



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

FINANCIAL AUDIT REPORT

on the

BALIWAG WATER DISTRICT
Baliwag, Bulacan

For the Year Ended December 31, 2020



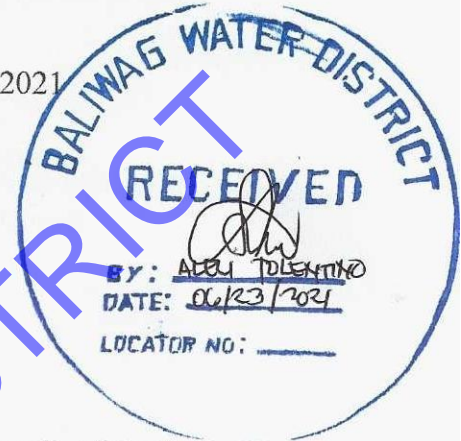
Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

Tel. Nos. (045) 455-4269 to 73 * Fax No. (045) 455-4273 * Website: www.coa.gov.ph

June 17, 2021

Ms. HAZEL M. GALANG
Chairperson of the Board of Directors
Baliwag Water District
Baliwag, Bulacan



Dear **Chairperson Galang**:

We are pleased to transmit the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2020 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of Prior Year's audit recommendations.

We rendered a qualified opinion on the fairness of presentation of the financial statements.

The audit report consists of Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations and Part III – Status of Implementation of Prior Year's Unimplemented Audit Recommendations.

The audit observations and recommendations were discussed with concerned officials of the District in the exit conference that was held on June 9, 2021. Management's comments were incorporated in the report, where appropriate.

We request that a status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 89 of the General Provisions of the General Appropriations Act for FY 2020.

We appreciate the invaluable support and cooperation extended by the officials and staff of the District during the audit engagement.

Very truly yours,

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MA. CORAZON S. GOMEZ
Regional Director

BALIWAG WATER DISTRICT



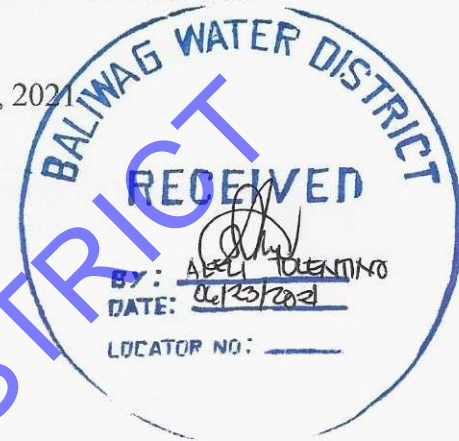
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June 17, 2021

Mr. ARTEMIO F. BAYLOSIS
General Manager
Baliwag Water District
Baliwag, Bulacan



Dear **Manager Baylosis**:

We are pleased to transmit the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2020 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

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We appreciate the invaluable support and cooperation extended by the officials and staff of the District during the audit engagement.

Very truly yours,


MA. CORAZON S. GOMEZ
Regional Director

BALIWAG WATER DISTRICT

BALIWAG WATER DISTRICT
Baliwag, Bulacan

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2020
As of _____

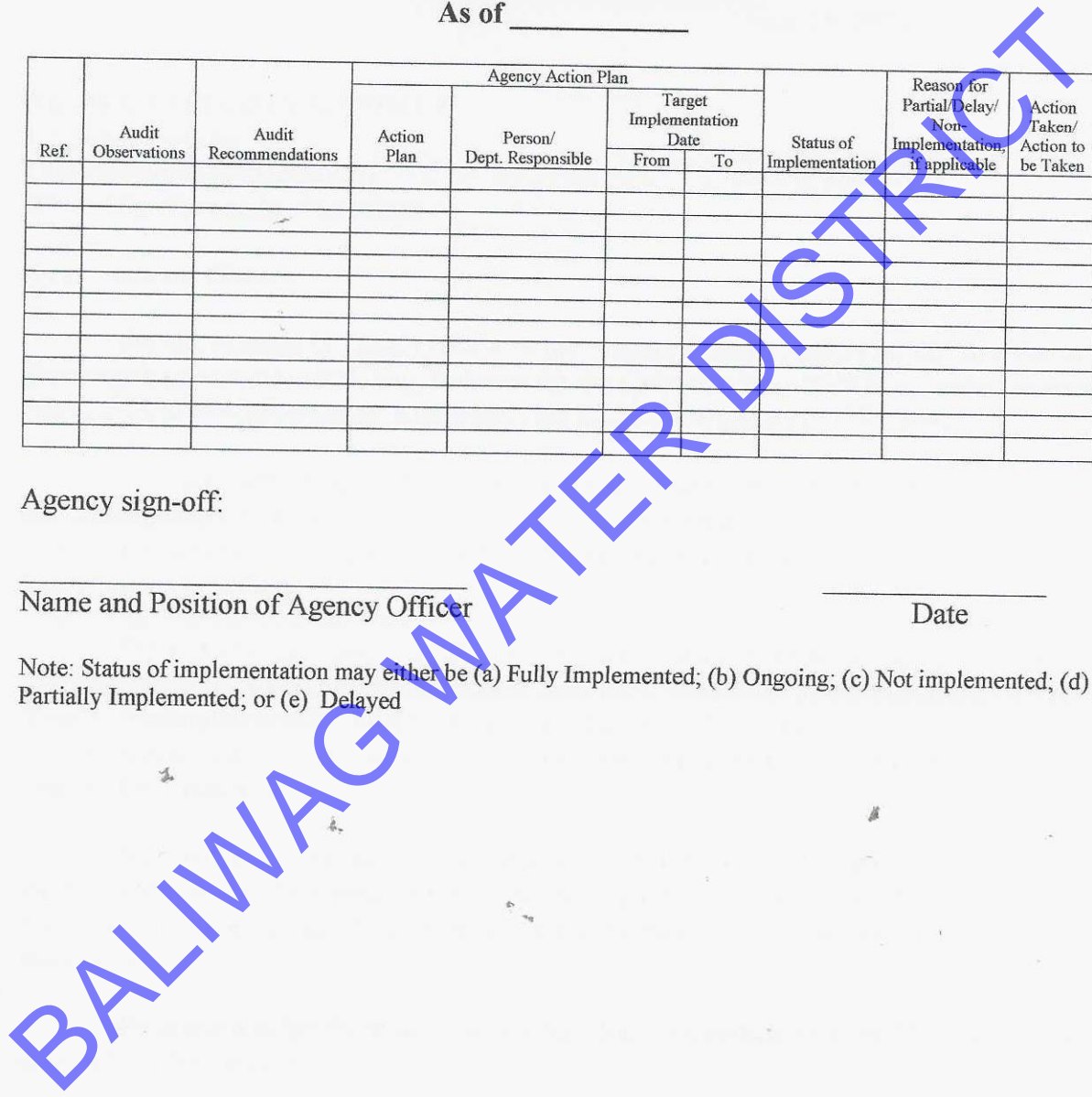
Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

Name and Position of Agency Officer

Date

Note: Status of implementation may either be (a) Fully Implemented; (b) Ongoing; (c) Not implemented; (d) Partially Implemented; or (e) Delayed





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June 15, 2021

Ms. MA. CORAZON S. GOMEZ

Regional Director
COA Regional Office No. III
City of San Fernando, Pampanga

Dear **Director Gomez**:

We are pleased to submit herewith the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2020 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

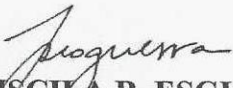
The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of Prior Year's audit recommendations.

The audit report consists of Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations and Part III – Status of Implementation of Prior Year's Unimplemented Audit Recommendations. The Audit Observations and Recommendations were discussed with the officials concerned in the exit conference that was held on June 9, 2021.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit. We rendered a qualified opinion on the fairness of presentation of the financial statements.

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,


PRISCILA R. ESGUERRA
DIC-Supervising Auditor



Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

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June 14, 2021

Ms. PRISCILA R. ESGUERRA

State Auditor IV
OIC-Supervising Auditor
Water Districts Audit Group
This Region

Madam:

We are pleased to submit herewith the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2020 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of Prior Year's audit recommendations.

The audit report consists of Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations and Part III – Status of Implementation of Prior Year's Unimplemented Audit Recommendations. The Audit Observations and Recommendations were discussed with the officials concerned in the exit conference that was held on June 9, 2021.

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

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,

LOIDA M. SALENGA
Audit Team Leader

EXECUTIVE SUMMARY

A. INTRODUCTION

The District was created pursuant to Presidential Decree No. 198, otherwise known as the “Local Water Utilities Act of 1973”, as amended by PD Nos. 768 and 1479, and by virtue of the Local Sangguniang Bayan Resolution No. 011 series of 1988. On July 6, 1989, the Conditional Certificate of Conformance (CCC) No. 407 was issued by Local Water Utilities Administration (LWUA) to formalize its establishment. This CCC is the accreditation of LWUA to a newly-formed water district to operate under the standard specification.



Since 1992, by virtue of the Supreme Court En Banc decision, GR No. 95237-38 (Davao City Water District, et al. vs. CSC et al.), water districts were declared government owned and/or controlled corporation with original charter, and as such they are placed under the jurisdiction of the Civil Service Commission and Commission on Audit.

As of December 31, 2020, the District has 27 pumping stations which serve 27 barangays with 33,489 total active service connections. The District is categorized as Category “A” water district pursuant to the Local Water District Manual on Re-categorization in March 2017.

The District was formed for the purpose of acquiring, installing, improving, maintaining and operating water supply and distribution system for the residents of Baliwag, Bulacan.

As of December 31, 2020 the District's Board of Directors is composed of the following:

<u>Name</u>	<u>Position/Designation</u>	<u>Sector</u>
Mr. Conrado E. Evangelista	Chairman	Education
Ms. Hazel M. Galang	Vice-Chairman	Women
Ms. Victoria G. Canaza	Secretary	Professional
Mr. Florido S. Santos	Treasurer	Business
Ms. Maria Manolita C. Cruz	Member	Civic

The District has 167 personnel and headed by General Manager Artemio F. Baylosis.

