



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. I
OFFICE OF THE REGIONAL DIRECTOR
City of San Fernando, La Union
Tel. No. (072) 888-5780

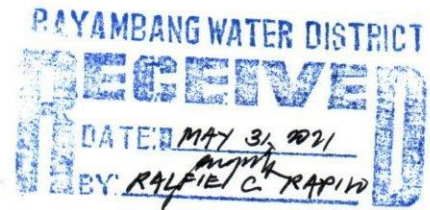
May 5, 2021

DR. FRANCISCO B. ZARAGOZA

Chairman of the Board of Directors
Bayambang Water District
Bayambang, Pangasinan

MR. FRANCIS J. FERNANDEZ

General Manager
Bayambang Water District
Bayambang, Pangasinan



Dear Director Zaragosa and General Manager Fernandez:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, otherwise known as the "Government Auditing Code of the Philippines," and in line with this Commission's efforts towards informing Management on how fiscal responsibility had been discharged, we are pleased to transmit the report of our auditors on the audit of the accounts and operations of the Bayambang Water District, Bayambang, Pangasinan, for the year ended December 31, 2020.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the District to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements. We believe that our audit, which resulted in the following significant observation, provides a reasonable basis for our qualified opinion:

- Inadequate and incomplete details of Property, Plant and Equipment (PPE) transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only ₱255,232,522.35 were properly identified and validated compared to ₱312,617,430.58 PPE account balance or a difference of ₱57,384,908.23. These rendered the existence and accuracy of PPE account uncertain and affected the fair presentation of the financial statements.

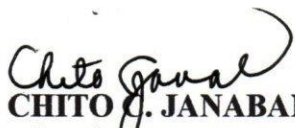
We request that the observations and recommendations contained in the report be appropriately acted upon and we will appreciate being informed of the actions taken

thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI), form attached, within 60 days upon receipt hereof.

We acknowledge the cooperation and support extended to our auditors during the audit.

For the Commission on Audit:

By:


ATTY. CHITO C. JANABAN
Regional Director

Copy furnished:

The President of the Republic of the Philippines
Malacañang Palace Compound
J.P. Laurel St., San Miguel, Manila

The Vice-President of the Republic of the Philippines
Quezon City Reception House
100 11th Street, Brgy. Mariana
New Manila, Quezon City

The Senate President
Senate of the Philippines
GSIS Building, Financial Center
Roxas Blvd., Pasay City

The Chairperson-Senate Finance Committee
Senate of the Philippines
GSIS Building, Financial Center
Roxas Blvd., Pasay City

The Speaker of the House
House of Representatives
Constitutional Hills, Quezon City

House of Representatives of the Philippines
Basement, North Wing Building
Constitutional Hills, Quezon City

The Secretary of the Department of Budget and Management
General Solano Street, San Miguel, Manila

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

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

The Chief Office
UP Law Center
Bacobo Hall, UP Law Complex
UP Diliman, Quezon City

The Director
COA Commission Central Library
Commission on Audit
Commonwealth Avenue, Quezon City



Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. I
Corporate Government Sector 7
Water Districts and Other CGS Stand Alone Agencies
Team R1-04

MEMORANDUM

FOR : ATTY CHITO C. JANABAN
Regional Director
Commission on Audit
Regional Office No. I

THRU : ATTY. ROBERT V. OCAMPO, SR.
OIC – Supervising Auditor

DATE : May 4, 2021

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of Bayambang Water District (BAYWAD), Bayambang, Pangasinan for the year ended December 31, 2020.

The audit was conducted to ascertain the fairness of presentation of the financial statements and the propriety of financial transactions. We conducted the audit in accordance with generally accepted auditing standards and we believe that it provides a reasonable basis for the results of the audit. The audit was likewise aimed at determining whether the desired objectives were attained in an effective, efficient, and economical manner.

Our report consists of four parts. Part I is the Audited Financial Statements, Part II contains the Observations with the corresponding Recommendations, which were discussed with Management in an exit conference, Part III presents the Status of Implementation by the Auditee of Prior Years' Audit Recommendations and Part IV, the Annexes.

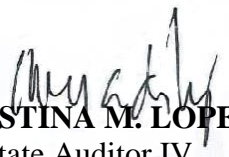
There is a reason to believe that the financial statements are free from material misstatement/s and are prepared in accordance with applicable laws, rules, and regulations and in conformity with generally accepted accounting principles.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of BAYWAD as at December 31, 2020 and its financial

performance and cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

We discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference last April 30, 2021. We are pleased to note their favorable reactions to our recommendations.

We acknowledge the cooperation extended to us by the District personnel, particularly those of the Finance Section, through whose assistance and support, the submission of this report was made possible.



CRISTINA M. LOPEZ
State Auditor IV
Audit Team Leader



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

BAYAMBANG WATER DISTRICT
Bayambang, Pangasinan

For the Year Ended December 31, 2020

EXECUTIVE SUMMARY

A. INTRODUCTION

Bayambang Water District (BAYWAD) was created by virtue of Sangguniang Bayan Resolution No. 10 dated March 8, 1980 pursuant to Presidential Decree (PD) No. 198. It was then issued with Conditional Certificate of Conformance No. 119 on June 30, 1980 making it eligible to avail comprehensive assistance program from the Local Water Utilities Administration (LWUA).

Classified by LWUA as Category “C” effective March 2012, BAYWAD has a total of 12,360 active service connections which is composed of 10,848 concessionaires in the Municipality of Bayambang, 1,448 in the Municipality of Bautista, 51 in the Municipality of Malasiqui, and 13 in the Municipality of Basista. The District has 10 pumping stations located at the following:

- Zone V, Poblacion
- Sapang
- Beldet, Tamaro
- Mangayao
- Bacnono
- Tambac
- Nalsian Norte
- Tamaro
- Buenlag 2nd
- Buenlag 2nd Phase 2

BAYWAD is being led by General Manager (GM) Francis J. Fernandez who is duly assisted by 44 permanent, 14 casual and 2 Job-Order employees. Its policy-making body is its Board of Directors (BOD) headed by Dr. Francisco B. Zaragoza.

B. OPERATIONAL HIGHLIGHTS

Consistent with its mission to deliver safe, adequate and affordable drinking water in every home and in any part of the Municipality of Bayambang, through a sustainable water resources development, the Water District reported the following accomplishments:

Performance Indicator	2020	2019
No. of active service connections	12,360	11,289
No. of new service connections	1,074	1,733
No. of service reconnections	1,490	2,032
No. of service disconnections	1,652	2,121
Non-Revenue Water Rate	21.98%	23.20%

C. FINANCIAL HIGHLIGHTS

The financial position and the results of operation of BAYWAD for the year ended December 31, 2020, with the comparative figures for CY 2019 are presented as follows:

C.1. Financial Position

For CY 2020, there was an increase of 28.60% in assets, an increase of 5.35% in liabilities and an increase of 57.43% in equity, summarized as follows:

Particulars	Amount (₱)			Percentage Change
	2020	2019	Increase (Decrease)	
Assets	265,998,393.58	206,848,270.62	59,150,122.96	28.60
Liabilities	120,662,638.20	114,529,807.01	6,132,831.19	5.35
Equity	145,335,755.38	92,318,463.61	53,017,291.77	57.43

C.2. Financial Performance

For CY 2020, the Water District posted a 30.87% increase in net income tabulated as follows:

Particulars	Amount (₱)			Percentage Change
	2020	2019	Increase (Decrease)	
Income	90,705,975.12	76,718,943.46	13,987,031.66	18.23
Expenses	72,362,325.06	62,701,820.85	9,660,504.21	15.41
Net Income	18,343,650.06	14,017,122.61	4,326,527.45	30.87

C.3. Summary of Total Budget and Disbursements

The Water District expended 39.20% of the total budget for CY 2020 presented as follows:

Particulars	Amount (₱)		Percentage of Utilization
	Budget	Utilization	
Personnel Services	31,152,197.23	20,172,755.32	64.76
Maintenance and Other Operating Expenses	39,374,442.19	28,419,047.17	72.18
Financial Expenses	20,110,011.66	12,246,640.77	60.90
Capital Expenditures	139,653,412.66	29,435,605.31	21.08
Total	230,290,063.74	90,274,048.57	39.20

D. SCOPE OF AUDIT

A comprehensive audit was conducted on the accounts and operations of BAYWAD for the year ended December 31, 2020. The audit consisted of review of the operating procedures, inspection of programs and projects, interview with concerned officials and employees, verification, reconciliation and analysis of accounts, and such other procedures deemed necessary.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements as at December 31, 2020 because of the following observation:

- Inadequate and incomplete details of Property, Plant and Equipment (PPE) transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only ₱255,232,522.35 were properly identified and validated compared to ₱312,617,430.58 PPE account balance or a difference of ₱57,384,908.23. These rendered the existence and accuracy of PPE account uncertain and affected the fair presentation of the financial statements.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Presented below are the observations with corresponding recommendations which were discussed with the concerned agency officials during the exit conference on April 30, 2021. Corresponding comments thereof are incorporated in Part II of the report, where appropriate:

1. Several properties of the District were not insured with the General Insurance Fund (GIF) administered by the Government Service Insurance System (GSIS) contrary to Section 5 of Republic Act (RA) No. 656 and COA Circular No. 2018-002 dated March 31, 2018, thus, affecting the interest of the District against insurable risks over the properties in case of loss or damages.

We recommended that Management instruct the Accountant, with the assistance of the Property Officer, to prepare the Property Inventory Form (PIF) and submit the same to the Audit Team for monitoring purposes and to the GSIS for proper assessment of insurance premiums.

2. The Bids and Awards Committee (BAC) of the District does not invite observers from a Duly Recognized Private Group and Non-Government Organization (NGO) to sit in the eligibility checking, shortlisting, pre-bid conference, preliminary

examination of bids, bid evaluation, and post-qualification proceedings, in violation to Section 13.1 of 2016 Revised Implementing Rules and Regulations (IRR) of RA No. 9184, thus defeated the purpose of transparency and full compliance with the procurement law.

We recommended that Management require the BAC to strictly adhere to the provisions of Section 13.1 of 2016 Revised IRR of RA No. 9184 that other than COA representative, a representative from Duly Recognized Private Group and NGO shall be invited in the eligibility checking, shortlisting, pre-bid conference, preliminary examination of bids, bid evaluation, and post-qualification.

3. The Water District's Non-Revenue Water (NRW) for CY 2020 is 21.98% which is above the maximum acceptable rate of 20% as prescribed under LWUA Resolution No. 444 series of 2009, hence, affected its operating and revenue generation efficiency, and a manifestation of inadequacies in the control, monitoring of water production, distribution and water billing to the disadvantage of the District.

