares, Donations and Grants		0.00	0.00
Total Income		₱ 42,762,983.00	₱ 38,780,996.70
Expenses			
Personnel Services	10	₱ 13,899,731.06	₱ 12,751,355.67
Maintenance and Other Operating Expenses	11	16,333,088.30	18,139,693.91
Financial Expenses	12	212,040.00	336,761.00
Direct Costs		1,302,214.74	1,745,490.61
Non-Cash Expenses	13	2,401,914.15	2,045,924.86
Total Expenses		₱ 34,148,988.25	₱ 35,019,226.05
Profit/(Loss) Before Tax		₱ 8,613,994.75	₱ 3,761,770.65
Income Tax Expense/(Benefit)		0.00	0.00
Profit/(Loss) After Tax		₱ 8,613,994.75	₱ 3,761,770.65
Net Assistance/Subsidy/ (Financial Assistance/Subsidy /Contribution)		₱ 0.00	₱ 0.00
Net Income/(Loss)		₱ 8,613,994.75	₱ 3,761,770.65
Other Comprehensive Income/(Loss) for the Period		₱ 0.00	₱ 0.00
Comprehensive Income/(Loss)		₱ 8,613,994.75	₱ 3,761,770.65

(See Accompanying Notes to Financial Statements)



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

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
Balance at January 1, 2022	P 38,940,514.13	P 236,659.00	P 39,177,173.13
ADJUSTMENTS:			
Add/(Deduct):			
Prior Period Errors	P 0.00	P 0.00	P 0.00
Other Adjustments	0.00	0.00	0.00
RESTATED BAL. AT JANUARY 31, 2022	P 38,940,514.13	P 236,659.00	P 39,177,173.13
CHANGES IN EQUITY FOR 2021			
Add/(Deduct):			
Comprehensive Income for the year	P 3,761,770.65	P 0.00	P 3,761,770.65
Other Adjustments	58,931.33	0.00	58,931.33
BALANCE AT DECEMBER 31, 2022	P 42,761,216.11	P 236,659.00	P 42,997,875.11
CHANGES IN EQUITY FOR 2022			
Add/(Deduct):			
Donated Income	P 0.00	P 0.00	P 0.00
Comprehensive Income for the year	8,613,994.75	0.00	8,613,994.75
Other Adjustments	(1,497,438.57)	0.00	(1,497,438.57)
BALANCE AT DECEMBER 31, 2023	P 49,877,772.29	P 236,659.00	P 50,114,431.29



**TUBOD-BAROY 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		
Proceeds from Sale of Goods and Services	₱ 41,121,640.13	₱ 35,592,350.85
Collection of Income/Revenue	1,798,923.99	2,126,884.28
Collection of Receivables	0.00	0.00
Other Receipts	88,898.37	138,603.98
Total Cash Inflows	₱ 43,009,462.49	₱ 37,857,839.11
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 43,009,462.49	₱ 37,857,839.11
Cash Outflows		
Payment of Expenses	₱ 30,232,819.36	₱ 30,891,049.58
Purchase of Inventories	4,592,408.68	5,213,040.63
Payments of Accounts Payable	1,775,169.48	432,202.98
Other Disbursements	0.00	0.00
Total Cash Outflows	₱ (36,600,397.52)	₱ (36,536,293.19)
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ (36,600,397.52)	₱ (36,536,293.19)
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	₱ 6,409,064.97	₱ 1,321,545.92
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	₱ 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		
Purchase/Construction of Property, Plant and Equipment	₱ 0.00	₱ 1,601,900.00
Total Cash Outflows	₱ 0.00	₱ 1,601,900.00
Adjustments	₱ 0.00	₱ 0.00
Adjusted Cash Outflows	₱ 0.00	₱ 1,601,900.00

NET CASH PROVIDED BY/ (USED IN) INVESTING ACTIVITIES	₱	0.00	₱	1,601,900.00
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash Inflows				
Financing Activities	₱	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		1,695,434.95		1,587,872.03
Payment of Interest on Loans and Other Financial Charges		211,490.00		336,511.00
Total Cash Outflows	₱	1,906,924.95	₱	1,924,383.03
Adjustments	₱	0.00	₱	0.00
Adjusted Cash Outflows	₱	1,906,924.95	₱	1,924,383.03
NET CASH PROVIDED BY/ (USED IN) FINANCING ACTIVITIES	₱	(1,906,924.95)	₱	(1,924,383.03)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	₱	4,502,140.02	₱	(2,204,737.11)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	₱	0.00	₱	0.00
CASH AND CASH EQUIVALENTS, JANUARY 1	₱	5,740,264.84	₱	7,945,001.95
CASH AND CASH EQUIVALENTS, DECEMBER 31	₱	10,242,404.86	₱	5,740,264.84



TUBOD-BAROY WATER DISTRICT NOTES TO FINANCIAL STATEMENTS

I. Brief Historical Background:

The Tubod-Baroy Water District (TBWD) was created under a Special Law, Presidential Decree 198 as amended by PD Nos. 768 and 1479 better known as the "Provincial Water Utilities Act of 1973." TBWD was awarded with the Certificate of Conditional Conformance No. 228 by the Local Water Utilities Administration (LWUA) on November 8, 1982.

All Local Water districts were declared as Government-Owned and Controlled Corporations (GOCC) by the Supreme Court on September 13, 1991, in the case docketed as GR Nos. 95237-38.

TBWD operates as a Government Corporation with proprietary functions and is independent from the Local Government of Tubod and Baroy, Lanao del Norte. It is located at Provincial Trade Center, Sagadan, Poblacion, Tubod, Lanao del Norte.

In compliance with the guidelines provided in the DBM approved Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO), Tubod-Baroy Water District was categorized as a Category "D" Water District in April 2013.

TBWD primarily provides adequate, safe, potable and affordable water to its concessionaires within Tubod and Baroy, LDN area with a total of 5,418 households served as of December 31, 2023.

The District has the following Objectives:

- a. To acquire, install, improve, maintain and operate water supply and distribution systems for domestic, industrial and agricultural uses for residents and land within the Municipalities of Tubod and Baroy, all of the Province of Lanao del Norte.
- b. To contribute to the economic growth and public health throughout as orderly and effective system of local utilities.

The powers, privileges and duties of the District are exercised and performed by the through the Board of Directors but the executive, administrative and ministerial power is delegated to the management. It has five (5) members who are appointed by the Provincial Governor.

The **policy-making body** composed of the following:

Chairman	- Mr. Roldan Jonathan R. Gayta
Vice-Chairman	- Engr. Jene Joseph S. Serino
Secretary	- Ms. Gemma A. Harun
Member	- Ms. Evangeline M. Codilla
Member	- Mr. Andrial C. Kwan

Financial and Operational & Highlights for CY 2023

As of December 31, 2023, TBWD has reached ₱65.91 million in assets, total liabilities of ₱15.79 million and Equities that amounted to ₱50.11 million:

	2023	2022	2023 vs. 2022 Increase/(Decrease)	
			Amount	Percentage
Assets	₱ 65,911,285.94	₱ 54,076,632.71	₱ 11,834,653.23	17.9%
Liabilities	₱ 15,796,854.65	₱ 11,078,757.60	₱ 4,718,097.05	2.9%
Equities	₱ 50,114,431.29	₱ 42,997,875.11	₱ 7,116,556.18	14.2%

Results of Operation

The operation of TBWD for CY2023 yielded to overall net income of ₱8.81 million pesos as a net of sales revenue of ₱41.46 million and expenses of ₱32.84 million pesos.