B. FINANCIAL HIGHLIGHTS

The comparative analysis of the District's Financial Position and Results of Operation for CY 2020 and 2019 are shown below:

Financial Condition



Results of Operation



C. SCOPE OF AUDIT

We conducted an audit of the financial transactions and operations of the Baliwag Water District for the year ended December 31, 2020 on a sampling basis in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated October 04, 2019 prescribing for the General Audit Instructions for the conduct of CY 2020 Audit of Water Districts and for other matters. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion. The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

D. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the District for the year ended December 31, 2020 because of the significant accounting errors and deficiencies that materially misstated the assets, liabilities and equity accounts in the financial statements, taken as a whole, as follows: (a) unreliable Property, Plant and Equipment (PPE) accounts balances due to non-provision of depreciation on PPE items costing ₱115,346,986.12; and (b) failure to derecognize in the books of accounts the carrying amount of disposed unserviceable properties and equipment in CY 2019 totaling ₱3,804,643.76.

For the above deficiencies, we recommended that the General Manager and/or the responsible personnel perform the following actions:

(a) For Property, Plant and Equipment account, (a) require the Management Information Services Division to enhance or replace the electronic Depreciation System in order to generate a more reliable lapsing schedule; (b) instruct the Senior Corporate Accounts Analyst through the Department Manager-Finance to prepare the necessary adjusting entries for the fair presentation of the PPE accounts in the financial statements; (c) oblige the designated Property Officer to prepare and submit the Report on the Physical Count of PPE in compliance with Section 490 of the GAAM, Volume I; and (d) direct the Senior Corporate Accounts Analyst and designated Property Officer to reconcile the PPE balances per accounting records and the Report on the Physical Count of PPE.

(b) For Other Asset account, require the Department Manager Finance to be more diligent in the recording/recognition of all transactions as well as events that have an impact on the financial statements in order to present fairly the financial position, financial performance and cash flows of the District.

E. SUMMARY OF OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The other significant audit observations noted during the audit and the corresponding recommendations are the following:

1. The collectability of inactive accounts receivable (AR) amounting to ₱5,657,717.63 and receivable from the Municipality of Baliwag of ₱6,142,590.57 aged over two years was remote due to non-institution of regular actions for collections contrary to Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I. (*Observation No. 2*)

We recommended that the General Manager instruct the Department Manager Finance and the Division Manager -Customer Accounts to (a) continuously monitor the status of trade accounts and improve collection strategies on delinquent accounts which may include appropriate legal action, if necessary; (b) send demand letters to verify the existence of the concessionaires with inactive accounts in their indicated addresses; (c) fast track the preparation of the request for write-off of dormant accounts from the Commission on Audit, after all measures to collect have been exhausted pursuant to COA Circular No. 2016-005 dated December 19, 2016.

2. The valuation of the Accounts Receivable (AR) with carrying amount of ₱14,854,122.31 as of year-end is unreliable due to inadequate Allowance for Impairment -Accounts Receivables; thus, affecting the fair presentation of AR in the Financial Statements. (*Observation No. 3*)

We recommended that the General Manager in coordination with the Finance Department to (a) reassess and reevaluate the status of its accounts receivable; and (b) request to the Board of Directors to revisit the policy on the provision for impairment of accounts receivables for the fair valuation and proper presentation of accounts receivables and other affected accounts in the financial statements since the approved resolution for impaired accounts receivable had been passed 17 years ago.

3. Payables to suppliers totaling ₱5,776,366.45 were erroneously recorded as Other Payables contrary to Philippine Accounting Standards (PAS) 1 and COA Circular No. 2020-002 dated January 28, 2020. Moreover, accruals of allowances which were already disallowed in the previous audits were inappropriately recorded as Other Payables which is not in accordance with COA Resolution No. 2004-006 dated September 14, 2004. (*Observation No. 6*)

We recommended that the General Manager in coordination with the Finance Department to instruct the Senior Financial Specialist to prepare journal entries to (a) reclassify the above-mentioned payables to suppliers from Other payable to Accounts payable; and (b) reverse the recording of invalid claims to retained earnings for fair presentation of the account balances in the financial statements.

4. Various payments for allowances and others expenses were erroneously charged to Extraordinary and Miscellaneous Expenses accounts; thus, the total expenses incurred exceeded the limitations prescribed in the General Provisions of the CY 2020 GAA by ₱4,826,112.14. Moreover, the payments were not supported by complete documents; thus, casting doubt on the validity, legality and regularity of the payments made. *(Observation No. 7)*

We recommended that the General Manager (a) ensure that the approved allocation and disbursement of funds for extraordinary and miscellaneous are within the rates prescribed in the GAA as required under COA Circular No. 2006-001; (b) exercise prudence in the utilization of funds; (c) ensure that allocation for extraordinary and miscellaneous expenses are used only for the purposes for which these were established; and (d) submit to the Audit Team authority/legal basis and complete supporting documents for allowances and expenditures charged to EME as basis for the next audit action.

5. Disbursements for honorarium of Bid and Awards Committee were not supported with complete documentations in violation of Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012, and not in accordance with the prescribed rates provided under DBM Circular no. 2004-5A dated March 23, 2004, thus the validity and propriety of the claims were not established. Furthermore, the District appointed personnel of the accounting unit with the position of Corporate Budget Analyst B, as BAC member in violation of COA Circular 2003-04 dated July 30, 2003. *(Observation No. 8)*

We recommended that Management (a) submit the complete supporting documents for the above claims in compliance with Section 4 (6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012 in order to establish the validity of the transactions; (b) verify the validity and accuracy of claims for honoraria before payment is made; (c) strictly abide by the provisions of RA 9184 and COA Circular 2003-04 regarding appointment of Members of the BAC; and (d) refund immediately the excess allowances received by BAC Chairs, Members and Secretariat.

F. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The Statement of Audit Suspensions, Disallowances and Charges had a balance of ₱29,671,166.25 as of December 31, 2020 which pertains to audit disallowances issued for CYs 2013 to 2019 transactions. There were disallowable disbursements amounting to ₱1,889,643.75 in the audited transactions of the District for CY 2020.

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the 23 audit recommendations embodied in the CY 2019 Financial Audit Report, 12 were fully implemented, two were partially implemented and nine were not implemented.



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

FINANCIAL AUDIT REPORT

on the

BALIWAG WATER DISTRICT
Baliwag, Bulacan

For the Year Ended December 31, 2020

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BALIWAG WATER DISTRICT

BALIWAG WATER DISTRICT

PART I - AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Baliwag Water District
Baliwag, Bulacan

Qualified Opinion

We have audited the financial statements of Baliwag Water District 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 matter described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Baliwag Water District as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

As presented in Part II of the Report, significant accounting errors and deficiencies on the assets, liabilities and equity accounts may cause misstatement in the financial statements taken as a whole, as follows: (a) unreliable Property, Plant and Equipment (PPE) accounts balances due to non-provision of depreciation on PPE items costing ₱115,346,986.12; and (b) failure to derecognize in the books of accounts the carrying amount of disposed unserviceable properties and equipment in CY 2019 totaling ₱3,804,643.76.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the District in accordance with the Code of Ethics for Government Auditors together with the ethical requirements that are relevant to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a bases for our opinion.

Key Audit Matters

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

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

Management is responsible for the preparation and fair presentation of 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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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:


PRISCILA R. ESGUERRA
OIC-Supervising Auditor

June 9, 2021



Baliwag Water District

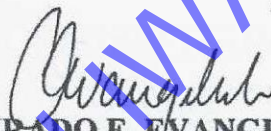
Tomacruz St., Poblacion, Baliwag, Bulacan 3006
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Fax No. : (044) 766-3737
www.baliwagwd.com


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The Management of **Baliwag 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 prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

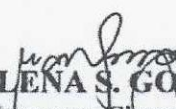
The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the **Baliwag Water District** in accordance with International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


CONRADO E. EVANGELISTA
Chairman of the Board
February 11, 2021


ARTEMIO F. BAYLOSIS
General Manager
February 11, 2021


MA. TERESA F. RAMOS
AGM – Administration and Finance Group
February 11, 2021


ELENA S. GONZALES
Manager, Finance Department
February 11, 2021



ISO 9001: 2015 Certified
Cert. Reg. No. 01 100 1432628

BALIWAG WATER DISTRICT
 Baliwag, Bulacan
Statement of Financial Position
 As at December 31, 2020
 With Comparative Figures for CY 2019

	Note	2020	2019
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	2.3.3, 5	₱ 27,951,627.14	₱ 17,462,322.20
Receivables, Net	2.3.4, 6	23,157,910.29	19,049,955.09
Inventories	2.3.9, 7	7,869,580.69	8,931,893.85
Other Assets	8	7,052,355.94	6,711,983.46
TOTAL CURRENT ASSETS		66,031,474.06	52,156,154.60
NON CURRENT ASSETS			
Investment in Time Deposits - Local Currency	9	720,061.02	716,259.29
Property, Plant and Equipment, Net	2.3.10, 10	391,516,931.75	381,980,635.20
Other Assets	8	955,404.36	0.00
TOTAL NON CURRENT ASSETS		393,192,397.13	382,696,894.49
TOTAL ASSETS		₱ 459,223,871.19	₱ 434,853,049.09
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Financial Liabilities	2.3.4, 11	21,435,981.19	22,330,642.09
Inter-Agency Payables	11	3,272,409.89	3,133,565.22
TOTAL CURRENT LIABILITIES		24,708,391.08	25,464,207.31
NON CURRENT LIABILITIES			
Financial Liabilities	2.3.4, 11	101,370,080.63	105,008,098.10
Inter-Agency Payables	12	3,420,845.00	3,420,845.00
Trust Liabilities	13	1,541,621.28	4,911,213.07
Deferred Credits	14	875,629.29	3,912,671.33
Provisions	2.3.21, 15	24,152,883.62	19,625,306.75
Other Payables	16	14,974,078.46	17,510,715.22
TOTAL NON CURRENT LIABILITIES		146,335,138.28	154,388,849.47
TOTAL LIABILITIES		171,043,529.36	179,853,056.78
EQUITY			
Contributed Capital		20,883,551.52	20,883,551.52
Retained Earnings		267,296,790.31	234,116,440.79
TOTAL EQUITY		288,180,341.83	254,999,992.31
TOTAL LIABILITIES AND EQUITY		₱ 459,223,871.19	₱ 434,853,049.09

The notes on pages 8 to 30 form part of these statements.