We recommended that Management direct the BOD to revisit the existing policies in reducing water losses and evaluate their efficiency and effectiveness. We further recommended that the GM implement intensified specific NRW reduction strategies such as replacement of old water meters and service lines and the conduct of regular investigation of engineering aides on possible leakages to manage water losses to significantly reduce the high level of NRW to the maximum rate of 20%.

4. The Water District's absence of effective collection policies and procedures resulted in uncollected receivables from inactive accounts of ₱3,599,112.18 which does not align with principles of cash management and Section 2 of PD No. 1445, thus deprived the District of using such funds to finance its operation and investment projects.

We recommended that Management direct the BOD to formulate strong collection policies and procedures to improve cash flows. We also recommended that the Billing Personnel implement efforts to collect the accounts receivables such as service of demand letters and follow-up visits, if necessary.

5. Inadequate inventory planning and control of stocks resulted in too much inventory of supplies and materials for local water systems operations amounting to ₱6,496,740.55 contrary to Section 2 of PD No. 1445 and Section 25 of the General Appropriations Act (GAA) of FY 2020 General Provisions thus may expose the inventories to risk of possible loss, spoilage, obsolescence, and material degradation.

We recommended that Management:

- a) Instruct the Property Officer to conduct proper inventory planning and monitoring on the movement of supplies and materials to determine when

to order considering the lead time and quantity needed to procure for each item;

- b) Require the Inventory Custodian to update bin cards regularly; and
- c) Require the Accountant to perform regular reconciliation of inventory records for control and monitoring purposes.

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

The status of implementation of prior years' audit recommendations is presented below:

Status	No. of Recommendations for Implementation		Percentage of Implementation	
	2019	2018 and below	2019	2018 and below
Implemented	12	8	75.00	88.89
Not Implemented	4	1	25.00	11.11
Total	16	9	100.00	100.00

H. STATUS OF SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The summary of audit suspensions, disallowances and charges of the District as of December 31, 2020 is presented as follows:

Particulars	Amount (₱)			
	Beginning Balance (12/31/2019)	CY 2020 Issuances		Ending Balance (12/31/2020)
		NS/ND/NC	NSSDC	
Suspensions	1,154,134.77	8,903.57	1,154,134.77	8,903.57
Disallowances	2,494,963.11	1,122,181.23	261,561.00	3,355,583.34
Charges	-	-	-	-
Total	3,649,097.88	1,131,084.80	1,415,695.77	3,364,486.91

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PART I

AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Bayambang Water District
Bayambang, Pangasinan

Qualified Opinion

We have audited the financial statements of Bayambang Water District, Bayambang, Pangasinan which comprise the statement of financial position as at December 31, 2020, and the 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 matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Bayambang Water District as at December 31, 2020 and its financial performance and cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Qualified Opinion

As discussed in Part II of the report, the Auditor rendered a qualified opinion on the fairness of presentation of financial statements because of the following:

- Inadequate and incomplete details of PPE transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only ₱255,232,522.35 were properly identified and validated compared to ₱312,617,430.58 PPE account balance or a difference of ₱57,384,908.23. These rendered the reliability and accuracy of PPE account uncertain and affected the fair presentation of the financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:


ATTY. ROBERT V. OCAMPO, SR.
OIC-Supervising Auditor

May 3, 2021



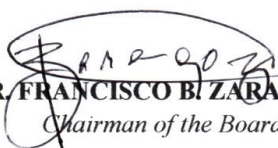
REPUBLIC OF THE PHILIPPINES
BAYAMBANG WATER DISTRICT
CCC#: 119

BARANGAY
BayWad
TEAM NG BAYAN
CHAMPIONS

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

The management of the Bayambang Water District is responsible for the preparation of the financial statements as at December 31, 2020, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.


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


DR. FRANCISCO B. ZARAGOZA
Chairman of the Board

January 29, 2021
Date Signed


RALFIE C. RAPILO
Sr. Corporate Accountant-A

January 29, 2021
Date Signed


FRANCIS J. FERNANDEZ
General Manager

January 29, 2021
Date Signed



Ernesto J. Fernandez Bldg., Rizal Avenue, Zone II corner Juan Luna, Bayambang, Pangasinan 2423
Telephone No. (075) 632-1299
Email: gmf_fernandez@yahoo.com/baywad_pangasinan@yahoo.com
Working Towards a Better Water District for Efficient Water Service



NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

1. Agency Information

The water supply system of the Municipality of Bayambang was initially managed and operated by the Local Government of Bayambang. On March 8, 1980, through Sangguniang Bayan Resolution No. 10 authored by the former Municipal Councilor Calixto B. Camacho, BAYWAD was created.

The operations of the water district started on October 5, 1979, pursuant to the provisions of the PD No. 198. The District is responsible for (a) acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such district, (b) providing, maintaining, and operating wastewater collection, treatment and disposal facilities, and (c) conducting such other functions and operations and incidental to water resource development, utilization and disposal within such District.

Classified by LWUA as Category “C” effective March 2012, the District has 12,360 active service connections as of December 31, 2020. BAYWAD has 60 hardworking employees under the stewardship of GM Francis J. Fernandez.

The policy-making body of BAYWAD is composed of the following representing the sector opposite their names:

Name	Position	Sector	Term of Office
Dr. Francisco B. Zaragosa	Chairman	Education	January 1, 2017 to December 31, 2020
Mrs. Annie Fernandez	Vice-Chairman	Women	January 1, 2019 to December 31, 2024
Dr. Nicolas O. Miguel	Board Secretary	Business	January 1, 2019 to December 31, 2022
Mr. Marlon T. Nonato	Member	Civic	January 1, 2019 to December 31, 2024
Mr. Bernardo C. Jimenez	Member	Professional	August 5, 2019 to December 31, 2022

The Water District’s registered office is located at Ernesto J. Fernandez Building, Rizal Avenue, Zone II corner Juan Luna, Bayambang, Pangasinan.

2. Basis of Preparation of Financial Statements

The financial statements of the Water District have been prepared in accordance with the PFRS. The financial statements are presented in Philippine pesos, which is the functional and reporting currency of the District.

3. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on an accrual basis in accordance with the PFRS. Accounts were classified to conform to the Revised Chart of Accounts prescribed under COA Circular No. 2020-002 dated January 28, 2020.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

The Water District uses the first in first out (FIFO) method for inventory costing. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the District.

Property, Plant and Equipment (PPE)

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

The capitalization threshold is P15,000 as prescribed by COA.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the District recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

The straight-line method of depreciation is adopted and begins when the asset is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management

The Water District uses the Schedule on the Estimated Useful Life of PPE by classification prescribed by COA.

The District uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

At each reporting date, the Water District assesses whether there is an indication that PPE may be impaired. In assessing whether there is any indication that an asset may be impaired, the District considers external and internal sources of information.

Intangible Assets

Intangible asset is an identifiable non-monetary asset without physical substance.

An item is recognized as intangible asset, whether purchased or self-created (at cost) if, and only if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are measured at cost.

Amortization begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management of the Water District.

The amortization method to be applied shall be the Straight-Line Method unless a pattern in which the asset's future economic benefits are expected to be consumed by the entity can be determined reliably.

Income from Government Grants

Government grants are recognized only when there is reasonable assurance that (a) the Water District will comply with any conditions attached to the grant and (b) the grant will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Water District recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income.

Changes in Accounting Policies and Estimates

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

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

The Water District corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

Related Parties

The District regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the District or vice versa. Members of key management are regarded as related parties and comprise the BOD and General Manager.

4. Cash and Cash Equivalents

Account	2020	2019
Cash on Hand		
Cash-Collecting Officers	-	43,913.42

Account	2020	2019
Petty Cash	4,185.05	1,604.17
Cash in Bank-Local Currency		
Cash in Bank-Local Currency, Current Account	670,266.22	1,955,062.56
Cash in Bank-Local Currency, Savings Account	4,698,064.90	4,239,212.82
Total Cash and Cash Equivalents	5,372,516.17	6,239,792.97

Cash on Hand pertains to Petty Cash Fund in the amount of ₱10,000.00 that is operated under Imprest Fund System, and Cash Collecting Officer account, which are the cash collections of Accountable Officers from 3:00 PM to 5:00 PM that will be deposited on the following working day.

Cash in Bank- Local Currency

Current Account pertains to the current accounts maintained with the Land Bank of the Philippines (LBP) with Acct Nos. 1342-1043-19 and 1342-1074-15; and earns interest based on the prevailing bank deposit rates.

Savings Account pertains to the savings accounts in LBP and Rural Bank of Bayambang (RRB) with Acct Nos. 1341-1888-29 and 20-03959, respectively; and earns interest based on the prevailing bank deposit rates. In a letter dated October 23, 2019, pursuant to Department of Finance (DOF) Circular No. 1-2017, the District was given authority by the DOF to maintain an account with the RBB.

5. Receivables

Account	2020	2019
Loans and Receivable Accounts		
Accounts Receivable	13,642,605.19	11,013,117.46
<i>Allowance for Impairment-Accounts Receivable</i>	<i>(1,139,245.14)</i>	<i>(1,041,351.28)</i>
Net Value-Accounts Receivable	12,503,360.05	9,971,766.18
Other Receivables		
Receivables-Disallowances/Charges	2,177,340.91	2,477,986.86
Due from Officers and Employees	54,065.18	97,642.85
Total Receivables	14,734,766.14	12,547,395.89

Accounts Receivable (AR) represents the amount due from concessionaires arising from the water sales services.

Allowance for Impairment - AR account is credited upon recognition of impairment which may arise from non-collection of receivables. Basis on the computation is a policy approved by the BAYWAD BOD. Details of which are as follows:

Age	Amount of AR	% of Allowance	Allowance for Impairment Loss
0-60 days	9,848,881.24	0	-
61 days - 1 year	554,583.07	1	5,545.83
1 year up	3,239,140.88	34	1,133,699.31
	Required Allowance		1,139,245.14
	Allowance for Impairment - Beginning		1,041,351.28
	Impairment Loss 2020		97,893.86

Receivables- Disallowances/Charges pertains to expenses disallowed by COA supported with Notice of Finality of Decision or those Notices of Disallowance that were not appealed within 180 days.

Due from Officers and Employees pertains to receivables from employees other than those in Receivables-Disallowances/Charges.

6. Inventories

Account	2020	2019
Inventory Held for Sale		
Merchandise Inventory	4,027,979.14	-
Inventory Held for Consumption		
Office Supplies Inventory	87,028.77	12,392.17
Medical, Dental and Laboratory Supplies Inventory	4,120.00	
Chemical and Filtering Supplies Inventory	87,630.00	
Supplies and Materials for Water Systems Operations	2,468,761.41	4,598,627.09
Total Inventory Held for Consumption	2,647,540.18	4,611,019.26
Total Inventories	6,675,519.32	4,611,019.26

Inventories of the District for Water Systems Operation are held for sale and consumption.

Merchandise Inventory represents the balance of inventories intended for sale to concessionaires.