	2023	2022	2023 vs. 2022 Increase/(Decrease)	
			Amount	Percentage
Sales	₱ 41,460,768.26	₱ 38,780,996.70	₱ 4,425,262.17	10.6%
Expenses	₱ 32,846,776.51	₱ 35,019,226.05	₱ (426,958.930)	(1.29%)
Net Income	₱ 8,813,994.75	₱ 3,761,770.65	₱ 5,052,224.10	57.3%

Cash Flows

Comparative **net cash outflow** of the District for CY 2023 amounted to Php4,502,140.02. With the cash beginning of Php5,740,264.84 the 2023 year-end cash in bank resulted to a net balance of Php10,242,404.86.

Summary of Cash in Bank:

Cash –C.O.	₱	47,871.35
Cash in Bank - 0802-1037-86(General Fund)		7,605,760.87
Cash in Bank - 0801-0300-41(JSA)		1,537,472.27
Cash in Bank - 0801-1157-21(Trust fund)		1,051,300.97
TOTAL	₱	10,242,404.86

I. Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and the revised Chart of Accounts (RCA) for Government Corporations (GCs) classified as Government Business Entities (GBEs) prescribed under COA Circular No. 2015-010. The District's accounting policy

The accrual method of accounting is adopted for recording of both income and expenses.

Property, Plant and Equipment is carried at cost minus salvage at 10% of the cost of the property. Capital Asset are depreciated using straight line method based on the estimated useful life ranging from five (5) to ten (10) years in accordance with COA Circular No. 2003-007 dated December 11, 2003, and depreciation starts on the second month after purchase of the property, plant and equipment. Donated asset is recorded at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the asset value or materially extend to the useful lives of an asset are not capitalized.

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.

Other Non-current assets are Malingao Cooperative (MAWASCO) receivables that remained uncollected for years. Liabilities are only recognized when goods are delivered and/or services rendered together with the supplier's invoice.

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

Note 1. Cash and Cash Equivalents

Cash and cash equivalents include cash in bank deposits to be used in the operation of the water district, Trust Fund created for the employees' Retirement Benefits, Reserve fund of TBWD & LWUA as per MOU for loans availed and cash on hand in the possession of the district Collecting Officer was due to closed Petty cash revolving fund and liquidation of Cashier that were issued official receipts in December 2023.

Bank balance as of December 31, 2023 was verified per bank statements and the cash accounts consist of the following:

Particulars	2023	2022
Cash- Collecting Officer	₱ 47,871.35	₱ 159,107.75
Cash in Bank- (Project Fund)	0.00	0.00
Cash in Bank - LCCA	7,605,760.87	3,073,885.08
Cash in Bank –LCSA (Trust Fund)	1,051,300.37	1,000,567.87
Cash in Bank - LCSA (JSA)	1,537,472.27	1,506,704.14
TOTAL	₱ 10,242,404.86	₱ 5,740,264.84

Note 2. Receivables

Account Receivable – this account includes all amounts due on open accounts arising from the services rendered to customers for water sales and other incidental services.

As of December 31, 2023, this account is composed of receivables from customers as listed below.

Particulars	2023	2022
Accounts Receivable- Customer	₱ 4,552,791.63	₱ 4,760,820.39
Accounts Receivable- WMF	407,975.80	359,170.24
Receivables- Disallowances	241,496.95	241,496.95
Accounts Receivable –Others	152,586.61	217,620.60
Due from Officers and Employees	-	(617.50)
Total Current Receivable	₱ 5,354,850.99	₱ 5,578,490.68
Less: Allow. for impairment- A/R	(1,356,213.09)	(1,154,064.87)
Net Accounts Receivable	₱ 3,998,637.90	₱ 4,323,063.08

Note 3. Inventories

This account consists of unissued materials and supplies which are kept in stock for future use in the operations of the district. Inventory accounts are carried in the books at cost net of spoilage, obsolescence and damaged items. Inventories consist of expendable supplies or materials held for consumption stated on a first-in, first out basis. They are reported at cost which is recorded as expenditure at the time individual inventory items are used. These are grouped into Office Supplies Inventory, Accountable Forms and Materials Inventory.

Particulars	2023	2022
Merchandise Inventory	₱ 2,507,169.28	₱ 2,755,777.78
Accountable Forms Inventory	42,825.00	61,125.00
Office Supplies Inventory	116,166.00	76,519.88
Fuel, Oil & Lubricant Inventory	10,708.20	10,708.20
Chemical & Filtering Supply Inv.	117,832.04	157,832.04
Plant Inventory	1,879,655.41	1,600,764.41
TOTAL	₱ 4,674,355.93	₱ 4,662,727.31

Note 4 - Property, Plant and Equipment

Properties relatively permanent in character are included under this account. It includes intangible plants, landed capital, source of supply plant, pumping plant, water treatment plant, transmission and distribution plant, general plant and other tangible assets.

Property, Plant and Equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the properties pursuant to Commission on Audit Circular No. 2003-007 dated December 11, 2003.

The district's office space is currently on a usufruct basis from the Provincial Government of Lanao del Norte signed under the administration of Hon. Governor Imelda Quibranza-Dimaporo since the district do not have their own building for the purpose.

Particulars	Cost	Accumulated Depreciation	Balance
Property, Plant and Equipment	68,732,928.51	22,831,979.85	45,900,948.66

Particulars		Cost	Accumulated Depreciation	Balance
1 06 01	Land	3,281,659.00	-	3,281,659.00
1 06 02	Land Improvement			-
1 06 03	Infrastructure Assets	58,877,701.09	20,850,556.14	38,027,144.95
1 06 04	Building and Other Structures			-
1 06 05	Machinery and Equipment			-
1 06 06	Transportation Equipment	1,302,007.73	657,221.95	644,785.78
1 06 07	Furniture, Fixtures and Books	2,076,598.81	1,229,992.87	846,605.94
1 06 08	Leased Assets			-
1 06 09	Leased Assets Improvements			-
1 06 10	Heritage Assets			-
1 06 11	Service Concession-Tangible Assets			-
1 06 12	Exploration and Evaluation Assets			-
1 06 13	Bearer Trees, Plants and Crops			-
1 06 98	Other Property, Plant and Equipment			-
1 06 99	Construction in Progress	3,046,461.88	-	3,046,461.88
Intangible Assets				
1 08 01	Computer Software	110,000.00	83,600.50	26,399.50
1 08 01	Websites	38,500.00	10,608.39	27,891.61

Property, Plant and Equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the properties pursuant to Commission on Audit Circular No. 2003-007 dated December 11, 2003.

The district's office space is currently on a rental basis since they do not have their own building for the purpose.