BALIWAG WATER DISTRICT
 Baliwag, Bulacan
Statement of Comprehensive Income
 For the Year Ended December 31, 2020
 With Comparative Figures for CY 2019

	Note	2020	2019
INCOME	2.3.13		
Business Income	2.3.14, 17	P240,447,264.85	P227,599,973.37
Other Gains		141,858.43	119,115.24
Other Income	18	404,404.20	3,908,234.01
TOTAL INCOME		240,993,527.48	231,627,322.62
EXPENSES			
Personnel Services	19	86,061,760.44	82,325,703.13
Maintenance and Other Operating Expenses	20	83,116,682.78	96,588,627.60
Financial Expenses	21	6,846,148.35	7,453,510.40
Direct Cost	22	2,971,966.89	0.00
Non- Cash Expenses	23	24,523,830.58	23,977,125.81
TOTAL EXPENSES		203,520,389.04	210,344,966.94
NET INCOME		P37,473,138.44	P21,282,355.68

The notes on pages 8 to 30 form part of these statements.

BALIWAG WATER DISTRICT
 Baliwag, Bulacan
Statement of Changes in Equity
 For the Year Ended December 31, 2020
With Comparative Figures for CY 2019

	Note	Contributed Capital	Retained Earnings	Total
BALANCE AT DECEMBER 31, 2019		₱ 20,883,551.52	₱ 234,116,440.79	₱ 254,999,992.31
Add(Deduct):				
Net Income for the year		0.00	37,473,138.44	37,473,138.44
Other Adjustments		0.00	(4,292,788.92)	(4,292,788.92)
BALANCE AT DECEMBER 31, 2020		₱ 20,883,551.52	₱ 267,296,790.31	₱ 288,180,341.83

The notes on pages 8 to 30 form part of these statements.

BALIWAG WATER DISTRICT
 Baliwag, Bulacan
Statement of Cash Flows
 For the Year Ended December 31, 2020
 With Comparative Figures for CY 2019

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Additional Petty Cash Fund		P45,000.00	P31,000.00
Cash Debit Adjustments		183,104.28	51,742.47
Collection of Accounts Receivable		226,651,214.55	211,185,957.13
Collection of Other Receivables		2,344,322.00	3,215,504.86
Collection of Service Fees & Charges		7,166,778.96	12,033,115.60
Miscellaneous Receipts		12,473,066.40	5,061,851.82
Proceeds from Sale of Materials		475,335.10	409,073.00
Refund of Cash Advances		299,927.81	654,640.96
Restoration of Unreleased Check		1,455,564.86	316,235.91
Total Cash Inflows		251,094,313.96	232,959,121.75
Cash Outflows			
Cash Credit Adjustment		154,878.20	68,556.42
Contribution to Provident Fund		12,000,921.22	14,908,638.07
Miscellaneous Disbursements		5,256,222.38	6,142,160.71
Payment of Personnel Services		37,806,010.31	36,257,310.22
Payment of Accounts Payable		32,684,463.24	15,956,328.79
Payment of Employees Cash Advances		8,080,982.19	6,720,789.91
Payment of Maintenance & Other Operating Expenses		61,786,005.17	92,011,851.30
Purchase of Materials & Supplies		2,754.11	0.00
Remittances - GSIS, BIR, PhilHealth, Pag-IBIG		30,293,992.71	15,817,386.31
Replenishment of Working Fund		232,057.89	310,189.26
Restoration of Unreleased Check		316,235.91	371,157.95
Total Cash Outflows		188,614,523.33	188,564,368.94
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES		62,479,790.63	44,394,752.81
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceed from Loan Availments		0.00	2,975,085.00
Receipt of Interest Earned		10,160.26	9,916.89
Total Cash Inflows		10,160.26	2,985,001.89
Cash Outflows			
Construction/Acquisition of Property, Plant and		25,679,877.99	10,089,103.76
Total Cash Outflows		25,679,877.99	10,089,103.76
NET CASH PROVIDED BY/ (USED IN) INVESTING ACTIVITIES		(25,669,717.73)	(7,104,101.87)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Finance Charges		25,756,102.09	104,087.28
Payment of Principal/Interest		564,665.87	28,191,418.99
Total Cash Outflows		26,320,767.96	28,295,506.27
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(26,320,767.96)	(28,295,506.27)
INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		10,489,304.94	8,995,144.67
CASH AND CASH EQUIVALENTS - BEGINNING		17,462,322.20	8,467,177.53
CASH AND CASH EQUIVALENTS - ENDING	5	P27,951,627.14	P17,462,322.20

The notes on pages 8 to 30 form part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Agency Background

The District was created pursuant to Presidential Decree No. 198, otherwise known as the “Local Water Utilities Act of 1973”, as amended by PD Nos. 768 and 1479, and by virtue of the Local Sangguniang Bayan Resolution No. 011 series of 1988. On July 6, 1989, the Conditional Certificate of Conformance (CCC) No. 407 was issued by Local Water Utilities Administration (LWUA) to formalize its establishment. This CCC is the accreditation of LWUA to a newly-formed water district to operate under the standard specification.

Since 1992, by virtue of the Supreme Court En Banc decision, GR No. 95237-38 (Davao City Water District, et al. vs. CSC et al.), water districts were declared government owned and/or controlled corporation with original charter, and as such they are placed under the jurisdiction of the Civil Service Commission and Commission on Audit.

As of December 31, 2020, the District has 27 pumping stations which serve 27 barangays with 33,489 total active service connections. The District is categorized as Category “A” water district pursuant to the Local Water District Manual on Re-categorization in March 2017.

The District was formed for the purpose of acquiring, installing, improving, maintaining and operating water supply and distribution system for the residents of Baliwag, Bulacan.

As of December 31, 2020, the District’s Board of Directors is composed of the following:

<u>Name</u>	<u>Position/Designation</u>	<u>Sector</u>
Mr. Conrado E. Evangelista	Chairman	Education
Ms. Hazel M. Galang	Vice-Chairman	Women
Ms. Victoria G. Canoza	Secretary	Professional
Mr. Florido S. Santos	Treasurer	Business
Ms. Maria Manolita C. Cruz	Member	Civic

The District has 167 personnel and headed by General Manager Artemio F. Baylosis.

1.2 Authorization for Issue of the 2020 Financial Statements

The financial statements of the District for the year ended December 31, 2020 were authorized for issue by the Board of Directors on February 11, 2021 as reflected in the Statement of Management’s Responsibility for Financial Statements signed by the BOD Chairman.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Financial Statements Presentation

The financial statements of the District have been prepared using historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the District's functional and presentation currency. All values are rounded off to two decimal places, except when otherwise indicated.

For the year ended December 31, 2020, the District prepared its financial statements (FS) in accordance with generally accepted accounting principle in the Philippines and Philippine Financial Reporting Standards (PFRS).

2.2 Statement of Compliance

The financial statements were prepared in compliance with PFRS, which includes statements named under PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council and COA Circular No. 2020-002 dated January 28, 2020 regarding Adoption of Updated Revised Chart of Accounts (RCA) for Government Corporations (2019).

2.3 Summary of Significant Accounting Policies

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

2.3.1 Current versus Noncurrent Classification

The District presents assets and liabilities in the statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The District classifies all other liabilities as noncurrent.

2.3.2 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the District. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The District uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the District determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the District has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.3.3 Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

2.3.4 Financial Instruments

Date of recognition

The District recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value, which is the fair value of the consideration given (in case of a financial asset) or received (in case of a financial liability). Except for securities at Fair Value through Profit or Loss (FVPL), the initial measurement of financial instruments includes transaction costs.

The District classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, available for sale (AFS) financial assets and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

As at December 31, 2020 and 2019, the District does not have financial assets and financial liabilities at FVPL, HTM investments, and AFS.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in "Interest income" in profit or loss. The losses arising from impairment of such loans and receivables are recognized as "Provision for probable losses and doubtful accounts" in profit or loss.

As at December 31, 2020 and 2019, this category includes the District's Receivables account.

Financial Liabilities Measured at Amortized Cost

These are the financial liabilities which are not designated at FVPL. Financial liabilities not designated as FVPL are measured at amortized cost after initial measurement using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Included in this category are the District's accounts payable, accrued expenses, inter-agency payables, loans payable, other payables and guarantee deposits payable to customers.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. The amortization is included in the interest expense in the District's Statement of Comprehensive Income.

2.3.5 Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The District retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The District has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

When the District has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the District's continuing involvement in the asset. Continuing

involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the District could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

When an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Loans and receivables

For loans and receivables carried at amortized cost, the District first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the District determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

2.3.6 Impairment of Financial Assets

The District assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with default. For the District's receivables from customers, evidence of impairment may include non-collection of water bills despite of sending series of demand letters to delinquent concessionaires.

As at December 31, 2020 and 2019, the District has no impaired financial assets.

2.3.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.3.8 Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the District; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the District does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

2.3.9 Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the moving average method.

Inventories are recognized as an expense when deployed for the utilization or consumption in the ordinary course of operations of the District.

2.3.10 Property, Plant and Equipment (PPE)

PPE, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of PPE comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the PPE to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period.

Expenditures incurred after the PPE have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of PPE beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related PPE.

Depreciation and amortization of PPE commences once the PPE are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the PPE as follows:

<i>Category</i>	<i>Number of years</i>
Office furniture and equipment	5
Transportation equipment	7
Machinery and equipment	10
Building and other structures	30

The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of PPE.

Fully depreciated PPE are retained in the accounts until they are no longer in use and no further depreciation are charged to current operations.

When PPE is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated impairment, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Recognition

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;
- The cost or fair value of the item can be measured reliably; and
- The cost is at least ₱15,000.00.

Measurement at recognition

An item recognized as PPE is measured at cost. Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement after recognition

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 PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial recognition of depreciation

Depreciation of an asset 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 management. For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate for Entity operation.

Estimated useful life

The District uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

Residual value

The District uses a residual value equivalent to at least ten percent (10%) of the cost of the PPE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Derecognition

The District derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

2.3.11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

2.3.12 Impairment of Non-Financial Assets

The District assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its

recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

As at December 31, 2020 and 2019, the District has no reported impaired non-financial assets.

2.3.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the District and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

2.3.14 Income from Waterworks System

Water revenue are recognized when the related water services are rendered. Water is billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month are estimated and accrued. These estimates are based on historical consumption of the customers.

For the period ending December 31, 2020 and 2019, Income from Waterworks System was classified under Business Income in the Statement of Comprehensive Income.

2.3.15 Fines and Penalties not related to taxes

The District recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

The District charges fines and penalties to customers when there is a delay in the payment of water bill. A penalty of 10% of the water bill is automatically charged by the Billing and Collection System the day following the due date.