Inventories Held for Consumption represents the balance of inventories for consumption, which includes materials for connection and reconnection and other inventories that remains with the BAYWAD as of balance sheet date.

7. Prepayments

Account	2020	2019
Prepaid Insurance	11,195.92	-
Withholding Tax at Source	94,028.84	46,845.18

Total Prepayments	105,224.76	46,845.18
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Prepaid Insurance represents the amount of insurance premiums paid but has not been incurred as of balance sheet date.

Withholding Tax at Source represents creditable withholding taxes made by government agencies and top taxpayers on water bills that are evidenced by form 2306 or 2307 and deductible to Franchise Tax liability.

8. Other Investments

Account	2020	2019
Sinking Fund	2,281,823.21	2,246,520.43

Sinking Fund represents the amount of money reserved for future payment of loans. This is invested at the LBP with Account No. 1341-1827-82.

9. Property, Plant and Equipment

Account	2020	2019
Land	5,561,908.88	5,507,834.48
Land Improvements		
Other Land Improvements	1,133,358.25	273,048.75
<i>Accumulated Depreciation-Other Land Improvements</i>	(171,497.43)	(14,000.71)
Net Value-Other Land Improvements	961,860.82	259,048.04
Infrastructure Assets		
Plant-Utility Plant in Service (UPIS)	244,586,169.85	190,674,048.19
<i>Accumulated Depreciation-Plant (UPIS)</i>	(56,148,535.74)	(58,008,746.10)
Net Value-Plant-Utility Plant in Service (UPIS)	188,437,634.11	132,665,302.09
Buildings and Other Structures		
Buildings	2,030,000.00	2,000,000.00
<i>Accumulated Depreciation-Buildings</i>	(603,610.14)	(948,714.99)
Net Value-Buildings	1,426,389.86	1,051,285.01
Water Plant, Structure and Improvements	11,925,699.56	4,943,134.54
<i>Accumulated Depreciation-Water Plant, Structure and Improvements</i>	(1,909,444.39)	(759,480.97)
Net Value-Water Plant, Structure and Improvements	10,016,255.17	4,183,653.57
Machinery and Equipment		
Office Equipment	617,338.76	1,422,667.57
<i>Accumulated Depreciation-Office Equipment</i>	(248,919.33)	(83,654.58)
Net Value-Office Equipment	368,419.43	1,339,012.99

Account	2020	2019
Information and Communication		
Technology Equipment	780,167.40	353,813.40
<i>Accumulated Depreciation-Information and Communication Technology Equipment</i>	(465,469.42)	(26,682.45)
Net Value-Information and Communication		
Technology Equipment	314,697.98	327,130.95
Communication Equipment	-	15,348.00
<i>Accumulated Depreciation-Communication Equipment</i>	-	(972.04)
Net Value-Communication Equipment	-	14,375.96
Other Machinery and Equipment	39,185,689.89	29,894,458.98
<i>Accumulated Depreciation-Other Machinery and Equipment</i>	(13,819,722.76)	(1,846,053.46)
Net Value-Other Machinery and Equipment	25,365,967.13	28,048,405.52
Transportation Equipment		
Motor Vehicles	6,700,902.79	6,999,595.22
<i>Accumulated Depreciation-Motor Vehicles</i>	(3,415,568.92)	(442,013.61)
Net Value-Motor Vehicles	3,285,333.87	6,557,581.61
Furniture, Fixtures and Books		
Furniture and Fixtures	96,195.20	-
<i>Accumulated Depreciation-Furniture and Fixtures</i>	(35,247.02)	-
Net Value-Furniture and Fixtures	60,948.18	-
Property, Plant and Equipment-Net	235,799,415.43	179,953,630.22

After considering both external and internal sources of information, the District assessed that no impairment shall be recognized because there was no indication that the assets were impaired.

Land represents the costs incurred by the Water District in the acquisition of land and other related initial costs spent to put the asset into use.

Particulars	2020	2019
Beginning Balance	5,507,834.48	5,064,127.38
Refund of payment for estate tax	(46,707.10)	-
Addition this year	100,781.50	443,707.10
Ending Balance	5,561,908.88	5,507,834.48

Addition for CY 2020 pertains to land titling expenses and directly attributable costs such as disturbance fees and backfilling materials which were incurred by BAYWAD in making the parcels of land ready for use.

Details of the Land Account are as follows:

Lot No.	Location	Area (m ²)	Cost per FS (₱)
1	Brgy. Bongato East	200	200,000.00
2	Brgy. Amancosiling Norte	150	97,500.00
3	Brgy. Buenlag (now Sapang)	6,352	530,000.00
4	Sapang & Tocok	14,451	150,000.00
5	Tocok	10,153	100,000.00
6	Brgy. Mangayao	100	100,000.00
7	Brgy. Buenlag 2 nd	100	135,000.00
8	Brgy. Bacnono	100	100,000.00
9	Brgy. Tampog	250	250,000.00
10	Brgy. Tampog	100	100,000.00
11	Brgy. Zone II Rizal	198	3,271,627.38
12	Nalsian Norte	50	115,000.00
13	Brgy. Warding	200	220,000.00
14	Brgy. Pantol	300	32,000.00
15	Buenlag Phase II	100	160,781.50
Total			5,561,908.88

Lot Nos. 1 to 5 are supported with Certificates of Title in the name of BAYWAD while the Management is still in the process of completing the titling documents for the remaining ten.

Plant-Utility Plant in Service (UPIS) represents utility plant in service of the Water District. The items included in this account are presented below:

Subsidiary Account	Amount (₱)			
	December 31, 2019	Addition this year	Reclassification/ *Prior period Adjustment	December 31, 2020
Wells	13,012,670.55	2,795,000.00	*8,721,951.15	24,529,621.7
Supply Mains	340,071.60	-	-	340,071.60
Other Source of Supply-Plant	1,416,650.90	-	-	1,416,650.90
Other Pumping Plant	1,650.00	-	(1,650.00)	-
Reservoir and Tanks	7,293,472.97	-	(81,209.50) *25,437,650.18	32,649,913.65
Transmission and Distribution Mains	166,526,286.17	18,485,338.94	(830,973.00)	184,180,652.11
Service Connection	1,015,845.80	-	(469,465.03)	546,380.77
Meter Installation	153,665.90	-	-	153,665.90
Hydrants	669,334.22	-	99,879.00	769,213.22
Other Transmission and Distribution Mains	244,400.00	-	(244,400.00)	-
Total	190,674,048.11	21,280,338.94	32,631,782.80	244,586,169.85

**Unrecorded grants implemented by the DPWH in 2018*

Accumulated Depreciation - UPIS - Depreciation expenses were accumulated in this account for Plant-Utility Plant in Service (UPIS).

Particulars	2020	2019
Beginning Balance	58,008,746.10	58,337,973.17
Prior period adjustment	(6,643,291.50)	(3,814,125.40)
Depreciation for the period	4,783,081.14	3,484,898.33
Ending Balance	56,148,535.74	58,008,746.10

Details of other PPE Items are as follows:

Account	Amount (₱)			
	December 31, 2019	Addition this year	Reclassification/ *Prior period Adjustment	December 31, 2020
Other Land Improvement	273,048.75	716,960.00	143,349.50	1,133,358.25
Buildings	2,000,000.00		30,000.00	2,000,000.00
Water Plant, Structures and Improvement	4,943,134.54	2,514,203.10	4,468,361.92	11,925,699.56
Office Equipment	1,422,667.57	32,000.00	(837,328.81)	617,338.76
Information and Communication Technology (ICT) Equipment	353,813.40	56,455.00	369,899.00	780,167.40
Other Machinery and Equipment	29,894,458.98	3,100,194.50	6,191,036.41	39,185,689.89
Motor Vehicles	6,999,595.22	-	(298,692.43)	6,700,902.79
Furniture and Fixtures	-	-	96,195.20	96,195.20
Total	45,886,718.46	6,419,812.60	10,162,820.79	62,439,351.85

While the Accumulated Depreciation of the above PPE items is presented as follows:

Item	Amount (₱)			
	December 31, 2019	Depreciation this year	Prior period Adjustment	December 31, 2020
Other Land Improvement	14,000.71	37,182.31	120,314.41	171,497.43
Buildings	948,714.99	52,126.81	(397,231.66)	603,610.14
Water Plant, Structures and Improvement	759,480.97	254,297.58	895,665.85	1,909,444.40
Office Equipment	83,654.58	29,721.65	135,543.10	248,919.33

Item	Amount (₱)			
	December 31, 2019	Depreciation this year	Prior period Adjustment	December 31, 2020
ICT Equipment	26,682.45	36,050.05	402,736.92	465,469.42
Other Machinery and Equipment	1,846,053.46	3,087,012.46	8,886,656.84	13,819,722.76
Motor Vehicles	442,013.61	499,445.64	2,474,109.67	3,415,568.92
Furniture and Fixtures	-	4,573.92	30,673.10	35,247.02
Total	4,120,600.77	4,000,410.42	12,548,468.23	20,669,479.42

10. Intangible Assets

Account	2020	2019
Computer Software	1,539,000.00	1,289,000.00
<i>Accumulated Amortization-Computer Software</i>	<i>(509,871.45)</i>	<i>(85,933.33)</i>
Net Value-Computer Software	1,029,128.55	1,203,066.67

Computer Software represents the costs of softwares that run the District's billing, accounting and collection system.