Note 5. Current Financial Liabilities

The Accounts Payable consists of TBWD's liabilities to suppliers in the amount of Php8,075,495.25

Name	Date Granted	Amount	Amount Due (In Pesos)			
			Less than 30 days	31-60 days	61-365 days	Over 1 year
Arvin Rodrigo	12/29/2020	30,225.00				30,225.00
AV Prime Hardware	12/15/2023	23,373.00	23,373.00			
COA	05/17/201	105,096.59				105,096.59
COA	12/28/2022	86,683.50				86,683.50
CAMLAN Corporation	12/9/2023	70,424.62	70,424.62			
Constech Asia Corporation	12/10/2023	120,000.00	120,000.00			
Constech Asia Corporation	11/13/2023	248,920.00		248,920.00		

Name	Date Granted	Amount	Amount Due (In Pesos)			
			Less than 30 days	31-60 days	61-365 days	Over 1 year
Mie Oro Plast Corp	11/15/2023	59,501.10		59,501.10		
Mindanao Lab Services	10/10/2023	37,500.00		37,500.00		
Mindanao Lab Services	11/13/2023	37,500.00			37,500.00	
MLS JC Costruction Serv.	09/29/2023	5,591,444.48			5,591,444.48	
Provincial Gov't of LDN	12/29/2022	1,126,450.57	1,126,450.57			
RVB General & Electrical	12/13/2023	8,500.00	8,500.00			
Summit Deepwell	12/29/2020	293,000.00				293,000.00
TBWD	3/30/2021	4,252.39				4,252.39
Unifield Enterprises	12/22/2023	220,249.00	220,249.00			
Wizmaster Computer Sales	11/15/2023	12,375.00			12,375.00	
TOTALS		8,075,495.25	1,568,997.19	345,930.10	5,641,319.48	519,257.48

Note 6. Current Inter-Agency Payables

The Statutory deductions withheld from government employees and government shares are current obligation of the District which will be remitted to the BIR, GSIS, Pag-ibig, and Philhealth on or before 10th day of the ensuing month.

Particulars	2023	2022
Due to BIR	₱ 287,829.95	₱ 165,061.34
Due to GSIS	352,592.44	412,062.28
Due to Pag-ibig	76,810.47	34,747.13
Due to Philhealth	5,080.92	6,296.78
Due to SSS	11,545.00	8,238.22
Total	₱ 733,858.78	₱ 626,385.75

The following amount was remitted to the respective agencies before January 10, 2024. These amounts remitted include the Employers shares and accruals.

Particulars	Amount
Due to BIR	₱ 289,910.90
Due to GSIS	338,482.03
Due to Pag-ibig	37,231.27
Due to Philhealth	23,326.20
Due to SSS	26,670.00
Total	₱ 715,620.40

Note 7. Non-current Financial Liabilities

The District availed a long term loan with LWUA. The principal and interest of the regular loan portion have monthly amortization of ₱158,845.00. Loan Account No. 3-305 RL will end amortization on December 2023, LA#3-305 SL will be amortized until December 2023, LA#3-732 RL will be amortized until September 2025, LA#4-2374 RL will end amortization on April 2024 and LA#4-2723 RL will end on December 2038, LA#4-2723 RL will end on November 2039. As of December 31, 2023, the outstanding LWUA loan balance is ₱3,840,801.10 with a difference of 239,055.68 compared to LWUA amortization schedules due to Engineering studies which was automatically deducted by LWUA from the net proceeds upon the release of loan account # LA 4-273RL. The loan was paid in accordance with the amortization schedule, thus, no penalties were imposed for delayed or non-payment. As of December 2023, two (2) loans have had its last amortization thus, the said account(s) has been fully paid. (3-305SL and 3-305 RL)

Loan ID	Interest Rates		New Monthly Amortization	Outstanding Balance per LWUA	
	Old	New		2023	2022
3-732 RL	10.50%	8.20%	₱ 15,970.00	₱ 311,470.89	₱ 470,421.99
3-305 SL	10.50%	8.20%	38,149.00	0.00	438,158.92
3-305 RL	10.50%	8.20%	40,921.00	0.00	469,923.37
4-2374 RL	12.50%	8.20%	41,621.00	163,619.61	628,737.61
4-2723 RL	3%		22,184.00	3,365,710.50	3,528,292.50
Non-current financial liabilities			₱ 158,845.00	₱ 3,840,801.10	₱ 3,528,292.50

Note 8. Provisions

Accumulated leave credits of Employees are recorded to Leave Benefits Payable account gradually.

Particulars	2023	2022
Leave Benefits Payable	₱ 3,385,755.20	₱ 3,394,832.58

Note 9. Service and Business Income

Particulars	2023	2022
Registration Fees	₱ 988,116.27	₱ 797,412.00
Water works system fees	39,009,553.35	35,022,371.14
Income from Printing & Pub	0.00	30,000.00
Sales Revenue	1,736,209.00	2,026,969.22
Fines and Penalties	1,033,010.35	909,397.58
Interest Income	5,377.38	4,532.71
Other Business Income	15,160.00	520.50
Miscellaneous Income	203.87	10,218.62
Income from Donations in Kind	0.00	0.00
Less: Sales Discounts	(24,648.12)	(20,425.07)

Particulars	2023	2022
TOTAL INCOME	₱ 42,762,983.00	₱ 38,780,996.70

Note 10. Personnel Services

Particulars	2023	2022
Salaries & Wages- Regular	₱ 5,706,441.92	₱ 5,632,048.28
Sal & Wages-Casual	2,139,699.15	1,839,479.67
Personnel Econ. Relief Allow.	720,000.00	692,000.00
Representation Allowance	90,000.00	90,000.00
Transportation Allowance TA	90,000.00	102,930.00
Clothing Allowance	180,000.00	186,000.00
Overtime & Night Pay	0.00	0.00
Year End Bonus	276,824.22	221,165.43
Cash Gift	1,225,798.00	1,146,607.00
Retirement and Life Insurance	0.00	0.00
Pag-ibig Contributions	892,351.20	877,840.40
Philhealth Contributions	36,000.00	31,700.00
Emp. Compensation Insurance Cont.	139,983.88	120,694.81
Hazard Pay	36,000.00	34,600.00
Terminal Leave Benefits	1,923,106.14	1,279,664.80
Other Bonuses and Allowances	443,526.55	496,625.28
Total Personnel Services	₱ 13,731,898.43	₱ 12,751,355.67

Note 11. Maintenance and Other Operating Expenses

Particulars	2023	2022
Travelling Expenses-Local	₱ 712,089.70	₱ 333,031.90
Training Expenses	136,300.00	11,750.00
Office Supplies Expense	219,017.38	245,746.66
Accountable Forms Expense	133,800.00	111,300.00
Fuel, Oil, and Lubricants	532,631.87	654,547.29
Chemicals & Filtering	439,182.00	1,007,309.29
Electricity Expenses	280,013.67	110,387.24
Other Utility Expense	4,904.34	76,819.92
Postage and courier Services	17,064.92	24,511.66
Telephone Expense	37,658.09	25,721.08
Internet Expense	18,201.52	17,675.34
Cable, Satellite, Telephone & Radio Expense	6,972.48	6,972.48
Survey Expense	0.00	0.00
Gen Trans & Distribution Expenses	11,808,283.70	13,562,002.97
Extraordinary & Misc. Expenses	130,837.60	183,058.07
Legal Expense	1,770.00	1,000.00
Auditing Services	0.00	86,683.50