For the period ending December 31, 2020 and 2019, Fines and Penalties was classified under Business Income in the Statement of Comprehensive Income.

2.3.16 Other Business Income

Other customer related fees such as connection, reconnection and disconnection fees are recognized when these services have been rendered.

2.3.17 Interest Income

Interest income is recognized as it accrues, taking into account the effective yield of the assets.

2.3.18 Cost of Services and Operating Expenses

Cost of services and operating expenses are recognized as they are incurred. Cost and expenses are recognized in the profit or loss when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen other than distributions to equity participants that can be measured reliably. Cost and expenses are recognized in the profit or loss on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the statement of financial position as an asset.

For the period ending December 31, 2020 and 2019, cost of services and operating expenses includes personnel services, maintenance and other operating expenses, financial expenses, direct cost and non-cash expenses.

2.3.19 Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset shall be recognized for all deductible temporary differences and operating loss carry forward when it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. (PAS12.24)

Pursuant to Presidential Decree 198, under section 14 - Department of Justice ruling under case no. OSJ-2005-03 states that the Water Districts are exempted from Income tax and only liable to two percent (2%) Franchise Tax on its gross receipts. Recognition of deferred tax is not applicable as stated above.

2.3.20 Provisions and Contingencies

Provisions

A provision is recognized when the District has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the District expects a provision to be reimbursed, the reimbursement is not recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.3.21 Employee Benefits

The employees of the District are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees.

The District recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the District's financial statements in compliance with PFRS requires Management to make judgments, estimates and assumptions that affect the amounts reported and disclosure in the financial statements and the related notes. Judgments,

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

The District believes the following represent a summary of these significant judgments, estimates and assumptions, and the related impact and associated risks in the financial statements.

3.1 Judgments

In the process of applying the District's accounting policies, Management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

Determination of impairment of non-financial asset

The District assesses the impairment of non-financial assets (PPE, other current assets, and other noncurrent assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the District considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the District's overall business; and
- Significant negative industry or economic trends.

In 2020 and 2019, the District has not identified any impairment indicator, thus, no impairment was recognized.

3.2 Estimates and Assumptions

Key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Determination of impairment of receivables

The District reviews its receivables at each reporting date to assess whether provision for doubtful accounts should be recorded in profit or loss. The District maintains an allowance for impairment - accounts receivable based on the results of the individual and collective impairment assessments under PAS 39. Allowance for impairment - accounts receivable is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. These factors include, but not limited to, age and status of

receivables, the concessionaire's payment behavior and known market factors. An evaluation of receivables, designed to identify potential charges to the allowance is performed on a continuous basis throughout the year.

The District computes the Allowance for Impairment-Accounts Receivable based on 10% total receivable at the end of each year .

Determination of estimated useful lives of PPE

The useful life of each of the District's item of PPE is estimated based on the period over which the asset is expected to provide economic benefits. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of PPE would increase the recorded depreciation expense and decrease the carrying value of PPE.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

PFRS 16 COVID-19-Related Rent Concessions Amendment

The objective of the amendment is to provide lessees that have been granted COVID-19 related rent concessions by lessors with practical relief, while still providing useful information about leases to users of the financial statements.

The practical expedient only applies to lessees' rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments due on or before 30 June 2021; and
- c. there is no substantive change to other terms and conditions of the lease

The amendments are not expected to have any significant impact on the District's financial statements.

Amendments to PFRS 3, Definition of a Business

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

Amendments to PAS 1 and PAS 8, Definition of Material

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

4.1 Interpretation with Deferred Effective Date

PFRS 17 Insurance Contracts

PFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. PFRS 17 supersedes PFRS 4 Insurance Contracts as of 1 January 2023.

5. CASH AND CASH EQUIVALENTS

This account pertains to cash collecting officers, petty cash and cash in bank readily available in the payment of current obligations of the District and not subject to any restriction, contractual or otherwise. This consists of the following balance.

	2020	2019
Cash – Collecting Officers	₱831,851.87	₱2,544,117.72
Petty Cash	95,000.00	50,000.00
Cash in Bank – Local Currency		
Current Account	21,238,215.48	9,086,438.93
Savings Account	5,786,559.79	5,781,765.55
Total Cash and Cash Equivalents	₱27,951,627.14	₱17,462,322.20

The balance of Cash in Bank – Local Currency, Current Account includes the cost of two unreleased checks totaling ₱37,806.56 which were not reverted as of year-end. These checks were received by the concerned payees on January 02, 2020.

6. RECEIVABLES, NET

This includes all amounts due on open accounts arising from services rendered to the customers for water sales and incidental services.

	2020	2019
Accounts Receivable (AR)	₱16,504,580.35	₱12,549,624.17
Allowance for Impairment – AR	(1,650,458.04)	(1,254,962.42)
Accounts Receivable, Net	14,854,122.31	11,294,661.75
Notes Receivable	1,992,919.41	1,514,885.55

	2020	2019
Due from LGUs	6,173,309.17	6,176,019.32
Receivables - Disallowances/Charges	0.00	264.74
Other Receivables	137,559.40	64,123.73
Receivables, Net	₱23,157,910.29	₱19,049,955.09

Below is the aging of AR:

	2020	2019
1-60 Days	₱11,083,045.33	₱7,197,944.22
61-120 Days	321,276.97	570,726.96
121 Days - 1 Year	1,043,276.15	675,182.40
over 1 year	4,056,981.90	4,105,770.59
Total	₱16,504,580.35	₱12,549,624.17

7. INVENTORIES

This account pertains to unissued materials and supplies, which are kept in stock and held for future use.

	2020	2019
Office Supplies Inventory	₱442,091.28	₱ 258,242.74
Accountable Forms, Plates and Stickers Inventory	628,550.00	1,013,800.00
Chemical and Filtering Supplies Inventory	480,869.00	474,447.00
Construction Materials Inventory	6,318,070.41	7,185,404.11
Total Inventories	₱7,869,580.69	₱ 8,931,893.85

8. OTHER ASSETS

This represents the unliquidated cash advances granted to officials and employees of the District, meter and bill deposits to Manila Electric Company (MERALCO) and bond deposits to Department of Public Works and Highways (DPWH).

	2020	2019
Advances to Special Disbursing Officer	₱ 77,000.00	₱ 0.00
Other Deposits	3,170,712.18	2,907,339.70
Other Assets	3,804,643.76	3,804,643.76
Total Other Assets	₱7,052,355.94	₱6,711,983.46

9. INVESTMENTS IN TIME DEPOSITS – LOCAL CURRENCY

This account is used to recognize authorized placements of cash in local currency with Authorized Government Depository Banks for a period of 91 days or more

10. PROPERTY, PLANT AND EQUIPMENT (PPE), NET

This includes all properties of relatively permanent character that are used in normal operations of the District. The breakdown of this account is as follows:

CY 2020					
PPE Account	Balance at January 1	Additions/ Acquisitions	Disposals/ Reclassification	Accumulated Depreciation	PPE, Net
Land	₱17,487,546.76	₱2,188,112.50	₱0.00	₱0.00	₱19,675,659.26
Other Land Improvements	1,654,130.00	0.00	0.00	0.00	1,654,130.00
Water Supply Systems	405,766,415.93	13,720,962.96	0.00	174,730,418.25	244,756,960.64
Buildings	110,071,780.43	0.00	101,948.18	34,151,196.20	75,818,636.05
Machinery and Equipment	57,897,454.70	12,415,010.44	955,404.36	42,367,963.11	26,989,097.67
Motor Vehicles	26,090,697.90	4,028,914.00	0.00	13,753,100.79	16,366,511.11
Furniture and Fixtures	5,715,125.26	472,440.00	0.00	4,572,454.36	1,615,110.90
Other PPE	189,122.00	0.00	0.00	148,924.80	40,197.20
Construction in Progress	2,877,278.47	1,723,350.45	0.00	0.00	4,600,628.92
Total	₱627,749,551.45	₱34,548,790.35	₱1,057,352.54	₱269,724,057.51	₱391,516,931.75

CY 2019					
PPE Account	Balance at January 1	Additions/ Acquisitions	Disposals/ Reclassification	Accumulated Depreciation	PPE, Net
Land	₱17,487,546.76	₱0.00	₱0.00	₱0.00	₱17,487,546.76
Other Land Improvements	1,654,130.00	0.00	0.00	0.00	1,654,130.00
Water Supply Systems	431,886,560.80	17,385,235.17	(43,505,380.04)	161,687,561.00	244,078,854.93
Buildings	74,574,003.04	35,497,777.39	0.00	29,400,227.60	80,671,552.83
Machinery and Equipment	54,992,716.70	2,923,838.00	(19,100.00)	38,078,352.74	19,819,101.96
Motor Vehicles	26,612,691.90	379,006.00	(901,000.00)	12,361,857.99	13,728,839.91
Furniture and Fixtures	5,461,525.76	273,099.50	(19,500.00)	4,099,233.07	1,615,892.19
Other PPE	156,122.00	33,000.00	0.00	141,683.85	47,438.15
Construction in Progress	5,179,572.31	7,694,675.27	(9,996,969.11)	0.00	2,877,278.47
Total	₱618,004,869.27	₱64,186,631.33	₱(54,441,949.15)	₱245,768,916.25	₱381,980,635.20

The Land account as of CY 2020 under the possession of the District pertained to the following:

Land	Qty.	Lot Area	Acquisition Cost		Total
			Through Purchase	Through Donation	
With Transfer Certificate of Title (TCT)	15	7,212	₱14,823,562.50	₱2,245,748.76	₱17,069,311.26
Without TCT	2	835.82	2,606,348.00	0.00	2,606,348.00
Total Land	16	8,047.82	₱17,429,910.50	₱2,245,748.76	₱19,675,659.26

The following information pertain to the two parcels of land which have no TCT yet:

1. *Barangay San Jose*

- a) The lot located in Barangay San Jose, Baliuag, Bulacan was purchased thru installment basis from Mr. Wilfredo L. Santiago;
- b) A Deed of Conditional Sale was executed by and between the District and Mr. Santiago on October 11, 2012; and
- c) Among the terms and conditions stated in the Deed of Conditional Sale was that a Deed of Absolute Sale in favor of the District will be executed only when the total amount of ₱2,262,000.00 had already been fully paid.

2. *Barangay Tibag*

The Deed of Sale for Barangay Tibag was misplaced and only a subdivision plan was found. The District have already sought the help of the Register of Deeds.