11. Financial Liabilities

Account	2020	2019
Payables		
Accounts Payable	24,131,588.10	11,975,443.01
Due to Officers and Employees	65,728.23	50,252.01
Bills/Bonds/Loans Payable		
Loans Payable – Domestic (current portion)	7,742,711.76	7,742,711.76
Total Financial Liabilities	31,940,028.09	19,768,406.78

Details of **Accounts Payable** as of December 31, 2020 are as follows:

Creditor	Amount (₱)
Andritech Industrial Sales Co.	47,018.57
ARG Hydro Specialists, Inc.	6,760,200.00
Bitstop Network Services Inc.	2,718.60
Business Leaders Export Solutions Corp.	355,040.00
Bulk Water for Bayambang Corporation	2,330,199.25
Cenpelco	3,642,932.10
Commission on Audit	33,440.00
Constech Asia Corporation	3,740,717.73

Creditor	Amount (₱)
Dai Wei Technologies	100,000.00
ESN Construction and Trading	1,889,350.00
F. E. Fianza Surveying Office	19,107.14
Filipinas Auto Supply	1,530.00
Gears	185,970.00
Hexagon Distributing Corp.	790,000.00
ICOR Enterprises	43,493.00
J & N Furniture and General Merchandise	86,800.20
JB Sachi Marketing Corporation	186,708.94
JMV Gasoline Station	42,649.00
Keylargo Industrial Sales	653,940.50
Keysystem Trading	1,377,301.90
Kuya Tianos Place Ihaw-Ihaw & Restaurant	11,100.00
Padolina Battery	7,665.00
PLDT, Inc.	1,896.00
Raymark O. Masiglat	5,600.00
Smart Communications, Inc.	21,958.66
Strongbiz Marketing Corporation	1,644,244.01
Water Lab Testing Laboratory, Inc.	131,750.00
Other Creditors	18,257.50
Total	24,131,588.10

Loans Payable - Domestic represents the unpaid balance of loans from LWUA and LBP, detailed as follows:

Particulars	Amount (₱)			
	2020		2019	
	Current	Non-Current	Current	Non-Current
LWUA	745,884.00	14,171,687.06	745,884.00	14,917,571.06
LBP				
Loan 1	1,718,321.64	3,292,656.01	1,718,321.64	5,011,771.47
Loan 2	5,278,506.12	56,303,534.00	5,278,506.12	61,582,572.04
Total	7,742,711.76	73,767,877.07	7,742,711.76	81,511,914.57

The above loans were used to finance various expansion projects such as but not limited to drilling of wells, construction of pump houses, laying of transmission and distribution pipelines, construction of reservoir and installation of hydrants, and service connections

12. Inter-Agency Payables

Account	2020	2019
Due to BIR	270,010.21	345,319.77
Due to GSIS	232,225.55	310,468.45

Account	2020	2019
Due to Pag-IBIG	112,255.13	100,119.27
Due to PhilHealth	12,752.10	8,064.56
Due to NGAs	-	204,109.27
Due to Treasurer of the Philippines	172,609.27	-
Total Inter-Agency Payables	799,852.26	968,081.32

Due to BIR pertains to transactions relative to withholding taxes by the District.

Due to GSIS pertains to withheld premium payments of District employees and other payables for remittance to GSIS.

Due to Pag-IBIG pertains to withheld premium payments of District employees and other payables for remittance to Housing Development Mutual Fund.

Due to Philhealth pertains to withheld premium payments of District employees for remittance to Philhealth.

Due to Treasurer of the Philippines represents the cost audit fees billed to the District payable to Bureau of Treasury. The amount was previously recorded under Due to NGAs.

13. Trust Liabilities

Account	2020	2019
Customers' Deposits Payable	9,470,333.99	8,346,333.99

Customer's Deposit Payable represents the total amount paid for by concessionaires as guarantee for non-payment of water bills.

14. Deferred Credits/Unearned Income

Account	2020	2019
Deferred Credits		
Deferred Revenue from Grants and Donations	43,529,101.15	
Unearned Revenue/Income		
Other Unearned Revenue/Income	113,370.80	322,978.20
Total Deferred Credits/Unearned Income	43,642,471.95	322,978.20

Deferred Revenue from Grants and Donations pertains to the unearned revenue arising from the grant of the Department of Public Works and Highways (DPWH) relating to the 1,000 cubic meter reservoir at Barangay Sapang and the drilling of well and construction of pumping station at Barangay Buenlag 1st.

Other Unearned Revenue/Income pertains to the balance of advance payments on materials for new connection that remains unreleased as of the balance sheet date.

15. Provisions

Account	2020	2019
Leave Benefits Payable	4,011,332.02	3,263,668.88

Leave Benefits Payable pertains to the accrued monetary value of earned leave credits of BAYWAD employees.

16. Other Payables

Account	2020	2019
Other Payables	559,843.97	348,423.27

Other Payables represents the quarterly franchise tax payable on or before 25th of the following month after taxable quarter.

17. Government Equity

Account	2020	2019
Government Equity	2,535,061.15	2,535,061.15

Government Equity refers to the assessed value of assets turned over by the local government and grants from the national government. No additional relative to this account was made this year.

- 18. Retained Earnings/ (Deficit)** - Prior period errors on nominal accounts are credited/debited to this account. Also, the performance of the District, which is either an income or loss, is closed to this account.

Particulars	Amount
Retained Earnings, January 1, 2020	89,783,402.46
Correction of Prior Period Errors	(10,096,118.57)
Comprehensive Income for 2020	19,584,309.19
Retained Earnings, December 31, 2020	99,271,593.08

The adjustments on prior period errors totaling ₱10,096,118.57 are detailed below:

Particulars	Amount
Excess payments on interest for LBP Loans deducted directly from principal by LBP	825.00
Prior period water bill	387,189.58
Audit Fee for 2019 billed on December 2020	(15,750.00)
Semi Expendable Expenses recorded to Office Equipment	(407,837.61)
Semi Expendable Expenses recorded to Furniture and Fixture	(19,398.00)

Particulars	Amount
Office Equipment recorded to office expenses	22,289.00
Furniture and Fixture recorded to office expenses	16,000.00
Information and Communication Technology Equipment recorded to office expenses	49,990.00
Repairs and Maintenance Expense recorded to ICT Equipment	(12,920.00)
Semi Expendable Expenses recorded to ICT Equipment	(34,706.00)
Repairs and Maintenance Expense recorded to Motor Vehicle	(298,692.43)
Understatement on Accumulated Depreciation of Motor Vehicle	(2,474,109.67)
Understatement on Accumulated Depreciation of Furniture and Fixture	(30,673.10)
Understatement on Accumulated Depreciation of Other Land Improvement	(120,314.41)
Repairs and Maintenance Expense and Depreciation recorded to Water Structure	(235,263.16)
Understatement on Accumulated Depreciation of Buildings	(272,884.27)
Understatement on Accumulated Depreciation of Office Equipment	(135,543.10)
Understatement on Accumulated Depreciation of ICT Equipment	(401,764.88)
Other Supplies and Repairs and Maintenance Expense recorded to UPIS	(1,405,118.03)
Semi Expendable and Other expenses recorded to Other Machinery and Equipment	(359,830.89)
Understatement on Accumulated Amortization of Computer Software	(346,726.67)
Overstatement on Accumulated Depreciation of UPIS	7,195,826.96
Understatement on Accumulated Depreciation of Other Machinery and Equipment	(8,753,735.92)
Maintenance and Operating Expenses for year 2019	(1,294,119.18)
Unrecorded Insurance Expense	(20,119.50)
Earned Income from Government Grant for 2018 and 2019	611,781.35
Adjustment on PPE's Accumulated Depreciation due to the unaccounted Grant from DPWH	(1,082,376.29)
Overstatement on Supplies and Materials Inventory ending balance last 2019	(658,137.35)
Total	(10,096,118.57)

19. Service and Business Income

Account	2020	2019
Service Income		
Other Service Income	2,651,535.64	4,149,302.10
Business Income		
Waterworks System Fees	81,129,260.76	68,583,127.20
Sales Revenue	4,790,556.26	-

Account	2020	2019
Interest Income	24,507.71	31,342.22
Fines and Penalties-Business Income	2,024,930.65	2,014,383.30
Other Business Income	85,000.00	1,940,788.64
Total Service and Business Income	90,705,791.02	76,718,943.46

Other Service Income includes registration fees, tapping fees, guarantee deposits and inspection fees.

Water Work System Fees represents amount of Water Sales billed to concessionaires.

Sales Revenue pertains to sale of materials for new connections.

Interest Income represents interest on deposits.

Fines and Penalties-Business Income includes fines for illegal connections and penalties billed collections.

Other Business Income includes sale of bid documents.

20. Shares, Grants and Donations

Account	2020	2019
Grants and Donations		
Grants in Kind	1,240,659.13	-

Grants in Kind refers to the portion of the DPWH grant recognized as income to match the related costs of the 1,000 cubic meter reservoir at Barangay Sapang and drilling of well and construction of pumping station at Barangay Buenlag, for which the grant was intended to compensate.

21. Personnel Services

Personnel Services are expenses with monetary value relative to salaries, allowances and other benefits received by the employees of the District.

Account	2020	2019
Salaries and Wages		
Salaries and Wages-Regular	10,695,645.54	9,328,045.71
Salaries and Wages-Casual/Contractual	1,892,781.93	2,000,775.96
Other Compensation		
Personnel Economic Relief Allowance (PERA)	1,364,000.00	314,000.00
Representation Allowance (RA)	102,000.00	102,000.00
Transportation Allowance (TA)	102,000.00	102,000.00
Clothing/Uniform Allowance	336,000.00	288,000.00
Productivity Incentive Allowance	284,000.00	270,000.00

Account	2020	2019
Honoraria	60,180.20	169,000.00
Overtime and Night Pay	286,708.68	306,243.79
Year End Bonus	1,030,312.50	962,102.00
Cash Gift	284,000.00	268,000.00
Directors and Committee Members' Fees	506,685.74	430,321.30
Other Bonuses and Allowances	2,367,318.00	2,379,591.00
Personnel Benefit Contributions		
Retirement and Life Insurance Premiums	1,503,391.54	1,335,458.76
Pag- IBIG Contributions	249,926.48	222,883.76
PhilHealth Contributions	178,008.51	121,382.16
Employees Compensation Insurance Premiums	68,000.00	62,600.00
Other Personnel Benefits		
Terminal Leave Benefits	1,311,829.98	1,317,647.18
Other Personnel Benefits	81,494.51	244,668.50
Total Personnel Benefits	22,704,283.61	20,224,720.12

22. Maintenance and Other Operating Expenses

Maintenance and Other Operating Expenses represents those expenses incurred by the District necessary for its operation other than those in Personnel Expenses.

Account	2020	2019
Traveling Expenses		
Traveling Expenses - Local	117,914.04	230,274.33
Training and Scholarship Expenses		
Training Expenses	130,582.75	310,859.76
Supplies and Materials Expenses		
Office Supplies Expenses	178,115.90	166,834.23
Accountable Forms Expenses	258,576.00	161,280.00
Medical, Dental and Laboratory Supplies Expenses	47,680.00	73,020.00
Fuel, Oil and Lubricants Expenses	370,403.89	313,313.52
Chemical and Filtering Supplies Expenses	210,450.00	405,660.00
Semi-Expendable Machinery and Equipment Expenses	105,015.00	117,255.01
Semi-Expendable Furniture, Fixtures and Books Expenses	67,062.00	25,203.00
Supplies and Materials for Water System Operations Expenses	1,184,149.81	-
Other Supplies and Materials Expenses	32,591.75	2,508,792.92
Utility Expenses		
Water Expenses	25,211.50	-
Electricity Expenses	173,404.24	205,529.86
Communication Expenses		
Postage and Courier Services	3,095.75	4,545.75

Account	2020	2019
Telephone Expenses	99,720.85	124,207.13
Survey, Research, Exploration and Development Expenses		
Research, Exploration and Development Expenses	327,918.70	-
Generation, Transmission and Distribution Expenses		
Generation, Transmission and Distribution Expenses	25,340,246.07	20,004,292.14
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	79,784.28	89,600.00
Professional Services		
Legal Services	12,900.00	60,000.00
Auditing Services	18,305.41	15,750.00
Consultancy Services	360,000.00	1,090,000.00
Other Professional Services	209,230.00	46,400.00
Repairs and Maintenance		
Repairs and Maintenance-Infrastructure Assets	440,398.18	1,489,062.86
Repairs and Maintenance-Buildings and Other Structures	241,637.00	115,582.50
Repairs and Maintenance-Machinery and Equipment	138,962.47	8,407.75
Repairs and Maintenance-Transportation Equipment	294,171.73	476,572.54
Repairs and Maintenance-Other Property, Plant and Equipment	-	474,971.77
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	1,797,925.04	1,495,615.84
Fidelity Bond Premiums	-	17,250.00
Insurance Expenses	33,674.83	43,277.03
Other Maintenance and Operating Expenses		
Advertising, Promotional and Marketing Expenses	150,473.00	9,315.70
Printing and Publication Expenses	11,278.60	64,543.25
Representation Expenses	29,280.21	98,356.05
Membership Dues and Contributions to Organizations	-	16,490.00
Donations	-	8,500.00
Other Maintenance and Operating Expenses	65,464.05	547,872.29
Total Maintenance and Other Operating Expenses	32,555,623.05	30,818,635.23

23. Financial Expenses

Account	2020	2019
Interest Expenses	4,503,428.27	5,281,420.84

Interest Expenses pertains to the interest charges imposed by LWUA and LBP for the loans of the District.