Particulars	2023	2022
Other Professional Services	7,300.00	12,000.00
Other General Services	0.00	700.00
Repairs & Maintenance- Infra Asset	3,772.44	64,891.45
Repairs & Maint. - Bldg. & Other Structure	39,053.98	80,083.25
Repairs & Maintenance- Transportation. Equip	97,333.00	93,804.71
Repairs & Maintenance- Furniture & Fixtures	38,928.16	82,073.50
Repairs & Maintenance - Other PPE	67,085.25	6,065.00
Maint of Pumping Eqpt	0.00	0.00
Maint of Reservoir & Tanks	0.00	0.00
Taxes, Duties & Licenses Expense	875,318.24	524,682.34
Fidelity Bond Premiums	19,065.00	22,440.00
Insurance Expense	24,508.38	46,313.62
Labor & Wages	46,000.00	97,265.00
Advertising, Promo & Marketing Expense	50,000.00	0.00
Printing & Pub. Expense	5,000.00	7,525.00
Representation Expense	339,686.28	326,627.64
Transportation & Delivery Expenses	0.00	0.00
Rent/Lease Expense	2,000.00	112,960.00
Membership Dues & Contribution to Org.	22,302.30	5,073.00
Subscriptions Expense	0.00	0.00
Directors & Comm. Member's Fee	207,000.00	198,672.00
Donations	10,000.00	0.00
TOTAL MOOE	₱ 16,333,088.30	₱ 18,139,693.91

Note 12. Financial Expenses

Particulars	2023	2022
Interest Expenses	₱ 211,490.00	₱ 336,511.00
Bank charges	550.00	250.00
TOTAL FINANCIAL EXP	₱ 212,040.00	₱ 336,761.00

Note 13. Non-cash Expenses

Particulars	2023	2022
Depreciation –Infra Asset	₱ 1,840,237.87	₱ 1,681,976.80
Depreciation –Transp. Equipment	106,032.00	106,032.00
Depreciation - F/F, books	243,720.25	117,252.85
Depreciation - Other PPE	75,208.60	30,212.04
Amortization-Intangible Asset	9,088.44	9,088.44
Impairment Loss- Loans & Rec.	100,785.49	101,362.73
Total NON-CASH EXPENSES	₱ 2,375,072.65	₱ 2,045,924.86

Note 14. Direct Cost

Particulars	2023	2022
Cost of Sales	₱ 1,302,214.74	₱ 1,745,490.61

Events after 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.

**PART II –
AUDIT OBSERVATIONS AND
RECOMMENDATIONS**

Part II- AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. AUDIT QUALIFICATIONS / FINANCIAL AUDIT OBSERVATION

Accounts Receivable

1. The accuracy and valuation of the Accounts Receivable (AR) balance as appearing in the Financial Statements (FS) amounting to P4,960,767.43 as of December 31, 2023 were doubtful due to (a) improper provision of Allowance for Impairment- Accounts Receivable by P1,356,213.09, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016 and (b) unresolved difference of P92,548.38 between the balances per FS and schedule of aging of AR contrary to Philippine Accounting Standards (PAS) 1 and PFRS Framework. Moreover, collectability of the account could not be ascertained due to non-institution of new and more effective collection strategies in violation of Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I.

a) *inadequate provision of Allowance for Impairment- Accounts Receivable by P1,356,213.09*

- 1.1. Philippine Accounting Standards (PAS) 39 emphasizes that an entity is required to assess at each balance sheet whether there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. If any such evidence exists, the entity is required to determine the amount of any impairment loss. The carrying amount of the financial asset shall be reduced either directly or through the use of an allowance account.

- 1.2. Section 6.1 and 7.1 of the COA Circular No. 2016-005 dated December 19, 2016 provides that:

6.1 *"All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable xxx."*

7.1 *"The Accountant shall: Conduct regular and periodic verification, analysis, and validation of the existence of the receivables, unliquidated cash advances, and fund transfers, and determine the concerned debtors, accountable officers (Regular and Special Disbursing officers, Collecting Officers, and Cashiers) and the source and implementing government entities concerned."*

- 1.3. In the event that accounts receivables are proven to be no longer realizable, these accounts may be written off, when warranted. Sections 8.2 to 8.3 set out procedures in requesting for write-off of accounts, to wit:

"The Head of the government entity shall file the request for authority to write-off dormant receivable accounts, unliquidated cash advances,

and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA). No filing fee is required.

The request shall be supported by the following documents:

1. Schedule of dormant accounts by accountable officer/government entity and by account, certified by the accountant and approved by the Head of the government entity;
2. Certified relevant documents validating the existence of the conditions, as applicable."

1.4. Section 10 of the Government Accounting Manual also states that:

"In case of Accounts Receivable, the Allowance for Impairment shall be provided in an amount based on collectability of receivable balances and evaluation of such factors as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts."

1.5. The Accounts Receivable as of December 31, 2023 and its aging showed the following:

Particulars	Amount	Percentage
Current		
1-60 days	P 3,186,429.56	65.45%
61-90 days	55,250.96	1.13%
91-365 days	437,445.74	8.99%
Past Due		
Over 1 year	197,099.16	4.05%
Over 2 years	145,498.40	2.99%
Over 3 years	846,495.23	17.39%
Total	P 4,868,219.05	100.00%
Allowance for Impairment- AR	P 1,356,213.09	27.86%

1.6. Furthermore, it is also noteworthy to consider that 29.62% of the outstanding Accounts Receivable-Customer as of year-end pertains to INACTIVE accounts totaling P1,441,767.38.

Accounts Receivable- Customer	Active	Inactive
Less than 30 days	P2,752,815.32	P(176.43)
31-60 Days	410,647.29	30,374.83
61-365 Days	200,361.32	131,900.65
Over 1 Year	62,627.74	1,279,668.33
Total	P3,426,451.67	P1,441,767.38
Percentage	70.38%	29.62%

- 1.7. The account Allowance for Impairment- Accounts Receivable is derived by providing yearly an additional allowance for impairment in the rate of 1% of the current Accounts Receivable and 4% of the past due accounts, regardless of the balance of Allowance for Impairment- AR account. Current year allowance accounted for about 27.86% of the total receivables.
- 1.8. Inquiry with the Corporate Accounts Analyst disclosed that method used for the provision for Impairment of Receivables was used since the previous Corporate Accounts Analyst's time and she merely followed it. Also, it was discovered that the Management does not have a current policy in the determination of the amount that should be considered as Allowance for Impairment- Accounts Receivable and no assessment was conducted every reporting date.
- 1.9. Failure to assess Accounts Receivables regularly and periodically poses a risk of misstatement in the financial statements as of reporting date. The receivables account may be overstated than what may be actually realizable and income, in the same fashion, is also reported more than what represents the true condition of the district. On the other hand, automatic recognition of allowance without first assessing degree of collectability of AR may lead to understatement of AR and overstatement of expense account. This steers the management to make decisions based on unreliable information. This might also lead them to be less stringent in their controls and procedures because at first glance, they seem to be performing well enough. But if financial statements are presented fairly and faithfully represent what is true state of the district, management will take more appropriate actions to address the issues at hand.
- b) *unresolved difference of P92,548.38 between the balances per FS and schedule of aging of AR*
- 1.10. Comparison of the AR balances between the FS and Schedule of Aging of AR as of December 31, 2023 revealed a discrepancy of P92,548.38 as shown in the table below:

Particulars	Amount
AR per FS (as of December 31, 2023)	P 4,960,767.43
AR per Schedule of Aging (as of December 31, 2023)	4,868,219.05
Difference	P 92,548.38

- 1.11. Management explained that the discrepancy stemmed from the District's migration from manual to computerized billing system in 2019. As of audit date, the District is still exerting efforts to locate the records and reconcile the balances.
- 1.12. The District should be reminded that errors are expected to occur specially when the process of shifting from manual to computerized system is not properly done. Since the District's computerized billing system is already on its fourth year of implementation, we believe that the District should have fixed/corrected all the inconsistencies in the accounts. PAS 1 states that *financial statements must present fairly financial position, financial performance and cash flows of an entity* and PFRS Framework states that

Faithful representation seeks to maximize the underlying characteristics of completeness, neutrality and freedom from error. Thus, the unreconciled discrepancy raised doubt on the accuracy and fairness of the Receivable account balance reported in the FS.