The Management exerts effort to secure the covering TCTs on the above parcels of land to protect the District's interest and in order to document the absolute ownership thereon.

11. FINANCIAL LIABILITIES

This account includes long-term obligations of the District and amounts payable to the suppliers, as shown below.

	2020	2019
Current		
Accounts Payable	₱389,797.32	₱3,082,362.47
Loans Payable – Domestic -LWUA	3,118,482.06	1,225,076.00
Loans Payable – Domestic -LBP	17,655,644.76	17,655,644.76
Vehicle Loan	272,057.05	367,558.86
Total Financial Liabilities – Current	21,435,981.19	22,330,642.09
Non-Current		
Loans Payable – Domestic -LWUA	14,514,087.09	1,492,848.65
Loans Payable – Domestic -LBP	85,859,604.69	103,515,249.45
Vehicle Loan	996,388.85	0.00
Total Financial Liabilities – Non Current	101,370,080.63	105,008,098.10
Total Financial Liabilities	₱122,806,061.82	₱127,338,740.19

Loans Payable represents the long-term obligations of the District, the proceeds of which were used to finance various infrastructures and permanent improvements in order to meet the demands of the growing clientele. Repayments are made monthly based on the agreed terms and schedule provided in the loan agreement.

12. INTER-AGENCY PAYABLES

This represents contributions due, collections received, amounts withheld for remittance to the following government agencies.

	2020	2019
Current		
Due to BIR	₱2,078,742.09	₱1,742,693.09
Due to GSIS	855,977.53	1,135,654.07
Due to Pag-IBIG	228,590.14	169,032.43
Due to Philhealth	109,100.13	86,185.63
Total Inter – Agency Payables–Current	3,272,409.89	3,133,565.22
Non–Current		
Due to LGUs	3,420,845.00	3,420,845.00
Total Inter–Agency Payables – Non–Current	3,420,845.00	3,420,845.00
Total Inter – Agency Payables	₱6,693,254.89	₱6,554,410.22

Due to LGUs pertains to the waterworks facilities transferred by the Municipality of Baliwag which were managed, operated by and under the control of the District. These properties will be offset in lieu of the water consumed by the LGU as agreed upon by both parties.

13. TRUST LIABILITIES

These are guarantee deposits from supplier and advance payment of water bill from concessionaires.

	2020	2019
Trust Liabilities	₱ 27,919.76	₱ 30,435.63
Guaranty/Security Deposits Payable	1,191,822.56	4,520,277.38
Customers Deposits Payable	321,878.96	360,500.06
Total Trust Liabilities	₱1,541,621.28	₱4,911,213.07

14. DEFERRED CREDITS

This account is used to recognize other transactions not falling under any of the specific deferred credits accounts. It includes proceeds from loan availments, payment of resigned employees' loan amortization to LBP and sale of materials.

15. PROVISIONS

This account is used to recognize accrual of money value of the earned leave credits of government personnel.

16. OTHER PAYABLES

This account is used to recognize other liabilities not falling under any of the specific payable accounts such as Provident Fund Employers' Shares, Provident Fund Personal Shares and Loans, Rice Allowance and Other Suppliers.

17. BUSINESS INCOME

These are the water sales, interest income, penalty charges for late payments and violation, new connection fees and septage fees generated by the District from its concessionaires.

	2020	2019
Waterworks System Fees	₱ 225,472,613.36	₱205,697,528.22
Interest Income	16,502.07	16,558.65
Fines and Penalties – Business Income	6,617,613.46	8,126,880.75
Other Business Income	8,340,535.96	13,759,005.75
Total Business Income	₱240,447,264.85	₱227,599,973.37

18. OTHER INCOME

These are proceeds from sale of unserviceable property, reversal of impairment loss and miscellaneous income of the District.

	2020	2019
Sale of Unserviceable Property	₱251,246.00	₱ 509,846.00
Miscellaneous Income	153,158.20	3,398,388.01
Total Other Income	₱404,404.20	₱3,908,234.01

19. PERSONNEL SERVICES

	2020	2019
Salaries and Wages	₱47,425,757.16	₱44,259,018.75
Other Compensation	24,262,618.11	19,616,059.51
Personnel Benefit Contributions	6,486,838.35	9,823,927.66
Other Personnel Benefits	7,886,546.82	8,626,697.21
Total Personnel Services	₱86,061,760.44	₱82,325,703.13

20. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

	2020	2019
Travelling Expenses	₱ 469,843.14	₱2,307,979.95
Training Expenses	487,570.67	1,094,548.32
Supplies and Materials Expenses	2,458,597.42	1,975,404.47
Electricity Expenses	1,830,361.06	2,155,083.19
Communication Expenses	705,589.48	582,031.49
Awards/Rewards Expenses	290,300.00	569,046.00
Generation, Transmission and Distribution Expenses	49,153,619.45	54,367,807.95
Extraordinary and Miscellaneous Expenses	4,961,712.14	5,388,174.65
Professional Services	514,020.71	309,064.80
General Services	8,065,655.48	11,858,090.97
Repairs and Maintenance	6,276,538.08	7,135,031.63
Taxes, Insurance Premiums and Other Fees	5,501,650.31	5,324,962.47
Other Maintenance and Operating Expenses	2,401,224.84	3,521,401.71
Total MOOE	₱83,116,682.78	₱96,588,627.60

21. FINANCIAL EXPENSES

	2020	2019
Interest Expenses	₱ 6,553,448.35	₱7,435,410.55
Other Financial Charges	292,700.00	18,099.85
Total Financial Expenses	₱ 6,846,148.35	₱7,453,510.40

22. DIRECT COSTS

This account pertains to purchase of bulk water from Chemical Research.

23. NON-CASH EXPENSES

	2020	2019
Depreciation - Infrastructure Assets	₱13,042,857.25	₱13,297,951.64
Depreciation - Buildings and Other Structures	4,750,968.60	4,267,272.56
Depreciation - Machinery and Equipment	4,300,468.21	4,134,418.68
Depreciation - Transportation Equipment	1,391,242.80	1,587,171.25
Depreciation - Furniture, Fixtures and Books	477,650.88	453,448.65
Depreciation - Other PPE	7,240.95	4,705.20
Amortization-Intangible Assets	19,246.56	0.00
Impairment Loss – Loans and Receivables	395,495.62	104,798.25
Other Discounts	138,659.71	127,359.58
Total Non-Cash Expenses	₱24,523,830.58	₱23,977,125.81

24. FAIR VALUE MEASUREMENT

The carrying amounts and approximate fair values for the District's financial assets and liabilities as of December 31, 2020 and 2019 are shown below:

	2020		2019	
	Fair Value Significant unobservable inputs (Level 3)	Carrying Value	Fair Value Significant unobservable inputs (Level 3)	Carrying Value
<i>Financial Assets</i>				
Accounts Receivable	₱16,504,580.35	₱16,504,580.35	₱12,549,624.17	₱12,549,624.17
<i>Financial Liabilities</i>				
Loans Payable	₱122,806,061.82	₱122,806,061.82	₱127,338,740.19	₱127,338,740.19

Fair Value Hierarchy

There were no financial assets measured at fair value as of December 31, 2020 and 2019. During the periods ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS

BALIWAG WATER DISTRICT

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

Erroneous classification of Due from LGU account - ₱6.173 million

1. *The accounts receivable from the Municipality of Baliwag for unpaid water bills was erroneously booked as Due from LGU contrary to COA Circular No, 2020-002 dated January 28, 2020, the Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019) Revised Chart of Accounts and PAS 1 which practice may mislead users that such amount represents fund transfers and not trade receivables.*

1.1 As of December 31, 2020, the financial statement of the District showed an account "Due from LGU" with outstanding balance of ₱6,173,309.17. Analysis of the account showed that the balance represents unpaid water bills of the Local Government of Baliwag, Bulacan, details of which are as follows:

Account Name	Amount
Municipality of Baliwag	₱ 3,068,916.89
Municipality of Baliwag (2)	135,815.60
Municipality of Baliwag (Glorietta)	1,024,614.84
Municipality of Baliwag (Health)	146,240.82
Municipality of Baliwag (Old)	220,713.60
Municipality of Baliwag (Sr. Citizen Center)	58,091.82
Municipality of Baliwag (Fly Over)	45,808.75
Municipality of Baliwag (Gym)	1,473,107.05
Total	₱6,173,309.17

1.2 The General Manager explained that the waterworks system were previously managed and operated by the Municipality of Baliwag, Bulacan. On April 17, 1989 in compliance with Section 6 of PD No. 198 which states that *to form a district, the legislative body of any city, municipality or province shall enact a resolution containing the following: xxx a statement completely transferring any and all waterworks and/or sewerage facilities managed, operated by or under the control of such city, municipality or province to such district upon the filing of resolution forming the district. (As amended by Sec. 2, PD 768; Sec. 1, PD 1479),* the Municipality of Baliwag transferred to the District the waterworks facilities costing ₱3,420,845.

1.3 It was further gathered that there was a verbal agreement between the District and the former local chief executive of Municipality of Baliwag that for and in consideration of the facilities transferred by the Municipality to the District, monthly water consumption of the Municipality shall be charged to the cost of the properties transferred. It was agreed that the cost of water facilities transferred will be recorded in the books of accounts of the District by debiting the PPE and crediting Due to LGU and the monthly water bill of the Municipality will be offset to Due to LGU account until the amount was fully paid.

1.4 But due to unexplained circumstances the arrangement did not materialize. The District recorded the transferred facilities as debit to PPE and recognized the liability as Due to LGU but the monthly water consumption of the Municipality was billed and recorded in the books as Due from LGU. Since the Municipality has not been paying its water bill, the outstanding balance accumulated to ₱6,173,309.17.

1.5 In order to address the accumulation of unpaid water bills of the Municipality of Baliwag, the District negotiated with the Municipality thru its letter dated April 04, 2018 requesting the Municipality to discuss the arrangement on the LGU's "in lieu shares" to the District.

1.6 Furthermore, the General Manager in his letter dated February 01, 2019, requested the Municipality to at least update the water bill payments starting January 2019 in order not to further increase the unpaid balance of water bills of the Municipality that could affect the District's collection efficiency.

1.7 On March 18, 2019, The Municipal Administrator sent a letter to the General Manager requesting the District for the condonation of the penalties charged against the Municipality including future penalties to be incurred because of stringent accounting rules in the processing of disbursement vouchers, that thru approved Board Resolution No. 22 Series of 2019 dated March 19, 2019 granted the condonation/waiving of penalties.