24. Direct Cost

Account	2020	2019
Cost of Sales	3,640,393.26	-

Cost of Sales represents the cost of merchandise inventories sold to concessionaires.

25. Non- Cash Expenses

Account	2020	2019
Depreciation		
Depreciation - Land Improvements	37,182.31	14,000.71
Depreciation - Infrastructure Assets	4,783,081.14	3,484,898.33
Depreciation - Buildings and Other Structures	306,424.39	162,480.63
Depreciation - Machinery and Equipment	3,152,784.16	1,948,801.97
Depreciation - Transportation Equipment	499,445.64	442,013.61
Depreciation - Furniture, Fixtures and Books	4,573.92	-
Amortization		
Amortization - Intangible Assets	77,211.45	85,933.33
Impairment Loss		
Impairment Loss - Loans and Receivables	97,893.86	238,916.08
Total Non-Cash Expenses	8,958,596.87	6,377,044.66

26. Adjustments (Investing Activities)

Particulars	Amount
Transfer of Cash to Sinking Fund Account	20,000.00
Interest Earned from Sinking Fund Account	15,302.78
Total	35,302.78

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Unaccounted Property, Plant and Equipment

1. **Inadequate and incomplete details of PPE transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only ₱255,232,522.35 were properly identified and validated compared to ₱312,617,430.58 PPE account balance or a difference of ₱57,384,908.23. These rendered the existence and accuracy of PPE account uncertain and affected the fair presentation of the financial statements.**

PAS 1 provides that “financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.”

Accuracy is an assertion that all information disclosed is in the correct amounts, and that all the information contained within the financial statements has been accurately recorded, while existence is an assertion that all account balances really do exist.

The 2020 year-end financial statements showed that PPE of the District has a total cost of ₱312,617,430.58. However, only PPE items with an aggregate cost of ₱255,232,522.35 were properly identified as to existence, condition and whereabouts, during physical count resulting in unaccounted balance of ₱57,384,908.23. Summary of which is as follows:

Account	Amount (₱)		
	Per Accounting Records	Identified during Physical Count	Unaccounted
Land	5,561,908.88	5,561,908.88	-
Other Land Improvements	1,133,358.25	1,011,498.25	121,860.00
Plant-Utility Plant in Service (UPIS)	244,586,169.85	202,907,428.82	41,678,741.03
Buildings	2,030,000.00	2,030,000.00	-
Water Plant, Structure and Improvements	11,925,699.56	9,441,525.78	2,484,173.78
Office Equipment	617,338.76	617,338.76	-

Account	Amount (P)		
	Per Accounting Records	Identified during Physical Count	Unaccounted
Information and Communication Technology Equipment	780,167.40	780,167.40	-
Other Machinery and Equipment	39,185,689.89	26,085,556.47	13,100,133.42
Motor Vehicles	6,700,902.79	6,700,902.79	-
Furniture and Fixtures	96,195.20	96,195.20	-
Total	312,617,430.58	255,232,522.35	57,384,908.23

The above unaccounted balance can be attributed to the non-maintenance of complete property records and improper recording of PPE transactions in the PPE Ledger Cards (PPELCs) such that necessary details to adequately furnish the information needed to support the PPE balances are not available. There were entries in the subsidiary records which were merely labeled as forwarded balance that the Accountant could no longer identify the specific item. These unidentified forwarded balances have already existed for more than 15 years.

Property records for each class of PPE which could have provided property description, location, acquisition cost, addition, and disposal, were not also maintained in the Property Section, hence control and monitoring were not facilitated and the accountability in case of loss or fraudulent use is not established. It was also noted that Property Acknowledgement Receipts were not issued in prior years thus accountability/responsibility over the unaccounted PPEs could not be pinpointed.

The following provisions of PD No. 1445 on accountability and responsibility for government properties are worth emphasizing:

Section 101. Accountable officers; bond requirement

1. Every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law. 2. Every accountable officer shall be properly bonded in accordance with law.

Section 102. Primary and secondary responsibility.

1. The head of any agency of the government is immediately and primarily responsible for all

government funds and property pertaining to his agency.

2. Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him, without prejudice to the liability of either party to the government.

The foregoing observations were also noted in the prior year's observation as embodied in 2019 Annual Audit Report. Although the District had already created an Inventory Committee which conducted the physical count in 2020, the inadequate and incomplete details from subsidiary records and the absence of property records hindered the Committee to prepare the required Report on Physical Count of PPE. Though there were PPE items such as perimeter fences which were not reflected in the accounting records, costs of which are not available.

The Accountant informed that there are on-going efforts to locate the source documents and other pieces of evidence that will support the unaccounted balances while the Property Officer informed that the maintenance of property records would require additional manpower as he is also designated as Custodian of Inventories.

The unaccounted balance of ₱57,384,908.23 rendered the existence and accuracy of PPE account balances uncertain, thereby affecting the fair presentation of the financial statements as required under PAS 1.

We reiterated our recommendation and the Management agreed to

- a. **Direct the Property Officer and Accountant to maintain complete and updated property records and PPELCs, respectively, and**
- b. **Instruct the Accounting Section to exert exhaustive efforts to locate prior years' PPE records.**

For the unaccounted balances, we recommended that the GM direct the members of the Inventory Committee to conduct another complete physical count of PPE, assign values to PPE items found at station but were not reflected in accounting records, issue demand letters for missing items with PAR and for the remaining unaccounted PPE items which accountability could not be properly established, conduct an investigation and determine the persons responsible and circumstances of the loss.

The Management informed that the Accounting Section will exert diligent efforts to locate records pertaining to PPE items acquired in prior years. The GM also emphasized that bulk of the unaccounted assets, if not attributable to erroneous recording, could also pertain to the transmission and distribution mains which could not be easily identified as these are installed underground. Nevertheless, the GM committed to act in accordance with the guidelines of the Commission in coming up

with reliable PPE balances that are verifiable as to existence, condition and accountability.

B. COMPLIANCE AUDIT

Uninsured Properties

- 2. Several properties of the District were not insured with the GIF administered by the GSIS contrary to Section 5 of RA No. 656 and COA Circular No. 2018-002 dated March 31, 2018, thus, affecting the interest of the District against insurable risks over the properties in case of loss or damages.**

Section 5 of RA No. 656 states that:

Every government is hereby required to insure its properties with the General Insurance Fund of the Government Service Insurance System (GSIS) against any insurable risk herein provided and pay the premium thereon, which however shall not exceed the premiums charged by private insurance companies.

While COA Circular No.2018-002 dated March 31, 2018 was issued to assist the implementation of the provisions of RA No. 656 on the insurance and bonding risks of insurable government properties with the GIF. It prescribed the submission of the PIF as the basis for the assessment of general insurance coverage overall insurable assets, properties, and interests of the government with the GIF of the GSIS. Section 5.1 of which provides the following specific guidelines:

- 5.1 Heads of government agencies shall direct the pertinent official under his/her supervision to:
 - a. Secure directly from the GSIS GIF, all insurances or bonds covering properties, contracts, rights of action, and other insurable risks of their respective offices;
 - b. Prepare the PIF listing of all the insurable properties and other assets, showing their latest appraised values, appraisal date, location and other information;
 - c. Extract from Report on the Physical Count of PPE (RPCPPE), as well as from the Report on the Physical Count of Inventories, prepared in accordance with the provisions of the Government Accounting Manual, the data for the PIF pertaining to the insurable assets and interest of the government;

- d. Cause the appraisal of the insurable properties and other assets of their respective offices. For this purpose, an in-house appraisal shall be sufficient if the property or insurable interest has a value of ₱10 million and below;
- e. Submit the consolidated PIF to the Supervising Auditor/ Audit Team Leader and the GIF, GSIS, not later than April 30 of each year;
- f. Include in the agency annual budget the amount of premiums for the general insurance covering all insurable properties and other assets and ensure its payment to the GSIS.

It could be noted, however, that the required PIF was not prepared by the District thus, insurance paid for the properties was not adequate. Audit disclosed that of the ₱304,428,462.09 cost of properties, only ten items with an aggregate cost of ₱6,654,978.00 were insured with the GIF, summary of which is tabulated below:

Account	Amount (₱)	
	Acquisition Cost of Properties	Cost of Insured Properties
Infrastructure Assets	244,586,169.85	-
Buildings and Other Structures	13,955,699.56	-
Transportation Equipment	6,700,902.79	4,608,083.00
Other Machinery and Equipment	39,185,689.89	2,046,895.00
Total	304,428,462.09	6,654,978.00

The amounts of ₱4,608,083.00 and ₱2,046,895.00 pertain to eight motor vehicles and two generator sets, respectively. The above table depicts that the properties were not adequately insured as service pipelines and pumping stations which comprise the bulk of assets of the District were not included in the insured properties.

The failure to completely insure properties denies the District of adequate and reliable protection against any damage to or loss of assets and interests due to fortuitous events.

We recommended that Management instruct the Accountant, with the assistance of the Property Officer, to prepare the PIF and submit the same to the Audit Team for monitoring purposes and to the GSIS for proper assessment of insurance premiums.

The Management committed to comply with the insurance and bonding of insurable government properties with the GIF.