1.13. We recommended the Management:

- To reconcile the difference of AR balance between the FS and the Schedule of Aging and properly record the difference thereof;
- To review, send confirmations letters and examine all long overdue accounts receivables and prepare adjusting journal entry reflecting appropriate Allowance for Impairment- Accounts Receivables;
- Through the Accountant, to conduct regular and periodic verification, analysis, and validation of the existence of receivables;
- To set up Allowance for Impairment- Accounts Receivables based on collectability and evaluation of factors such as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts; and
- Upon identification of actual unrealizable receivables, to request for write-off of accounts abiding COA Circular 2016-005 dated December 19, 2016 specifically on items 8.2. to 8.3 in order to achieve fair presentation of financial statements.

Management Comment/s:

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

Property, Plant and Equipment

2. The existence, accuracy and completeness of the recorded balance of Property, Plant and Equipment (PPE) account with carrying amount of P45,846,657.55 as at December 31, 2023 could not be ascertained due to the (a) absence of Report on Physical Count of Property, Plant and Equipment (RPCPPE) for CY 2023 contrary to COA Circular No. 2020-006 dated January 31, 2020 and Section 66 of the Manual on NGAS, Volume II, (b) due to non-reclassification of tangible properties with cost below the P50,000.00 capitalization threshold contrary to COA Circular 2022-004 dated May 31, 2022, and (c) unserviceable assets amounting to P2,123,486.59 remained undisposed and are still carried out in the books, inconsistent with Section 79 of PD No. 1445, thereby misleading the users of Financial Statements on the valuation and economic benefits of the recorded properties of the District at year end.

- 2.1. As of December 31, 2023, the carrying amount of the PPE accounts presented in the Statement of Financial Position amounted to P45,846,657.55 as shown below:

PPE Account	Gross Amount	Accumulated Depreciation	Net Value
Land	P3,281,659.00	P0.00	P3,281,659.00
Infrastructure Assets	61,924,162.97	20,850,556.14	41,073,606.83
Transportation Equipment	1,302,007.73	657,221.95	644,785.78
Furnitures, Fixtures and Books	2,076,598.81	1,229,992.87	846,605.94
Total	P68,584,428.51	P22,737,770.96	P45,846,657.55

- a) *Non-conduct of physical inventory of properties in accordance with the One-Time Cleansing of PPE account balances*
- 2.2. COA Circular No. 2020-006 dated January 31, 2020 provides for the Guidelines and Procedures in the Conduct of Physical Count of Property, Plant and Equipment (PPE), Recognition of PPE Items Found at Station, and Disposition for Non-existing/Missing PPE Items. Section 5.12 of the same Circular provides that *Property records shall be updated based on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPEs.*
- 2.3. Moreover, Section 66 of the Manual on NGAS, Volume II provides that: *"The Report on Physical Count of Property, Plant and Equipment (RPCPPE) shall be used to report the physical count of PPE by type as of a given date. It shows the balance of property and equipment per cards and per count and shortage/overage, if any."*
- 2.4. In addition, Section 111(1) of Presidential Decree (PD) 1445 states 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."*
- 2.5. Inquiry with Management disclosed that they were not able to conduct physical count of its PPE for CY 2023 nor fully comply with the guidelines and procedures provided in the COA Circular mainly due to lack of material time and intricacy of the procedures. Correspondingly, Report on Physical Count of Property, Plant and Equipment (RPCPPE) was not finalized and submitted to the Audit Team for verification.
- 2.6. It is worth emphasizing that the physical count of the District's PPEs will not only prove the accuracy of the recorded balances of the PPE accounts in the Financial Statements, but will also confirm the existence and condition of the property recorded in the accounting records and disclose the existence of unrecorded property, if any.
- 2.7. In the absence of RPCPPE, existence, accuracy, and completeness of the recorded PPE in the books of accounts could not be ascertained. Furthermore, reconciliation between the accounting and property records could not be done.

- b) *Non-reclassification of tangible properties with cost below P50,000.00 capitalization threshold*

2.8. Section 4 of COA Circular 2022-004, dated May 31, 2022, prescribes that:

4.1 *Tangible items which meet the definition and recognition criteria of PPE but the cost is below Fifty Thousand Pesos (P50,000) shall be accounted in the books of accounts of the agencies as semi-expendable property. This shall be supported by the issuance of the Inventory Custodian Slip (ICS) to establish accountability of the end-user. ICS shall be issued to the end-user and shall be renewed every three years or every time there is a change in custodianship user of the property. The threshold shall be applied on an individual asset or per item basis. Each item within the bulk acquisition such as library books, small equipment, computer peripherals, work animals and the like, will need to meet the amount below P50,000 to be recognized as semi-expendable property.*

4.2 *The increase in capitalization threshold from P15,000 to P50,000 shall be considered change in accounting policy and shall be applied retrospectively. It means that the new capitalization threshold of P50,000 shall be applied for all tangible items purchased in the calendar year (CY) 2022 onwards and in the prior years.*

4.3 *For issued tangible items acquired prior to CY 2022 with amounts from P15,000.00 to below P50,000.00 previously classified as PPE:*

- a. *The carrying amount shall be expensed/charged to the following accounts, as applicable.*

xxx

- ii) *Retained Earnings/(Deficit) for GCs classified as Commercial Public Sector Entities; or*

xxx

- b. *The corresponding accumulated depreciation and accumulated impairment loss shall be closed in the books of accounts.*

2.9. *Furthermore, Item 4.6 of the above-cited COA Circular also states that A change in accounting policy requires retrospective application. The entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. It means that the entity shall restate the amounts for prior period/s in the comparative financial statements to reflect the change in accounting policy.*

2.10. *Review of the PPE account revealed that there were items of PPE with costs below the capitalization threshold of P50,000.00 that are still recorded under the PPE account.*

2.11. *Non-implementation of the new capitalization threshold negatively affects the fair presentation of the affected accounts. Recording of the non-capitalizable*

tangible items as PPE resulted in the overstatement of PPE and its related Accumulated Depreciation and Retained Earnings.