1.8 Verification revealed that starting January 2019, the current accounts/billings of the Municipality were regularly collected by the District, such that the outstanding balance of the account Due from LGU as of December 31, 2020 pertains to uncollected water bills of the Municipality of Baliwag.

1.9 COA Circular No. 2020-02 dated January 28, 2020 regarding the Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019) provides the description as well as the disposition of the accounts "Accounts Receivable" and "Due from LGU" as follows:

Account	Description
<i>Account Title</i>	<i>Accounts Receivable</i>
<i>Account Number</i>	<i>10301010</i>
<i>Normal Balance</i>	<i>Debit</i>
<i>Description</i>	<i>This account is debited to recognize the amount due from customers arising from regular trade and business transactions. This account is also used to recognize the amount of billings made to the customer related to construction contract. This account is credited upon collection, transfers, write-off, and/or adjustments of receivables.</i>

Account	Description
Account Title	Due from Local Government Units
Account Number	10303030
Normal Balance	Debit
Description	This account is debited to recognize amount of fund transfers to the local government units (LGUs) for implementation of projects, share from LGUs income and other receivables. This account is credited for liquidation of fund transfers, receipt of share/payment for other receivables, write-off, and/or adjustments.

1.10 Thus, the water bills of the Municipality of Baliwag which were recorded in the book as Due from LGU was contrary to above cited circular and Philippine Accounting Standard (PAS) 1 which states that: *financial statements must present fairly financial position, financial performance and cash flows of an entity. Faithful representation seeks to maximize the underlying characteristics of completeness, neutrality and freedom from error*; thus, misleading users of financial information on the true nature of the transactions comprising the account.

1.11 We recommended that the General Manager (a) instruct the Senior Corporate Accounts Analyst through the Department Manager – Finance to prepare the necessary adjusting entries to reclassify the account Due from LGU to Accounts Receivables to present fairly the balance of the Receivables accounts in the financial statements; and (b) coordinate/discuss constantly with the incumbent Municipal Mayor the legal processes on the possible offsetting of the value of the properties transferred to the District as in lieu share for the unpaid water bill; otherwise, exert utmost efforts to collect the unpaid active accounts totaling ₱6,173,309.17.

1.12 Management commented that they will comply with the audit recommendations.

Remote collectability of inactive Accounts Receivable - ₱6.142 million

2. *The collectability of inactive accounts receivable (AR) amounting to ₱5,657,717.63 and receivable from the Municipality of Baliwag of ₱6,142,590.57 aged over two years was remote due to non-institution of regular actions for collections contrary to Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I.*

2.1 As at December 31, 2020, the balance of Accounts Receivable (AR) as presented in the District's financial statements amounted to ₱16,504,580.35, composed and categorized as follows:

Status	Age of Accounts Receivable				Total
	1 - 60 days	61-120 days	121-365 days	More than 1 year	
Active	₱10,846,662.72	₱200	₱0.00	₱0.00	₱10,846,862.72

Status	Age of Accounts Receivable				Total
	1 - 60 days	61-120 days	121-365 days	More than 1 year	
Inactive	236,382.61	321,076.97	1,043,276.15	4,056,981.90	5,657,717.63
Sub-total	11,083,045.33	321,276.97	1,043,276.15	4,056,981.90	₱16,504,580.35
Accounts Receivable from the Municipality of Baliwag recorded as Due from LGU				6,142,590.57	6,142,590.57
Total	₱11,083,045.33	₱321,276.97	₱1,043,276.15	10,199,572.47	₱22,647,170.92

2.2 As shown in the preceding table, the inactive accounts and receivable from LGU amounted to ₱11,800,308.20 or an alarming 52.10% of total balance of Accounts Receivable as at end of December 31, 2020. Detailed computation is shown in the table below:

Description	Amount
Inactive	₱5,657,717.63
Long Outstanding balance of Municipality of Baliwag	6,142,590.57
Total	₱11,800,308.20
% of total Inactive accounts and long outstanding AR from Municipality of Baliwag to total Accounts Receivable	52.10%

2.3 Management averred that demand letters were sent to selected concessionaires with long outstanding accounts in 2019. However, due to restricted movements following pandemic protocols no further action was taken which resulted in low collections of water bills from past due accounts. In addition, the District was not able to establish that it had exhausted all available measures to verify the existence and enforce collections of all its inactive accounts. Likewise, there was no request forwarded to the Commission on Audit for the possible write-off of inactive accounts aged more than ten years with nil probability of collection.

2.4 Section 64 of the Government Accounting and Auditing Manual states that *Quarterly, each agency accounting unit shall prepare a statement scheduling overdue accounts receivable. The agency head, or his authorized representative, shall review and sign this statement as an indication that he has examined the list of overdue accounts and has instituted, or will institute action for their collection.*

2.5 The accumulation of uncollected receivables deprived the District of the opportunity cost on the funds tied up on these receivables and rendered the collectability of the reported balance doubtful.

2.6 We recommended that the General Manager instruct the Department Manager Finance and the Division Manager -Customer Accounts to (a) continuously monitor the status of trade accounts and improve collection strategies on delinquent accounts which may include appropriate legal action, if necessary; (b) send demand letters to verify the existence of the concessionaires with inactive accounts in their indicated addresses; (c) fast track the preparation of the request for write-off of dormant accounts from the Commission on Audit, after all measures to collect have been exhausted pursuant to COA Circular No. 2016-005 dated December 19, 2016.

2.7 Management commented that they will comply with the audit recommendations.

Inadequate Allowance for Impairment–Accounts Receivables

3. The valuation of the Accounts Receivable (AR) with carrying amount of ₱14,854,122.31 as of year-end is unreliable due to inadequate Allowance for Impairment–Accounts Receivables; thus, affecting the fair presentation of AR in the Financial Statements.

3.1 Audit and accounting records showed that the gross balance of Accounts Receivable as of December 31, 2020 stood at ₱16,504,580.35 while allowance for impairment stood at ₱1,650,458.04 or a carrying amount of ₱14,854,122.31. However, based on the following pertinent Philippine Financial Reporting Standards, the allowance for impairment recognized in the books may be inadequate, as discussed in the succeeding paragraphs.

3.2 Philippine Financial Reporting Standards (PFRS) 9 specifies how an entity should classify and measure financial assets, financial liabilities, including impairment.

3.3 PFRS 9 replaces the “incurred loss” model in PAS 39 with an “expected credit loss” (ECL) model. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

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

3.5 Pursuant to Board Resolution No. 061 series of 2004 dated November 12, 2004, the provision for doubtful accounts was set at ten percent (10%) of the outstanding accounts receivable each year.

3.6 On the basis of the above Board Resolution, the allowance for impairment of accounts receivables as of December 31, 2020, amounted to ₱1,650,458.04 computed as follows:

<i>Age of Accounts</i>	<i>Percentage</i>	<i>Amount</i>	<i>Allowance for Impairment</i>
1-60 days	10%	₱11,083,045.33	₱1,108,304.53
61-120 days	10%	321,276.97	32,127.70
121-365 days	10%	1,043,276.15	104,327.62
1-3 years	10%	1,439,461.77	143,946.18
3-5 years	10%	687,990.05	68,799.01
5 years up	10%	1,929,530.08	192,953.01
Total		₱16,504,580.35	₱1,650,458.04

3.7 As can be gleaned from the table above, the District provided the same percentage of allowance for impairment without consideration on the age of the receivables. In addition, ₱5,657,717.63 or 34.28% of the total accounts receivables are inactive where collectability is usually remote. The table below shows the breakdown of active and inactive accounts receivable with their corresponding age.

<i>Age of Accounts</i>	<i>Active</i>	<i>Inactive</i>	<i>Total</i>
1-60 days	10,846,662.72	236,382.61	₱11,083,045.33
61-120 days	200.00	321,076.97	321,276.97
121-365 days	0.00	1,043,276.15	1,043,276.15
1-3 years	0.00	1,439,461.77	1,439,461.77
3-5 years		687,990.05	687,990.05
5 years up		1,929,530.08	1,929,530.08
Total	₱10,846,862.72	₱ 5,657,717.63	₱16,504,580.35

3.8 To prove further the low percentage of allowance for impairment of the District, the Audit Team compared the existing rates used by selected Water Districts as follows:

<i>Age of Accounts</i>	<i>Baliwag WD</i>	<i>Norzagaray WD</i>	<i>San Miguel (Samibul) WD</i>	<i>Santa Rosa (NE) WD</i>
1 – 60 days	10%	1%	1%	2%
61–180 days	10%	2%	2%	6%
61 – 90 days		2%		
Over 90 days		3%		
181 – 1 year	10%		5%	12%
Over 1 year	10%			
1 – 2 years				24%
2 – 3 years				36%
3 – 4 years				48%
Above 4 years				60%
Inactive ARs		50%	50%	

3.9 The above table showed that compared with other Water Districts, the Baliwag WD had the lowest percentage of allowance for impairment specifically for its inactive accounts; thus, the amount of ₱1,650,458.04 as of year-end may be considered inadequate.

3.10 The inadequate balance of Allowance for Impairment-Accounts Receivable resulted in overstatement of the balances of the following: Net Accounts Receivables, total current assets, working capital, total assets, and equity and net income. While the balance of Allowance for Impairment- Accounts Receivable account was understated.

3.11 We recommended that the General Manager in coordination with the Finance Department to (a) reassess and reevaluate the status of its accounts receivable; and (b) request to the Board of Directors to revisit the policy on the provision for impairment of accounts receivables for the fair valuation and proper presentation of

accounts receivables and other affected accounts in the financial statements since the approved resolution for impaired accounts receivable had been passed 17 ago.

3.12 Management commented that they will revisit their policy and discuss the matter with its Board of Directors.

Doubtful accuracy of PPE accounts balance - P391.52 million

4. The accuracy, existence and completeness of Property, Plant and Equipment (PPE) account with carrying amount of P391,516,931.75 were doubtful due to the non-provision of depreciation on PPE items totaling P115,346,986.12 contrary to Paragraph 55 of the Philippine Accounting Standard (PAS) 16 and COA Circular 2017-004. Moreover, the Report on the Physical Count of PPE (RPCPPE) was not prepared inconsistent with the provisions of Sections 490 and 55.a.1a of the GAAM Volume I and III, thus, no reconciliation was made between the PPE Lapsing Schedule from Finance and the RPCPPE from General Services Division.