Failure to Invite Observers from Private Group and NGO

- 3. The BAC of the District does not invite observers from a Duly Recognized Private Group and NGO to sit in the eligibility checking, shortlisting, pre-bid conference, preliminary examination of bids, bid evaluation, and post-qualification proceedings, in violation of Section 13.1 of 2016 Revised IRR of RA No. 9184, thus defeated the purpose of transparency and full compliance with the procurement law.**

Section 13.1 of the 2016 Revised IRR of RA No. 9184 provides that:

To enhance the transparency of the process, the BAC shall, during the eligibility checking, shortlisting, pre-bid conference, preliminary examination of bids, bid evaluation, and post-qualification, invite, in addition to the representative of the COA, at least two (2) observers, who shall not have the right to vote, to sit in its proceedings where:

1. At least one (1) shall come from a duly recognized private group in a sector or discipline relevant to the procurement at hand, for example:
 - a) For Infrastructure Projects, national associations of constructors duly recognized by the Construction Industry Authority of the Philippines (CIAP), such as, but not limited to the following:
 - 1) Philippine Constructors Association, Inc.; or
 - 2) National Constructors Association of the Philippines, Inc.
 - b) For Goods, a specific relevant chamber-member of the Philippine Chamber of Commerce and Industry.
 - c) For Consulting Services, a project-related professional organization accredited or duly recognized by the Professional Regulation Commission or the Supreme Court, such as, but not limited to:
 - 1) Philippine Institute of Civil Engineers (PICE);
 - 2) Philippine Institute of Certified Public Accountants (PICPA); or
 - 3) Confederation of Filipino Consulting Organizations; and

2. The other observer shall come from a non-government organization (NGO).

Post-audit disclosed that only a representative from COA was being invited as an observer in the proceedings of the BAC, contrary to the above requirement of the procurement law. In the following projects which were procured through public bidding, it could be noted that the BAC did not invite the two other observers as required above:

Project Name	Amount (P)		Contractor
	Approved Budget for the Contract	Contract Price	
Supply of labor and materials for the pipeline installation at Brgy. Bical Sur to Brgy. Sancagulis, Brgy. Tambac (Balangubong) to Brgy. Zone VII and Brgy. Asin Bayambang, Pangasinan	3,685,000.00	3,484,588.13	AYSON PD Construction
Supply and delivery of water service connection materials for the first semester of FY 2020	7,705,890.00	6,554,790.00	Constech Asia Corporation
Supply of labor and materials for the distribution line extension at Brgy. Sancagulis	2,300,000.00	1,410,876.80	ESN Construction and Trading
Supply and delivery of water service connection materials for semi-annual of FY 2019	3,222,500.00	3,222,500.00	Strongbiz Marketing Corporation

The practice defeated the purpose of transparency and full compliance with the procurement law.

We recommended and the Management agreed to require the BAC to strictly adhere to the provisions of Section 13.1 of the 2016 Revised IRR of RA No. 9184 that other than COA representative, a representative from Duly Recognized Private Group and NGO shall be invited in the eligibility checking, shortlisting, pre-bid conference, preliminary examination of bids, bid evaluation, and post-qualification.

C. VALUE FOR MONEY

Non-Revenue Water

4. The Water District's NRW rate for CY 2020 is 21.98% which is above the maximum acceptable rate of 20% as prescribed under LWUA Resolution No. 444 series of 2009, hence, affected its operating and revenue generation efficiency, and a manifestation of inadequacies in the control, monitoring of water production, distribution and water billing to the disadvantage of the District.

LWUA, in its Resolution No. 444, series of 2009 (adopted on September 15, 2009) has prescribed the immediate implementation in the reduction of the maximum NRW from 25% to 20% applicable to all Water Districts to accelerate further improvement in the efficiency level of the Water Districts.

Furthermore, LWUA Memorandum Circular No. 014-10 dated December 2, 2010, states that:

There is a need for Water Districts to reduce the Non-Revenue Water (NRW) in order to enhance its operational efficiency and improve its financial viability. All Water Districts are therefore enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy. Depending on the condition of operation, the water meters should be tested for its accuracy after five (5) years of utilization.

Review of the Monthly Data Sheets for CY 2020 disclosed that the District's actual NRW rate of 21.98% exceeded the 20% rate prescribed by LWUA, shown as follows:

Month	Volume of Water (m ³)			Percentage Rate of NRW
	Produced	Billed	NRW	
January	324,603.50	248,954.00	75,649.50	23.31
February	302,795.60	240,056.00	62,739.60	20.72
March	351,592.30	283,792.00	67,800.30	19.28
April	354,181.35	279,857.00	74,324.35	20.98
May	371,652.40	292,668.00	78,984.40	21.25
June	357,283.30	280,041.00	77,242.30	21.62
July	372,713.50	281,229.00	91,484.50	24.55
August	372,002.10	275,655.00	96,347.10	25.90
September	357,655.80	275,265.00	82,390.80	23.04
October	355,513.30	275,246.00	80,267.30	22.58
November	337,035.70	264,966.00	72,069.70	21.38
December	351,979.50	284,642.00	67,337.50	19.13
Total	4,209,008.35	3,282,371.00	926,637.35	21.98

The above NRW is considered as an opportunity lost for potential profit since no income was realized from producing it. Consequently, the District incurred an estimated cost of water loss of ₱531,919.71, computed as follows:

	Amount (₱)
Production costs	16,597,051.02
Bulk water purchase costs	<u>9,793,656.00</u>
Total costs	26,390,707.02
Divide by: Total water produced (in cubic meters)	<u>4,209,008.35</u>
Average cost per cubic meter	<u>6.27</u>
Actual NRW (in cubic meters)	926,637.35
Maximum NRW as prescribed (4,209,008.35 x 20%)	<u>841,801.67</u>
Excess NRW over prescribed maximum	84,835.68
Multiply by: Average cost per cubic meter	<u>6.27</u>
Estimated cost of water loss	<u>531,919.71</u>

Expenses incurred to produce the NRW did not yield cash inflow, thus, viewed as wasted resources. These resources could have been used for other undertakings that are beneficial to the District.

We recommended that Management require the BOD to revisit the existing policies in reducing water losses and evaluate their efficiency and effectiveness. We further recommended that Management direct the GM to intensify NRW reduction strategies, such as replacement of old water meters and service lines and the conduct of a regular investigation of engineering aides on possible leakages to manage water losses to significantly reduce the high level of NRW to the maximum rate of 20%.

The Management agreed with the recommendations and informed the Team that the District has implemented successful programs to reduce NRW for the past years. According to them, records from years 2018-2020 will show that the District has remarkable improvement when it comes to addressing the NRW and that the Management is still looking for other ways to effectively and efficiently reduce the NRW rate to comply with the maximum acceptable standards imposed by LWUA.

Inactive Accounts

- 5. The Water District's absence of effective collection policies and procedures resulted in uncollected receivables from inactive accounts of ₱3,599,112.18 which does not align with principles of cash management and Section 2 of PD No. 1445, thus deprived the District of using such funds to finance its operation and investment projects.**

The strategic management of cash plays a critical role in an organization's short-term survival and its long-term success. The purpose of cash management policies and procedures is to ensure the use of the most economical and effective cash

flow techniques to improve the financial performance of the business. This is achieved through a commitment to certain basic cash management principles, such as those stated in the following:

- a. The aggregate total of uncollected receivables shall be kept to the minimum amount possible.
- b. Collection systems shall include procedures, which provide for prompt and continuing action to collect outstanding receivables, with particular attention to delinquent receivables.

Section 2 of PD No. 1445 provides that:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

The audit revealed that the District has uncollected receivables of ₱3,599,112.88 from inactive accounts as of December 31, 2021. Aging of the said accounts are presented below:

Age	Amount of Receivable from Inactive Accounts (₱)
1 – 60 days	71,603.95
61 – 180 days	177,025.40
181 days – 1 year	142,791.50
1 – 2 years	147,577.10
2 – 3 years	185,637.55
3 – 4 years	176,640.53
4 – 10 years	2,697,836.15
Total	3,599,112.18

Comparative analysis showed that receivables from inactive accounts of the District from 2019 to 2020 increased by ₱294,475.90 or 8.91%, with details as follows:

Inactive Accounts, December 31, 2020	3,599,112.88
Inactive Accounts, December 31, 2019	3,304,636.98
Amount Increase	294,475.90

Percentage Increase

8.91%

It was noted that accounts receivables have grown over these periods which entails that money invested in the collection of concessionaires' accounts was not as effective in reducing accounts receivable. The increasing balance of the account is a clear indication of the District's poor collection efforts. Moreover, the money that was tied up on said accounts deprived the District of using the fund for its operation and investment projects.

Management informed the Audit Team that final disconnections were enforced and demand letters were sent for long overdue accounts. However, we noted that follow-ups and continuous collection efforts on the delinquent accounts were not regularly implemented after disconnection of service lines of inactive concessionaires. It was also noted that no demand letters were sent since March 2016.

The longer the accounts remain outstanding, the greater the risk the account would become uncollected. Management must institute immediate and systematic action such as regular sending of collection letters and personal visits to ensure recovery of investments and avoid incurring bad debt losses. But as of this date, the District has no clear policy in the collection of inactive accounts.

We recommended and Management agreed that:

- a) The BOD formulate strong collection policies and procedures to improve cash flows; and**
- b) The Billing Personnel implement efforts to collect the accounts receivables such as service of demand letters and follow-up visits, if necessary.**

The Management commented that most of the uncollected accounts are dormant accounts which were previously requested from COA for an authority to write-off but was not granted due to some lacking requirements.

Also implemented was the upgrade of the billing system which now provides real-time billing indicating dues, penalties and arrears. It has also a feature where notices of disconnection are readily generated by the read-and-bill device of meter readers.

Reports of delinquent accounts for 30 days, two months and three months and above are also now being prepared for strict monitoring

Lack of Inventory Planning and Control

- 6. Inadequate inventory planning and control of stocks resulted in over supply of inventories for local water systems operations amounting to ₱6,496,740.55 contrary to Section 2 of PD No. 1445 and Section 25 of the GAA of FY 2020**

General Provisions thus may expose the inventories to risk of possible loss, spoilage, obsolescence, and material degradation.

Section 2 of PD No. 1445 provides among others that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

In keeping with the above provision, it is expected that proper inventory planning and control are conducted by management. Inventory planning is an indispensable tool to promote efficiency in the implementation of procurement activities. It is equally important for the reason that it helps management to:

- Decide what to buy, when and from what source thus eliminate unnecessary purchases of items/goods;
- Design a procurement strategy for acquisition of items/goods required by clients/customers; and
- Estimate the time required to complete the procurement process and allows determination of whether the requirements of clients/customers can be fulfilled with the time expected.

Without proper inventory planning, the agency's procurement activities will, at the very least, result in uncoordinated and unnecessary procurement of goods.

Audit of inventories revealed that the District has a year-end balance of supplies and materials for local water systems operations amounting to ₱6,496,740.55. These include water meters and fittings, pipes, service connection materials, transmission and distribution fittings and other materials for water connections. The total amount was reported in the financial statements as follows:

	Amount (₱)
Held for Consumption	2,468,761.41
Held for Sale	<u>4,027,979.14</u>
Total	<u>6,496,740.55</u>

Scrutiny of the submitted inventory report disclosed that purchases and issuances of the above inventories during the year amounted to ₱7,822,210.00 and ₱5,924,096.54, respectively. This shows that the District is buying more than it can use which resulted in overstocking of supplies and materials.