c) *Non-disposal of unserviceable properties in the amount of P2,123,486.59*

- 2.12. Section 79 of PD 1445 provides that when a government property has become unserviceable or is no longer needed, it may be destroyed if it is valueless or unsaleable or sold at public auction if found to be valuable.
- 2.13. Likewise, COA Circular No. 89-296 provides the audit guidelines on the divestment or disposal of property and other assets of National Government Agencies and Instrumentalities. Local Government Units and Government-Owned or Controlled Corporations and their Subsidiaries.
- 2.14. Moreover, Section 6.3.1.h of COA Circular 2020-006 provides that the property unit prepare the Inventory and Inspection Report of Unserviceable Properties (IRUP) using the format prescribed under the Accounting Manuals of the respective Sectors for all PPEs found unserviceable, obsolete and/or no longer needed.
- 2.15. Upon review of the PPE accounts, it was found that unserviceable properties amounting to P2,123,486.59 were still recorded and not disposed of in accordance with the guidelines. Management has acknowledged the issue and committed to addressing it by disposing of the unserviceable properties as soon as possible.
- 2.16. Failure to dispose of unserviceable properties can accumulate unnecessary clutter and occupy valuable storage space, which could have been used for more productive purposes. It could result in potential safety hazards and environmental concerns. Furthermore, the PPE account could be overstated by the cost of unserviceable properties which are still recorded in the books. Therefore, the District must dispose of these unserviceable properties promptly and appropriately to avoid these negative consequences.
- 2.17. **We recommended the Management to:**
 - **require the Inventory Committee to conduct physical count of all properties and reconcile the results of the inventory-taking with the accounting records following the guidelines and procedures provided under COA Circular No. 2020-006 dated January 31, 2020;**
 - **Submit the RPCPPE to the Audit Team;**
 - **draw the necessary adjusting entries to charge to expenses or Retained Earnings the carrying values of the tangible properties with cost below the P50,000 capitalization threshold to accurately reflect the correct balances of the PPE, Accumulated Depreciation and Retained Earnings in the FS;**
 - **observe the P50,000 capitalization threshold when classifying and recording tangible items as PPE in compliance with COA Circular 2022-004 dated May 31, 2022; and**
 - **establish a Disposal and Appraisal Committee that will oversee and manage the disposal of unserviceable properties in compliance with**

existing regulations. This will prevent further deterioration and depreciation in the value of these assets.

Management Comment/s:

- 2.18. The Management stated during the Exit Conference that they have already created the Inventory Committee who will conduct the physical inventory of PPE and in fact has started the preliminary procedures but was not able to continue due to personal circumstances. The audit findings and recommendations were well noted.

Land

3. The existence, completeness, accuracy, and ownership rights of the Land account amounting to P3,245,000.00 as of December 31, 2023, could not be ascertained due to Management's failure to expedite the transfer of the titles of five (5) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

- 3.1. Section 39 (2) of PD No.1445 which provides that *"In the case of deeds to property purchased by any government agency, the Commission shall require a certificate of title entered in favor of the government or other evidence satisfactory to it that the title is in the government."*

- 3.2. Furthermore, Sections 51 and 52 of PD No. 1529 provide, among others, that:

Section 51. Conveyance and other dealings by registered owner. An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, leases or other voluntary instruments as are sufficient in law. But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies.

Section 52. Constructive notice upon registration. Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering.

- 3.3. Verification of the Schedule of Land as of December 31, 2023 disclosed that the District's thirteen (13) parcels of land with total cost of P3,245,000.00 were

not yet titled under the name of the Water District. The District only holds the Deeds of Sale and Deeds of Donation on said parcels of land as proof of ownership. The details are presented below.

Item	Description	Remarks	Unit Value
TUBOD AREA:			
Lot (Mar. 06, 2020)	Lot - Kalipay, Tubod, Lanao del Norte (A. Rodrigo) 600 sq.m.	Deed of Sale	P2,700,000.00
Pumping Station Lot (Dec. 27, 2018)	Pumping Station - Kalipay Village, Tubod, LDN (Jabagat) 134 sq.m.	Deed of Sale	335,000.00
Lot (Dec. 2019)	Lot - San Antonio, Tubod, Lanao del Norte (R. Lucot) 100 sq.m.	Deed of Sales	150,000.00
Pumping Station Lot (Jun. 12, 1994)	Pumping Station - Limot Vill., Tubod, LDN (D. Quirong) 100 sq.m.	Deed of Donation	
Pumping Station Lot (Jun 30, 2014)	Pumping Station - Pigcaragan., Tubod, LDN (V. Kilat) 16 sq.m.	Deed of Donation	
Pumping Station Lot (Jan. 17, 2015)	Pumping Station - Suan Village, Tubod, LDN (S. Monding) 100 sq.m.	Deed of Donation	
BAROY AREA:			
Pumping Station Lot (Jan. 2020)	Pumping Station -Pange, Baroy, LDN (Pange PS2-Soriano) 30 sq.m.	Deed of Sale	45,000.00
Reservoir Lot (Jun. 2, 2004)	Reservoir-Princesa, Baroy, LDN 200 sq.	Deed of Sale	15,000.00
Pumping Station Lot (Dec. 12, 2017)	Pumping Station - Sto. Nino Village, Baroy, LDN (Cabatic PS) 60 sq.m.	Deed of Donation	
Lot (Sept. 13, 2020)	Lot (Lower Sagadan, Baroy, Lanao del Norte) (Gorecho) 100sq.m.	Deed of Donation	
Pumping Station Lot (Dec. 15, 2017)	Pumping Station -Pange, Baroy, LDN (Pange PS1-Parba) 20 sq.m.	Deed of Donation	
Pumping Station Lot (Sept. 2, 2019)	Pumping Station -Bag-ong Dawis, Baroy, LDN (Lambojon PS) 33 sq.m.	Deed of Donation	
Pumping Station Lot (Sept. 13, 2020)	Pumping Station -Poblacion, Baroy, LDN (Maslog PS) 50 sq.m.	Deed of Donation	
	TOTAL		P3,245,000.00

- 3.4. Inquiry with the management disclosed that they are already taking the necessary steps for the titling of the lots owned by the District.
- 3.5. Furthermore, Land that were donated were recorded without unit value. Sec. 10 of the Government Accounting Manual (GAM) for NGAS, Volume I, states

that PPE acquired through donation without condition shall be taken up at its fair value at the date it is acquired. All expenses incurred in connection with the donated asset, such as delivery and installation costs, shall be included in the amount recognized as asset. The fair value of the PPE shall be recognized as Income from Grants and Donations.

- 3.6. The absolute ownership of the land and its land rights are established only on the basis of genuine TCTs, duly registered with the Register of Deeds, free from any lien and encumbrance. The absence of covering TCTS on these lots may pose problems on lack of absolute ownership such as, but not limited to, untoward action that the seller/his heirs may initiate in the future.
- 3.7. **We recommended the General Manager to instruct the concerned personnel to accelerate efforts to facilitate the transfer of the titles of the aforementioned parcels of land in the name of the District to ascertain absolute ownership of the District and to protect its interest.**

Management Comment/s:

- 3.8. The Management acknowledged the deficiencies noted and assured compliance with the audit recommendations within the year.