4.1 The carrying amount of PPE accounts as of December 31, 2020 amounted to P391,516,931.75. The District maintains the recording and depreciation of its operational PPEs through the electronic Depreciation System which also generates the Lapsing Schedule of the PPEs as of a given period. Analysis of the Lapsing Schedule revealed that PPE items totaling P115,346,986.12 were not subjected to depreciation, summarized as follows:

Account Name/Subsidiary account	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Infrastructure Assets			
Water Supply Systems			
Plant (Meters)	P60,000.00	P0.00	P60,000.00
Plant (Other Pumping Plant)	21,321.00	0.00	21,321.00
Plant (Reservoir and Tanks)	16,029,221.67	0.00	16,029,221.67
Plant (Service Line)	180,596.00	0.00	180,596.00
Plant (Wells)	186,193.11	0.00	186,193.11
Pumping Plant Structures and Improvements	6,888,635.08	0.00	6,888,635.08
Transmission and Distribution Structures and Improvements	1,084,837.04	0.00	1,084,837.04
Source of Supply Plant Structures and Improvements	90,896,182.22	0.00	90,896,182.22
Total	P115,346,986.12	P0.00	P115,346,986.12

4.2 The non-provision for depreciation on the above PPE items was not in accordance with Paragraph 55 of the Philippine Accounting Standard (PAS) 16 which states that depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. Also, COA Circular No. 2017-004 dated December 13, 2017 provides uniform guidelines on the computation of depreciation expense for Property, Plant and Equipment. The said Circular provides that computation of depreciation is based on straight-line method, unless another method is more appropriate for entity operation. A residual value equivalent to 5% percent of the acquisition cost shall be deducted before effecting the depreciation by dividing over its estimated useful life. Also, any adjustments

resulting from changes in the number of useful life of property according to its account classification are supported by the same Circular.

4.3 Upon inquiry, Management commented that the Senior Corporate Accounts Analyst who was assigned to operate the electronic Depreciation System encoded only the data needed by the system such as: the cost of newly acquired or newly completed/constructed PPEs; acquisition date; and estimated useful life and from there the system will generate the lapsing schedule as of given date. Also, they were not aware that there was a system error in the generation of the lapsing schedule.

4.4 Re-computation of the accumulated depreciation as of December 31 2020 revealed a variance of ₱27,657,295.29 between the balances per Lapsing Schedule and per COA computation, arrived at as follows:

	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Per COA computation	₱653,145,518.34	₱289,285,881.88	₱363,859,636.46
Per Lapsing Schedule	653,145,518.34	261,628,586.59	391,516,931.75
Variance	₱0.00	₱27,657,295.29	(₱27,657,295.29)

4.5 The non-allocation of depreciation on PPE items totaling ₱115,346,986.12 overstated the balance of the PPE accounts and understated the Accumulated Depreciation accounts both by ₱27,657,295.29, and likewise understated the Depreciation Expenses and overstated the Retained Earnings accounts; thus, affecting the fair presentation of the said accounts in the financial statements as at end of CY 2020.

4.6 On the other hand, the District already created an Inventory Committee to conduct physical inventory of its PPE. However, validation revealed that the preparation of RPCPPE as at December 31, 2020 is still in process contrary to Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume I which states that *Physical stock-taking is an indispensable procedure for checking the integrity of property custodianship. In all cases, the physical inventory-taking which is required semi-annually or annually should be regarded with importance.*

4.7 The designated Property Officer stated that the huge number of properties and the difficulty in identifying the cost of items located within the office buildings delayed the preparation and submission of RPCPPE.

4.8 Section 55.a.1a of GAAM Volume III provides for *periodic reconciliation of accounts which involves verifying the accuracy of one set of records against an independent set of documents.*

4.9 Owing to the non-completion of the RPCPPE, no reconciliation was made between the PPE records of the Finance and the General Services Division.

4.10 The above noted deficiencies raised doubt on the existence, accuracy and completeness of the balances of the PPE accounts as of December 31, 2020.

4.11 We recommended that the General Manager (a) require the Management Information Services Division to enhance or replace the electronic Depreciation System in order to generate a more reliable lapsing schedule; (b) instruct the Senior Corporate Accounts Analyst through the Department Manager–Finance to prepare the necessary adjusting entries on the recognition of depreciation for certain PPE for the fair presentation of the account in the financial statements; (c) oblige the designated Property Officer to prepare and submit the Report on the Physical Count of PPE in compliance with Section 490 of the GAAM, Volume I; and (d) direct the Senior Corporate Accounts Analyst and designated Property Officer to reconcile the PPE balances per accounting records and the Report on the Physical Count of PPE.

4.12 Management commented that they will comply with the audit recommendations.

Disposed Assets still recognized in the books - P3.8 million

5. *Non-operational/unserviceable properties and equipment with total carrying amount of P3,804,643.76 which were already disposed of in CY2019 were not derecognized in the books of accounts resulting in overstatement of Other Assets account balance as of December 31, 2020. Moreover, said account was presented under Current Assets in the financial statements contrary to Philippine Accounting Standards (PAS) 1.*

5.1 The balance of the Other Assets account as at December 31, 2020 amounted to P7,052,355.94 and presented under current assets in the financial statements. Details as follows:

Advances to Special Disbursing Officer	P77,000.00
Other Deposits	3,170,712.18
Other Assets	3,804,643.76
Total Other Assets	P7,052,355.94

5.2 Verification of the details of the Other Asset account showed that it pertains to non-operational and unserviceable properties and equipment of the District. However, the Schedule of non-operational and unserviceable properties and equipment of the District showed total of P4,114,597.03, the details of which are presented in the matrix below:

Date Acquired	Articles	Acquisition Cost	Accumulated Depreciation	Carrying Amount
	210-203-08 Plant (Reservoir and Tanks)			
8/6/2009	PRESSURE TANK #01717	P53,680.00	P48,312.00	P5,368.00
	Sub-Total	53,680.00	48,312.00	5,368.00
	210-203-12 Plant (Meters)			
1/31/1996	WATER METER #00488	124,000.00	111,600.00	12,400.00
5/31/1996	WATER METER #00490	200,000.00	180,000.00	20,000.00

Date Acquired	Articles	Acquisition Cost	Accumulated Depreciation	Carrying Amount
10/31/1996	WATER METER #00491	126,800.00	114,120.00	12,680.00
1/31/1999	FLOW METER 6" #00510	34,110.00	30,699.00	3,411.00
9/30/2001	FLOW METER 4" #00548	30,600.00	27,540.00	3,060.00
4/24/2003	FLOW METER 4" #00986	31,590.00	28,431.00	3,159.00
8/31/2005	FLOW METER 4" #01236	21,135.00	19,021.50	2,113.50
10/31/2006	FLOW METER 6" #01365	37,415.00	33,673.50	3,741.50
10/31/2006	FLOW METER 4" #01367	56,470.00	50,823.00	5,647.00
11/30/2006	FLOW METER 6" #01380	37,415.00	33,673.50	3,741.50
6/30/2007	FLOW METER 6" #01456	37,415.00	33,673.50	3,741.50
11/30/2007	FLOW METER 6" #01499	37,415.00	33,673.50	3,741.50
10/31/2008	FLOW METER 3" #01624	28,235.00	25,411.50	2,823.50
11/30/2008	FLOW METER 6" #01628	37,415.00	33,673.50	3,741.50
9/30/2010	FLOW METER 6" #01854	78,708.00	70,837.20	7,870.80
2/29/2012	FLOW METER 6" #02047	39,354.00	35,418.60	3,935.40
	Sub-Total	958,077.00	862,269.30	95,807.70
	210-204-01 Buildings and Other Structures (Source of Supply Plant Structure and Improvements)			
10/24/2013	GATE VALVE 6" #02373	28,480.00	0.00	28,480.00
11/20/2013	GATE VALVE 6" #02388	43,926.00	0.00	43,926.00
12/28/2015	SUBMERSIBLE PUMP 17-4 #02911	199,234.00	0.00	199,234.00
6/30/2016	GATE VALVE 8" #02987	66,692.00	0.00	66,692.00
6/30/2016	BI RISER PIPE 6*3" #02988	152,600.00	0.00	152,600.00
7/31/2017	TEE 6*6" #03252	16,330.00	0.00	16,330.00
9/29/2017	TEE 4*6" #03285	96,000.00	0.00	96,000.00
	Sub-Total	603,262.00	0.00	603,262.00
	220-207-01 Office Equipment			
2/27/2007	STEEL CABINET #01404	19,100.00	17,190.00	1,910.00
	Sub-Total	19,100.00	17,190.00	1,910.00
	220-214-01 Land Transport Equipment			
4/30/2006	NISSAN CARGO DROPSIDE (RDU177) #01303	235,000.00	211,500.00	23,500.00
8/24/2009	MITSUBISHI CANTER TRUCK (SJI330) #01719	323,000.00	290,700.00	32,300.00
3/11/2008	SIDE CAR #01555	13,000.00	11,700.00	1,300.00
1/16/2007	MOTORCYCLE (HONDA TMX) (8018,8016) #01393	141,000.00	126,900.00	14,100.00
5/22/2006	MOTORCYCLE (HONDA TMX) (7066,8020,8022) #01315	189,000.00	170,100.00	18,900.00
	Sub-Total	901,000.00	810,900.00	90,100.00
	220-225-02 Other Machinery and Equipment (Pumping Equipment)			
7/31/1997	SUBMERSIBLE MOTOR 10HP #00378	33,530.00	30,177.00	3,353.00
5/31/1998	SUBMERSIBLE MOTOR 10HP #00396	44,032.00	39,628.80	4,403.20
9/30/2001	SUBMERSIBLE PUMP SP60-7 #00427	223,906.00	201,515.40	22,390.60
7/30/2003	SUBMERSIBLE PUMP SP46-04 #00996	151,807.50	136,626.75	15,180.75
1/15/2004	SUBMERSIBLE PUMP SP17-7 #01060	100,478.00	89,927.81	10,550.19
8/17/2004	SUBMERSIBLE PUMP SP77-4 #01110	146,556.00	126,038.16	20,517.84
3/28/2005	SUBMERSIBLE PUMP SP17-7 #01173	44,374.00	36,608.55	7,765.45
4/24/2006	SUBMERSIBLE PUMP SP17-18 #01288	104,327.00	79,289.28	25,037.72
6/26/2006	SUBMERSIBLE MOTOR 30HP #01331	245,848.00	184,386.00	61,462.00
10/30/2006	SUBMERSIBLE PUMP SP30-04 #01369	103,622.00	75,644.06	27,977.94
2/2/2007	SUBMERSIBLE PUMP SP30-7 #01399	279,986.00	198,790.06	81,195.94
2/27/2007	SUBMERSIBLE PUMP SP30-04 #01403	150,883.40	107,127.64	43,755.76
5/15/2008	SUBMERSIBLE PUMP SP30-5 #01576	63,671.00	42,277.03	21,393.97
5/15/2008	SUBMERSIBLE MOTOR 10HP #01577	66,577.00	40,431.72	26,145.28
11/14/2008	SUBMERSIBLE PUMP SP46-7 #01631	184,563.00	111,661.22	72,901.78
9/3/2009	SUBMERSIBLE PUMP SP30-4 #01758 SUBMERSIBLE MOTOR 7.5HP #01758	100,346.00	55,692.03	44,653.97
9/3/2009	SUBMERSIBLE PUMP SP30-5 #01759 SUBMERSIBLE MOTOR 10HP #01759	114,767.00	63,696.24	51,070.76
2/8/2010	SUBMERSIBLE PUMP SP30-5 #01809	293,800.92	155,714.00	138,086.92
10/31/2010	SUBMERSIBLE PUMP SP60-6 #01866	165,500.00	81,095.00	84,405.00