Section 25 of the GAA of FY 2020 General Provisions states that:

The inventory of supplies, materials and equipment spare parts to be procured shall not exceed the agency's two-month requirement. The head of the agencies may increase their inventory of critical supplies, materials and equipment spare parts to be procured in any of the following instances:

- i. in anticipation of cost increases;
- ii. necessitated by a national emergency;
- iii. when there is an impending shortage; and
- iv. when otherwise authorized in this Act or in the charter of the agency concerned.

The purchases of stocks exceeding an agency's one-year requirement shall be subject to approval by the President of the Philippines, upon the joint recommendation of the Chairperson of the COA and the agency head concerned.

Pursuant to the above rule, the team has come up with the following analysis:

Issuance during the Year	₱5,924,096.54
Divide by:	<u>12 months</u>
Average Monthly Usage	493,674.71
Multiply by:	<u>2 months</u>
Average Two-month Requirement	987,349.42
Inventory on Hand	<u>6,496,740.55</u>
Average Excess Stocks	<u>₱5,509,391.13</u>

Despite the beginning inventory balance of ₱4,598,627.09, which is enough for 2020 consumption, continuous purchases of the District resulted in a huge amount of ending inventories.

Moreover, the team also noted that the District was unable to reconcile records of supplies and materials for water systems operations as to quantity during inventory count due to inaccurate records in bin cards. Inspection of records revealed that these bin cards were not regularly updated. The absence of reconciliation of records in bin cards and count of supplies and materials may not detect any inventory shortages or overages thus hindered the District to control the quantity of materials the storekeeper receives and issues.

Due to the above deficiencies noted, the inventories may expose to risk of possible loss, spoilage, obsolescence, and material degradation.

We recommended and the Management agreed that the GM:

- a) Instruct the Property Officer to conduct proper inventory planning and monitoring on the movement of supplies and materials to determine when to order considering the lead time and quantity needed to procure for each item;**
- b) Require the Inventory Custodian to update bin cards regularly; and**
- c) Require the Accountant to perform regular reconciliation of inventory records for control and monitoring purposes.**

The Management commented the following:

- The District commits to conduct proper inventory planning and monitoring of the movement of supplies and materials for water systems operations to promote efficiency in the implementation of procurement activities and reduce risk of spoilage, obsolescence, and material degradation.
- The Inventory Custodian has also been directed to update bin cards daily to determine the remaining balance of inventory on hand.
- The Accounting Section commits to conduct a monthly reconciliation of inventory records to detect shortages or overages.

D. GENDER AND DEVELOPMENT (GAD)

7. GAD Plan and Budget for 2020 was submitted to LWUA on July 22, 2020. Reported GAD Accomplishments for the year 2020 are presented below:

Particulars	Accomplishment	Amount (₱)	
		Approved Budget	Actual Expenditure
R.A 9262 or the Anti-Violence Against Women and their Children (VAWC) Act of 2004	Conducted film viewing for the awareness of VAWC	120,000.00	31,100.00
	Posted tarpaulin at conspicuous place within the premises of the District	40,000.00	240.00
Civil Service Commission Memorandum Circular	Conducted zumba activities addressing the special need of	200,000.00	5,600.00

Particulars	Accomplishment	Amount (₱)	
		Approved Budget	Actual Expenditure
No. 8 requiring government agencies to adopt the “Great Filipino Workout” as an integral part of National Physical Fitness and Sports Development Program for government personnel	men and women in the District , thereby empowering them		
Attribution of a portion of the District’s budget on drilling projects advancing the interests of housekeepers who need to fetch water from dug wells or pitcher pumps for their household needs.	Drilled two wells and installed additional pipelines to uncovered barangays	13,000,000.00	7,004,913.00

E. COMPLIANCE WITH TAX LAWS

8. The District had remitted an aggregate amount of ₱3,949,203.44 to the BIR for CY 2020. Details are as follows:

Tax Type	Amount (₱)
Franchise Tax	1,205,774.01
Withholding Tax on Compensation	374,243.36
Withholding Tax on Government Money Payments	1,799,169.55
Creditable Income Taxes Withheld (Expanded)	569,516.52
Annual Registration Fee	500.00
Total	3,949,203.44

F. DISASTER RISK REDUCTION AND MANAGEMENT (DRRM)

9. In compliance with the General Provisions of the GAA, the District had prepared and developed its DRRM Plan. The same was submitted to LWUA for review and approval on October 21, 2020.

G. STATUS OF SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

10. The beginning balance of suspensions amounting to ₱1,154,134.77 and additional issuances of ₱8,903.57 pertain to the following summary of transactions:

Particulars	Amount (₱)	Lacking Supporting Documents
Purchase of service vehicles	1,060,691.93	DBM-approved authority to purchase
Extraordinary and Miscellaneous Expenses	38,800.00	Receipts and other documents evidencing disbursements
Legal Retainer Fees	63,546.41	Written conformity and acquiescence of the Office of the Government Counsel; COA concurrence; and accomplishment reports
Total	1,163,038.34	

The above total suspensions were settled by ₱1,154,134.77 this CY 2020 as reflected in the issued Notices of Settlement of Suspension/Disallowance/Charge (NSSDCs) attached as Annex A, leaving a year-end balance of ₱8,903.57.

While the beginning balance of disallowances amounting to ₱2,494,963.11, as detailed in Annex B, was settled in the amount of ₱261,561.00 by the following NSSDCs issued by the Team on December 28, 2020:

NSSDC		Reference ND	Remarks
No.	Amount (₱)		
2020-112	34,477.00	2015-003-(14)	With authority to settle through installment as provided in a letter from the Commission dated April 19, 2018
2020-114	209,084.00	2015-005-(14)	
2020-113	18,000.00	2015-004-(14)	With authority to settle through installment as provided in a letter from the Commission dated December 7, 2017
Total	261,561.00		