B. OTHER AUDIT OBSERVATION

Gender and Development

4. **Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.**
 - 4.1. PCW-DBM-NEDA Joint Memorandum Circular No. 2012-01 or the Guidelines on the Preparation of Annual Gender and Development Plans and Budgets (GPB) and Accomplishment Reports to Implement the Magna Carta of Women states that:
 - 2.3 *Pursuant to the MCW and the General Appropriations Act (GAA, all government departments, including their attached agencies, offices bureaus, state university and colleges (SUCs), government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GPBs within the context of their mandates to mainstream gender perspectives in their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five percent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.*

- 3.2 *GAD planning and budgeting shall be conducted annually as part of all programming and budgeting exercises of agencies. The PAPs in the GPB shall be included in the agency budget proposal and they shall be reflected in the Annual Work and Financial Plan (WFP) of concerned offices or units within the agency or department.*
- 3.3 *The GAD budget, which is the cost of implementing the GAD plan shall form part of, and is not in addition to the agencies' approved budget.*
- 4.2. Additionally, COA Circular 2014-001 dated March 18, 2014, prescribes the audit of GAD, stating in Section V the responsibility of the audited agency as follows:
- 4.3. *"The audited agency shall submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days; from the receipt of the approved plan from the DILG/ PCW. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year."*
- 4.4. Contrary to the forgoing, the Water District submitted the copy of the GAD Plan and Budget for CY 2023 only when requested this year which would supposedly present the GAD issues identified. Similarly, GAD Accomplishment Report was not submitted to this office.
- 4.5. Inquiry with the Management revealed that they have prepared GAD Plan and Budget as well as the GAD Accomplishment Report but was not only able to furnish copy to the audit team. Non- submission of GAD Plan and Budget and Accomplishment Report on time prevented the Audit Team from determining if the gender issues identified were approved by LWUA/PCW and whether the gender issues had been fully addressed.
- 4.6. **We recommended the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001 without demand.**

Management Comment/s:

- 4.7. The Management admitted its failure to submit GAD reports within the prescribed period and committed to implement the audit recommendation.

Disaster Risk Reduction and Management Fund

5. **The District was unable to prepare a comprehensive plan, provide adequate budgetary allocations and implement various projects, activities and programs concerning Disaster Risk Reduction and Management (DRRM) inconsistent with the provisions of Republic Act (RA) No. 10121 and Section 40, Volume I of General Appropriations Act of 2023 (RA 11936) thus, leaving the District incapable of being ready prior to, during and after every disaster.**

- 5.1. Section 4, Rule 1 of the Implementing Rules and Regulations (IRR) of RA No. 10121 or the Philippine Disaster Risk Reduction and Management Act provides for the development of policies and plans and the implementation of actions and the implementation of actions and measures pertaining to all aspects of disaster risk reduction and management, including good governance, risk assessment, early warning, knowledge building and awareness raising, reducing underlying risk factors, preparedness for effective response and early recovery. These shall apply to all levels of government, civil societies, private sectors and all other DRRM stakeholders.
- 5.2. Section 5, Rule 19 of the same IRR states that all departments, bureaus, offices and agencies of the government are authorized to use a portion of their appropriation to implement projects designated to address DRRM activities in accordance with the guidelines to be issued by the NDRRMC in coordination with the DBM.
- 5.3. In addition, Section 40, Volume I of the General Appropriations Act of 2023 (RA 11936) on Disaster Risk Reduction and Climate Change Adaptation and Mitigation Measures Incorporated All Agencies of the government should implement projects incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation. xxx
- 5.4. This year, the Management has again failed to develop policies and plans and implement actions pertaining to disaster risk reduction. They have allotted P100,000.00 budget for DRRM Fund out of P39,875,100.00 Corporate Operating Budget for CY 2023. Hence, only few projects, activities and programs were implemented despite the prior year findings and recommendation.
- 5.5. The DRRM Officer reasoned that they were 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.
- 5.6. The District should prepare a DRRM Plan which includes plans and actions to mitigate risks, increase awareness and preparedness for quick response in cases of calamities and disasters such as floods and earthquakes. Management should be aware and be concerned about the occurrence of these calamities. To ensure the general welfare of its concessionaires, the District is expected to be at the frontline of adopting emergency measures to avert water contamination, prevent prolonged disruption of water services, and avoid water loss through wastage due to lengthy repair response time, among others. Additionally, the absence of plan deprived the targeted beneficiaries of the benefit of being informed about disaster preparedness or safety measures in times of calamity.
- 5.7. **We recommended the management to:**
 - **Allocate adequate budget for DRRM programs and activities;**

- Develop a DRRM Program and have a framework for disaster preparedness, response, prevention and mitigation, and rehabilitation and recovery, pursuant to RA 10121; and
- Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2024.

Management Comment/s:

5.8. 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, PHILHEALTH, AND PAG-IBIG PREMIUMS

6. 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

7. 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 P1,889,486.08 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 SUSPENSIONS, DISALLOWANCES AND CHARGES

8. The total audit suspension, disallowances and charges found in the audit of various transactions of the agency as of December 31, 2023 is P347,230.40, 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, 01/01/2023	CY 2023 Issuances	CY 2023 Settlement	Balance, 12/31/2023
Suspensions	₱ 30,752.00	0.00	0.00	₱ 30,752.00
Disallowances	₱ 316,478.40	0.00	0.00	₱ 316,478.40
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	19	44.19%
Not Implemented (For Implementation)	24	55.81%

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2022 No. 1	The existence and accuracy of the Property, Plant and Equipment (PPE) account with net value of P38,184,108.34 as at December 31, 2022 cannot be ascertained due to the inability of the agency to fully implement the guidelines and procedures in the one-time cleansing of PPE account balances contrary to COA Circular No. 2020-006 dated January 31, 2020.	We recommended the Management to: Require the Accounting and Property Unit to conduct the required preliminary activities as provided in Section 6.1 of COA Circular No. 2020-006 and submit the documents or reports gathered to the Inventory Committee as basis in the preparation of Physical Inventory Plan;	Not Implemented ₀₁ The management has started the preliminary activities but was not able to finish it.
		Require the Inventory Committee to prepare the Physical Inventory Plan and submit to COA the approved copy at least ten (10) calendar days before the scheduled start of inventory taking activities;	Not Implemented ₀₂ The management has not completed the preliminary activities of inventory, thus, was not able to prepare the Physical Inventory Plan.
		Require the Inventory Committee to ensure strict compliance with the guidelines and procedures in the conduct of physical count of PPEs; and	Not Implemented ₀₃ The management has started the preliminary activities but was not able to finish it, thus, has not completed the inventory procedures as provided in COA Circular No. 2020-006.
		Submit the RPCPPE to the Audit Team.	Not Implemented ₀₄

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2022 No. 2	Past due and dormant Receivables aging over a year amounting P1,058,578.62 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: 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;	Management was not able to conduct physical inventory, thus, has not prepared RPCPPE. Fully Implemented ₀₁
		Exert efforts to collect the receivables thru demand letters; and	Fully Implemented ₀₂
		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 ₀₅ The Water District is in the process of gathering documents to support request for write-off.
AAR 2022 No. 3	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 per cent (5%) of the District's Corporate Operating Budget for the year.	We recommended that the agency: Assess and identify gender and development issues within the organization and those of the outside stakeholders;	Not Implemented ₀₆
		Establish policies, strategies, and initiatives to address the identified gender and development issues whether within or outside the organization;	Not Implemented ₀₇
		Allocate at least 5 per cent 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;	Not Implemented ₀₈
		Formulate annual GAD Plan and Budget within the context of the District's mandate and	Not Implemented ₀₉