The Team had also issued additional disallowances in the aggregate amount of ₱1,122,181.23 which all stemmed from unsettled suspensions as can be gleaned from the attached Annex A, leaving a year-end balance of ₱3,355,583.34.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of 25 prior years' audit recommendations, 20 were implemented and 5 were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. The existence, completeness, valuation and accuracy of the recorded PPE accounts with net carrying amount of ₱179,953,630.22 were doubtful because (a) physical inventory was not conducted contrary to Section 58 of PD No. 1445; (b) property records were not maintained contrary to Sections 111 and 114 PD 1445; and (c) depreciation expenses were erroneously computed, thereby affecting the fair presentation of the financial statements.</p> <p>We recommended that the District undertake the following courses of action to ensure the existence, completeness, valuation and accuracy of recorded PPE:</p> <p>a) Create an inventory committee/team that will conduct physical inventory of PPE;</p>	<p>2019 AAR (page 42)</p>	<p>An inventory committee had already been created to conduct physical count of properties through Office Order No. 24-20</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>b) Instruct the Property Officer and Accountant to maintain complete property records and subsidiary ledgers, respectively, for reconciliation purposes; and</p> <p>c) Instruct the accounting personnel to exert more efforts to locate records of the recorded PPE in order to compute the correct depreciation expenses.</p>		<p>dated July 28, 2020. Inventory count was conducted on December 14-19, 2020.</p> <p>The District is still in the process of locating prior year records to set up the correct balance of PPE items.</p> <p>The District is still in the process of locating prior year records to compute the correct depreciation expenses of PPE items.</p>	<p>Not implemented and reiterated in Observation No. 1</p> <p>Not implemented and reiterated in Observation No. 1</p>
<p>2. The accuracy of the Accounts Receivables (AR) amounting to ₱11,013,117.46 could not be ascertained due to non-reconciliation between the General Ledger (GL) and Subsidiary Ledger (SL) balances contrary to Paragraph 2.18 of the Conceptual Framework for Financial Reporting thereby, affecting the fair presentation of the Financial Statements.</p> <p>We recommended that the Accountant look into the cause/s of</p>	<p>2019 AAR (page 45)</p>	<p>Adjustments had been made through JEV No.</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>unreconciled amount of GL and SL balances, and make necessary adjustments on the ending balance of AR.</p> <p>We further recommended that regular reconciliation of records be done to ensure accuracy of the AR and to prevent financial statements errors to conform with the qualitative characteristic of faithful representation as delineated under the Conceptual Framework for Financial Reporting.</p>		<p>1220200096 dated December 29, 2020.</p> <p>Reconciliations of AR SL and GL were made regularly to ensure accuracy of the account balance.</p>	<p>Implemented</p>
<p>3. Nine parcels of land were not supported with Certificates of Title, contrary to Section 39 (2) of PD 1445, thus, posing the risk of third-party claims.</p> <p>We reiterated our recommendation that Management continue to exhaust all efforts in securing the Certificates of Title of the lots to support claims of ownership; and to locate records to support the entries recorded in the Land account of the District in order to ascertain the accuracy of the reported book value of Land in the financial statements.</p>	<p>2019 AAR (page 47)</p>	<p>A parcel of land had already been recently issued with a certificate authorizing registration.</p>	<p>Not implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>4. Cash advances (CAs) were granted despite the non-liquidation of previous CAs contrary to Section 89 of PD 1445 and Section 1.2 of COA Circular No. 2012-001 dated June 24, 2012 on the granting and liquidation of CAs thus, agency funds were exposed to misuse and misappropriation.</p> <p>We reiterated our recommendation that the District should strictly implement the liquidation of previous CA before the grant of a new CA to adhere with the provisions of Section 89 of PD 1445 and Section 4.1 of COA Circular 97-002. Likewise, we recommended the attachment of the Certification from the Accountant that the previous CAs have been liquidated and accounted for in the books for every CA granted for control and monitoring purposes.</p>	<p>2019 AAR (page 48)</p>	<p>No cash advances were granted without a Certification from the Accountant that the employee has no unliquidated cash advance/s.</p>	<p>Implemented</p>
<p>5. Copies of contracts, purchase orders and the like were not submitted to the Office of the Auditor contrary to Sections 3.1.1 and 3.2.1 of COA Circular No. 2009-001 thus, precluded the timely auditorial</p>	<p>2019 AAR (page 51)</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>review on various purchases.</p> <p>We recommended that the District submit copies of contract and/or purchase orders and all supporting documents to the Office of the Auditor within five working days from the date of issuance for the timely review.</p>		<p>The District submits contracts and purchase orders with attachments through email.</p>	<p>Implemented</p>
<p>6. The District's procurement of motorcycle in the amount of ₱81, 691.93 was not supported with an approved Request for the Acquisition of Government Motor Vehicles contrary to AO No. 14 – Consolidating and Rationalizing the Rules on the Acquisition of Government Motor Vehicles, Adopting a Centralized System of Procurement Therefor, and for Other Purposes dated December 10, 2018 thus, the acquisition was not authorized.</p> <p>We reiterated our recommendation that the District submit the Approved Request for the Acquisition of Motor Vehicles as delineated under AO No. 14.</p>	<p>2019 AAR (page 53)</p>	<p>The transaction was suspended and eventually disallowed due to the absence of an approved Request for the Acquisition of Government Motor Vehicles.</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>7. Deficiencies on the use of the Consumer Service Business Management Application (CSBMA) of the District were noted in audit thus, benefits from the use of the application were not maximized.</p> <p>We recommended that the Management undertake the following courses of action:</p> <ul style="list-style-type: none"> a) require the developer to provide manual of the CSBMA; b) define the levels of access of employees by clearly identifying those low level users to high level ones; c) require the developer to add event-defined audit log; and d) provide guidelines on the appropriate use of administrator access such as it is inappropriate to change system data when there is no valid reason and management approval. 	<p>2019 AAR (page 54)</p>	<p>The developer had already provided the District the user manual of the CSBMA.</p> <p>The levels of access of employees were now clearly identified as to low or high level users.</p> <p>The event-defined audit log was already added as a control feature.</p> <p>The BOD of BAYWAD had approved Resolution No. 67 S. 2020 which provides guidelines on the appropriate use of the administrator's access on the CSBMA.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
<p>8. The District's NRW for CY 2019 is 3.20% over and above the tolerable rate of 20% as prescribed</p>	<p>2019 AAR (page 56)</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>LWUA Resolution No. 444 series of 2009, hence, affected its operating and revenue generation efficiency, a manifestation of inadequacies in the control, monitoring of water production, distribution and water billing to the disadvantage of the District.</p> <p>We recommended that the District revisit the existing strategies/measures in reducing water losses and evaluate its efficiency and effectiveness, intensify the strategies undertaken, and devise/install a more effective and efficient measure to manage water losses in order to significantly reduce the high level of NRW to the tolerable rate of 20%.</p>		<p>The District managed to reduce its NRW by 22.30% as of December 31, 2020.</p>	<p>Not implemented and reiterated in Observation No. 5</p>
<p>9. The District had neither submitted for review its GAD Accomplishment Report for CY 2019 to LWUA nor appropriated the required five percent of the total agency budget which shall correspond to the activities supporting GAD plans contrary to Section 32 of the General Provisions of the GAA for FY 2019 and</p>	<p>2019 AAR (page 58)</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2015-03 dated May 19, 2015.</p> <p>We recommended that the District prepare and submit to LWUA its GAD Accomplishment Report for review, allocate at least 5% of the total approved budget for GAD fund and strictly comply with the essential elements in GAD Planning and Budgeting to implement GAD requirements, programs and activities which are in support to the government's effort to promote women's economic empowerment, gender equality and gender-responsive development and governance.</p>		<p>GAD Accomplishment Report for CY 2019 was already submitted to LWUA on July 22, 2020. Moreover, total allocated budget for 2020 GAD has exceeded the minimum 5% of the annual budget.</p>	<p>Implemented</p>
<p>10. The District had not prepared and developed its DRRM Plan contrary to Section 37 of the General Provisions of the GAA of FY 2019, thus its resources are exposed to disaster risks in case of unforeseen calamities/disasters.</p> <p>We recommended the development of the District's DRRM Plan and submission of the</p>	<p>2019 AAR (page 60)</p>	<p>The DRRM Plan was submitted to LWUA on October 21, 2020.</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
same to LWUA for approval to ensure the uninterrupted supply of safe quality of water to concessionaires even during calamities/ disasters.			
<p>11. Semi-expendable properties totaling ₱240,418.18 were recorded under the PPE account contrary to Section 5.4 of COA Circular No. 2016-006 dated December 29, 2016, thus, overstating PPE and its related accumulated depreciation account along with the Retained Earnings account and Profit or Loss Summary for CY 2018 as presented in the Financial Statements. Likewise, Inventory Custodian Slips (ICS) were not prepared to establish accountability for the properties issued.</p> <p>We recommended that the District reclassify the semi-expendable properties to the appropriate expense or Retained Earnings account as delineated under Section 5.4 of COA Circular No. 2016-006.</p> <p>We further recommended that the Management require the Property</p>	<p>2018 AAR (page 26)</p>	<p>The Accountant already reclassified the cost of issued semi-expendable properties to the appropriate expense and retained earnings account.</p> <p>ICSs were prepared and issued for items</p>	<p>Implemented</p> <p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
Officer or his equivalent to prepare ICS for the semi-expendable for monitoring, control and accountability purposes.		identified under Semi-Expendable Expense.	
<p>12. Various emergency purchases in the total amount of ₱752,605.10 were not supported with justification as to the urgency of purchase which was inconsistent with Section D.2.a of Annex H of 2016 Revised IRR of RA No. 9184, thus validity and legality of the transactions could not be ascertained.</p> <p>We recommended that Management strictly adhere with the provisions of Section D.2.a, Annex H of 2016 Revised IRR of RA No. 9184; and that Accounting personnel strictly scrutinize the documentary requirements, to prove the legality and validity, before processing claims against Government Funds.</p>	2018 AAR (page 36)	Emergency purchase transactions are now supported with justifications and/or resolutions as to the urgency of the need to purchase.	Implemented
13. Two or more Certification of Expenses not Requiring Receipts prescribed under COA Circular No. 2017-001 dated June 19, 2017 were customarily attached as supporting documents	2018 AAR (page 39)		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>for reimbursements thus, manifesting splitting of transactions to avoid the submission of receipts or invoices in violation of Section 4 (6) of PD NO. 1445.</p> <p>We recommended that the District ensure strict compliance with the provisions of Section 6 of PD No. 1445 for reimbursement of expenses by supporting the transactions with invoices/official receipts especially for goods/services purchased from business establishments who issue invoices/official receipts.</p>		<p>The proper use of the form, Certification of Expenses not Requiring Receipts, is now being adopted. The Management had also allowed other forms/ documents evidencing disbursements such as acknowledgement receipts, among others, from establishments or individuals who could not issue invoices/ official receipts.</p>	<p>Implemented</p>
<p>14. The inadequate control procedures on fuel consumption are inconsistent with Sections 123 and 124 of PD No.1445, thus the accuracy, validity and propriety of the fuel expense were doubtful. Also, the validity of the payments made to Sagun Gasoline Station could not be ascertained due to non-submission of Monthly Report of Fuel Consumption of Government Motor Vehicle and non-preparation of the Trip Tickets before the use of</p>	<p>2018 AAR (page 41)</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>government vehicles in violation of Section 361 of Government Accounting and Auditing Manual (GAAM) Volume I and COA Circular 75-6.</p> <p>We recommended that Management strictly implement control procedures on the District's consumption of fuel taking into consideration the following courses of action:</p> <p>Fuel for service vehicles:</p> <ul style="list-style-type: none"> a) Ensure that Gas Slips that were attached to DRs are approved by the GM and these shall indicate the date, plate number of the vehicle and quantity of the fuel requested for control and monitoring purposes. b) Submit justification why the Gas Slips were not approved and why DRs were paid despite the absence of properly filled up and approved Gas Slips. <p>Fuel for generator sets:</p>		<p>Properly filled-out and approved Gas Slips are now being required by the gas station prior to the release of fuel.</p> <p>Also, the Management informed that the absence of an alternate approver of the Gas Slips was the reason why several of the forms were not signed by the GM; the approvals were made either via text message or phone call.</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>a) Ensure that Gas Slips that were attached to DRs are approved by the GM and these shall indicate the date, the property number and location of the generator and quantity of the fuel requested for control and monitoring purposes.</p> <p>b) Submit justification why the Gas Slips were not approved and why DRs were paid despite the absence of properly filled up and approved Gas Slips.</p> <p>c) Ensure Service Manual Readings of every generator sets of the Water District.</p> <p>We further recommended the District's adherence with the provisions of Section 361 of GAAM Vol. I and COA Circular No. 75-6 through the preparation of Trip Tickets attached to properly filled-up and approved Gas Slips and the regular submission of Monthly Report of Fuel Consumption of Vehicles and Monthly Report of Official Travels. Likewise, we</p>		<p>The Monthly Reports on Fuel Consumption were prepared and attached to the DVs. Gas slips are already pre-numbered and trip tickets for official travels are necessarily prepared and approved.</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
recommended the submission of Monthly Report of Fuel Consumption for each genset of the District for control and monitoring purposes.			
<p>15. The provision of mobile postpaid plans without an approved policy guideline on the grant thereof is not in accordance with the provisions of Section 2 of PD No. 1445 and Section 5 of COA Circular No. 2012-003, hence, resulted in uncontrolled and excessive expenditures.</p> <p>We recommended the District's adoption and/or implementation of a clear policy guideline on the provision of mobile postpaid plans and that monitoring of the charges be strictly implemented in accordance with Section 2 of PD No. 1445 and COA Circular No. 2012-003 to ensure that government funds are used efficiently and economically.</p> <p>We further recommended that officials with postpaid plans shoulder personally charges in excess of the plan amounts which include pasaload and browsing</p>	2018 AAR (page 45)	<p>A policy guideline on the provision of the employees' mobile postpaid plan was approved through Board Resolution No. 33 S. 2020.</p> <p>Charges in excess of the approved mobile postpaid plans are already being deducted from the salaries of concerned employees. As for the booking up</p>	<p>Implemented</p> <p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>subscriptions which are considered excessive expenditures. Likewise, if the cost of the mobile phones is separately charged, we recommended that the District provide amortization schedule on such cost which shall also be shouldered by the official/employee since the high-end mobile phone units are not being booked up and accounted for in the books of the District.</p>		<p>of the cost of mobile phones, the Management informed that since the gadget comes free from availing the postpaid plan, its cost need not be recognized but accountability thereof will nevertheless be established.</p>	
<p>16. Submission of disbursement vouchers and other reports required under PD No. 1445 were made beyond due dates thus hindered the determination of validity, legality of all transactions of the business. This also in effect rendered the accuracy and reliability of account balances in the financial statements doubtful.</p> <p>We recommended management to require the accounting division and other district personnel concerned to comply with the requirements of the law on the timeline in the submission of financial and other required reports pursuant to COA Circular</p>	<p>2016 AAR (page 26)</p>	<p>Delays in the submission of 2020 reports were due to travel restrictions brought by the COVID 19 pandemic situation.</p>	<p>Not Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>no. 92-89E dated March 8, 1992 and COA Circular No. 2015-004 dated July 16, 2015 and automatically cause the suspension of payment of the salaries of concerned employees until they shall have complied with the requirements of the commission pursuant to Section 122 (2) of PD No. 1445. Further, no appropriation shall be available to pay the salary or any official or employee who violates the provisions on the submission of reports without prejudice to any disciplinary action that may be instituted against such official or employee.</p>			

PART IV

ANNEXES