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		submit the same together with the GAD Accomplishment Report for the previous year to PCW for review and endorsement to DBM;	
		Implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness; and	Not Implemented ₁₀
		Establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities; and	Not Implemented ₁₁
		Evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.	Not Implemented ₁₂
AAR 2022 No. 4	The District remains non-compliant with the requirement under Section 22 of the Philippine Disaster Risk Reduction and Management Act of 2010 (RA 10121) and Section 37 of General Appropriations Act of 2021 (RA 11518) to adopt and implement a Disaster Risk Reduction and Management Program.	We recommended the management to: Develop a DRRM Program and have a framework for disaster preparedness, response, prevention and mitigation, and rehabilitation and recovery, pursuant to RA 10121; and	Not Implemented ₁₃
		Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2022.	Fully Implemented ₀₃
AAR 2022 No. 5	The Non-Revenue Water (NRW) of the District is equivalent to 23.01 per cent which exceeded the 20 per cent maximum acceptable NRW prescribed by LWUA resulting to unaccounted water losses, which is not in accord with LWUA Memorandum Circular No. 014-10 dated	We recommended the management to: 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	Fully Implemented ₀₄

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	December 2, 2010 and LWUA Resolution No. 444 series of 2009, hence, resulting in monetary loss of P400,128.96 to the District.	Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.	Not Implemented ¹⁴
AAR 2021 No. 1	The Cash in Bank in the amount of P7,873,060.45 could not be ascertained as to its accuracy and correctness due to the delayed submission of monthly Bank Reconciliation Statements (BRS) including supporting documents contrary to 74 of PD No. 1445 and Sections 5 and 7, Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies.	We recommend that the management require its accounting personnel to prepare and submit the BRS not submitted to the Audit Team. Moreover, to submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor for Auditor's verification.	Fully Implemented ⁰⁵
AAR 2021 No. 2	Past Due and Dormant Accounts Receivable accounts aging two to more than ten years amounting P922,620.67 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 recommend that Management: Exert efforts to collect the receivables thru demand letters;	Fully Implemented ⁰⁶
		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	Fully Implemented ⁰⁷
		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 ¹⁵ The Water District is in the process of gathering documents to support request for write-off.
AAR 2021 No. 3	The Water District was not able to complete procedures enumerated in COA Circular No. 2020-006 for the one-time cleansing of its Property, Plant and Equipment account balance in the amount of P36,603,101.36 that	We recommend the management to: Immediately act and comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking, recognition of those found at station and	Not Implemented ¹⁶ The Water District failed to faithfully comply with the procedures stated in the COA Circular.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	adversely affected the assets' verifiability as to existence, condition, and accountability.	disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts to establish its balances.	This finding is reiterated this report.
		If possible, hire an employee to assist in the performance of the inventory-taking, bookkeeping, and accounting for the immediate implementation of the physical count.	Not Implemented ¹⁷
AAR 2021 No. 4	Power costs incurred in pumping stations amounting to P8,676,500.83 were erroneously recorded as Electricity Expenses (P8,537,961.83) and Fuel, Oil and Lubricants Expenses (P138,539.00) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expenses, causing misstatements in both expense accounts, contrary to COA Circular No. 2015-010 dated December 1, 2015.	We recommend the Management to: Direct the Accounting Processor to prepare the necessary adjusting entries for the current year's erroneous recording of these expenses to reclassify them to their appropriate accounts;	Fully Implemented ⁰⁸
		Instruct the Accounting Processor to prospectively record these transactions in the correct expense account classification; and	Fully Implemented ⁰⁹
		Comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of Revised Chart of Accounts for government corporations.	Fully Implemented ¹⁰
AAR 2021 No. 5	Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus the accuracy and validity of the account balances could not be verified.	We recommend that the management to require its accounting personnel to prepare and submit the lacking required reports to the COA Audit team and submit future Annual Financial Statements in accordance with COA Circular No. 2015-004.	Fully Implemented ¹¹
AAR 2021 No. 6	Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of	We recommended the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by	Fully Implemented ¹²

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.	PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001.	
AAR 2021 No. 7	The agency failed to submit the Disaster Risk Reduction and Management Plan and Budget, as well as implement programs and activities therein, contrary to Section 37 of General Appropriations Act of 2021 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121)	We recommend that the Management require the DRRM Officer to: Formulate and implement programs and activities intended to address Disaster Risk Reduction and Management that are doable even with the current pandemic; and Submit the Disaster Risk Reduction and Management Plan and Budget within the prescribed period.	Not Implemented ¹⁸ The Management has formulated plans and programs but were not able to fully implement them.
AAR 2020 Finding 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 ₱29,319,004.23 in 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.	Not Implemented ¹⁹ The Water District failed to faithfully comply with the procedures stated in the COA Circular. This finding is reiterated this report.
AAR 2020 Finding 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	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	Not Implemented ²⁰ The Water District failed to faithfully comply with the procedures stated in the COA Circular. This finding is reiterated this report.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	Inventory as reflected in the financial statements of in the amount of ₱3,951,593.81.	Appendix 66, Government Accounting Manual, Volume II.	
AAR 2020 No. 3	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value ₱ 26,908,581.93 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.	We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.	Fully Implemented ¹⁴
AAR 2020 No. 4	Notices of Awards, Purchase Orders, Notices to Proceed and Inspection and Receiving Reports for purchases of goods, materials, and supplies amounting to ₱ 6,103,990.62 have blank date of receipt by the suppliers thus circumventing imposition of liquidated damages in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184)	We recommend that the date of receipt of Notices of Award, Purchase Orders and Notices to Proceed including its Inspection and Acceptance Reports should be indicated for the purpose of imposing liquidated damages in cases where delay was committed inclusive of duly granted extensions. Indicate a reasonable period of delivery for suppliers located outside the District's locality.	Fully Implemented ¹⁵
AAR 2020 No. 5	Delayed submission of copies of Contracts/Purchase Orders in violation Section 3 of COA Circular No. 2009-001 precluded the auditorial and technical review of the procurement transactions and prompt detection/correction of possible deficiencies.	We recommend that management furnish the Auditor copy of the purchase orders and contract documents not later than five (5) working days after the perfection of contracts/purchase orders together with duly	Not Implemented ²¹ Copies of POs were submitted but copies of Contracts were not.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	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 ₱4,875,514.26.	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.	This finding is reiterated in this report.
AAR 2019 No. 3	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value ₱26,908,581.93 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.	We recommended that adherence to Section 5 of RA 656 to protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.	Fully Implemented ¹⁸
AAR 2019 No. 4	The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to ₱919,407.18 contravenes Sec. 7 of the District's Water District Water Service Contract and unfavorably affects the Water District operations.	We recommended that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents.	Not Implemented ²⁴ This observation is reiterated in this report.
AAR 2019 No. 5	Water sales for the month of December 2019 amounting to P104,222.64 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.	We recommend that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.	Fully Implemented ¹⁹