Date Acquired	Articles	Acquisition Cost	Accumulated Depreciation	Carrying Amount
9/7/2011	SUBMERSIBLE PUMP SP60-6 #01962	140,207.32	60,990.48	79,216.84
9/22/2011	SUBMERSIBLE MOTOR 25HP #01968	119,800.01	52,113.00	67,687.01
4/30/2012	RISER PIPE 4*3" #02072	39,866.40	15,946.40	23,920.00
6/11/2012	SUBMERSIBLE PUMP SP30-5 #02095	88,400.00	34,476.00	53,924.00
7/30/2012	SUBMERSIBLE PUMP SP60-5 #02109 SUBMERSIBLE MOTOR 20HP #02109	362,563.00	139,587.14	222,975.86
12/12/2012	SUBMERSIBLE MOTOR 30HP #02164	223,131.58	80,327.52	142,804.06
2/26/2013	SUBMERSIBLE MOTOR 10HP #02202	95,351.25	33,373.20	61,978.05
9/5/2013	SUBMERSIBLE PUMP SP46-5 #02325	163,140.58	51,389.10	111,751.48
9/5/2013	SUBMERSIBLE MOTOR 15HP #02326	118,230.19	37,242.45	80,987.74
10/22/2013	SUBMERSIBLE PUMP SP46-5 #02358	163,140.58	50,573.40	112,567.18
12/4/2013	SUBMERSIBLE MOTOR 25HP #02404	172,456.00	51,736.80	120,719.20
12/16/2013	CHAMBER STACK #02410	73,816.18	22,144.80	51,671.38
4/16/2014	SUBMERSIBLE MOTOR 20HP #02496	138,739.15	38,847.20	99,891.95
11/10/2014	SUBMERSIBLE PUMP SP77-3 #02602	459,345.53	112,539.77	346,805.76
12/5/2014	SUBMERSIBLE MOTOR 25HP #02630	166,884.89	40,052.16	126,832.73
4/15/2015	SUBMERSIBLE MOTOR 20HP #02716	141,381.80	31,104.04	110,277.76
5/21/2015	RISER PIPE 4*3 #02742	47,938.87	10,306.91	37,631.96
10/26/2015	SUBMERSIBLE MOTOR 25HP #02829	191,710.07	36,424.90	155,285.17
4/7/2016	SUBMERSIBLE MOTOR 25HP #02936	150,660.00	24,105.60	126,554.40
11/29/2016	SUBMERSIBLE MOTOR 25HP #03089	153,250.00	19,156.25	134,093.75
3/20/2017	SUBMERSIBLE PUMP SP46-3 #03168	214,100.00	22,480.50	191,619.50
2/26/2013	SUBMERSIBLE PUMP SP30-5 #02203	124,231.68	43,481.20	80,750.48
	Sub-Total	6,166,919.90	2,864,725.57	3,302,194.33
	220-225-07 Other Machinery and Equipment (Tools, Shops and Garage Equipment)			
3/19/2010	CONCRETE CUTTER #01814	45,800.00	41,220.00	4,580.00
3/20/2014	CONCRETE CUTTER #02470	65,000.00	55,575.00	9,425.00
	Sub-Total	110,800.00	96,795.00	14,005.00
	226-226-01 Furniture and Fixtures			
8/31/2009	EXECUTIVE CHAIR #01742	19,500.00	17,550.00	1,950.00
	Sub-Total	19,500.00	17,550.00	1,950.00
	Total	P8,832,338.90	P4,717,741.87	P4,114,597.03

5.3 Thus, a variance of P309,953.27 was noted between the balances of the general ledger (GL) and schedule of non-operational and unserviceable properties and equipment, arrived at as follows:

Other Assets-Unserviceable Assets	Amount
Per GL	P3,804,643.76
Per Schedule	4,114,597.03
Variance	P309,953.27

5.4 Further verification revealed that the variance which understated the Other Assets account was due to the error in the recording of dropping of unserviceable properties recorded under JEV No. 1912-296 dated December 31, 2019 with the following details:

	Entry Made		Should Be		Variance
	Debit	Credit	Debit	Credit	
Accumulated Depreciation - Water Supply System	P4,182,055.14		P3,872,101.87		309,953.27
Accumulated Depreciation - Office Equipment	17,190.00		17,190.00		-
Accumulated Depreciation - Motor Vehicles	810,900.00		810,900.00		-
Accumulated Depreciation - Furniture and fixtures	17,550.00		17,550.00		-
Other Assets	3,804,643.76		4,114,597.03		(309,953.27)
Water Supply System		P7,892,738.90		P7,892,738.90	-
Office Equipment		19,100.00		19,100.00	-

	Entry Made		Should Be		Variance
	Debit	Credit	Debit	Credit	
Motor Vehicles		901,000.00		901,000.00	-
Furniture and Fixtures		19,500.00		19,500.00	-

5.5 Furthermore, it was noted that the non-operational/unserviceable properties and equipment with total carrying amount of ₱3,804,643.76 were already disposed of through auction sale in CY 2019 as evidenced by the receipt of cash, as follows:

Date	Particulars	OR No.	Amount
12/20/2019	Sale of unserviceable properties	1247566	₱288,500.00
12/23/2019	Sale of unserviceable properties	1247570	15,890.00
12/27/2019	Sale of unserviceable properties	1247584	205,000.00
Total			₱509,390.00

5.6 The proceeds of sale were recognized in the books, however the dropping of the cost of non-operational/unserviceable properties and equipment with carrying amount of ₱3,804,643.76 was overlooked and not taken up in the books of accounts.

5.7 The failure to derecognize the unserviceable properties overstated the Other Assets account by ₱3,804,643.76 thus, affecting the fair presentation of the financial statements as at end of CY 2020 was contrary to PAS 1 which states that: *financial statements shall present fairly financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. Faithful representation seeks to maximize the underlying characteristics of completeness, neutrality and freedom from error.*

5.8 Upon inquiry, Management commented that due to the COVID-19 pandemic, the preparation of journal entry for the derecognition of unserviceable properties in the books of accounts of the District was overlooked and undertaken only in April of CY 2021, resulting in misstatement of the affected accounts in the financial statement as of December 31, 2020.

5.9 We recommended that the General Manager require the Department Manager Finance to be more diligent in the recording/recognition of all transactions as well as events that have an impact on the financial statements in order to present fairly the financial position, financial performance and cash flows of the District.

5.10 Management commented that the derecognition of Other Assets in the books was made in April 2021.

Erroneous recording of payables accounts

6. Payables to suppliers totaling ₱5,776,366.45 were erroneously recorded as Other Payables contrary to Philippine Accounting Standards (PAS) 1 and COA Circular

No. 2020-002 dated January 28, 2020. Moreover, accruals of allowances which were already disallowed in the previous audits were inappropriately recorded as Other Payables which is not in accordance with COA Resolution No. 2004-006 dated September 14, 2004.

6.1 As at December 31, 2020, the balance of Other Payable (OP) account as presented in the District's financial statements amounted to ₱14,974,078.46, composed of the following:

Particulars	Amount	Balance
<i>Provident Fund Employee Shares and Loans</i>		₱ 1,819,847.25
November 2020	₱ 911,186.46	
December 2020	908,660.79	
<i>Provident Fund Employer Shares</i>		6,727,864.76
April 2018 to December 2018	2,649,624.58	
January 2019 to December 2019	4,078,240.18	
<i>Suppliers</i>		5,776,366.45
FVE	(134,000.00)	
WAN Shell	94,801.59	
Adresphil Enterprises, Inc.	3,479,000.00	
Wilfredo L. Santiago - Lot Purchase	881,000.00	
Unreleased Checks	1,455,564.86	
<i>Rice Allowance (March-December 2019)</i>		650,000.00
Total		₱14,974,078.46

6.2 Verification of Other Payables accounts, revealed that payables to suppliers totaling ₱5,776,366.45 were erroneously recorded under the account contrary to COA Circular No. 2020-002 dated January 28, 2020 which prescribed the adoption of the Updated Revised Chart of Accounts for Government Corporations (2019) including Water Districts. It specifically provides the account to be used to record payable to suppliers.

6.3 The table below provides for the description of Other Payable and Accounts Payable.

Account	Description
<i>Account Title</i>	<i>Accounts Payable</i>
<i>Account Number</i>	<i>20101010</i>
<i>Normal Balance</i>	<i>Credit</i>
<i>Description</i>	<i>This account is credited to recognize receipt/acquisition of goods or services on account in the normal course of trade and business operation. It is also used to recognize liability set up against current operation for unpaid claims filed or received and other</i>

Account	Description
	<i>unpaid expenses. This account is debited upon payment or settlement of liabilities, and/or adjustments.</i>

<i>Account Title</i>	<i>Other Payable</i>
<i>Account Number</i>	<i>29999990</i>
<i>Normal Balance</i>	<i>Credit</i>
<i>Description</i>	<i>This account is credited to recognize other liabilities not falling under any of the specific payable accounts. This account is debited for settlement of liabilities, and/or adjustments.</i>

6.4 Following the provisions of the aforementioned COA Circular the misclassified Other Payables totaling ₱5,776,366.45 should be properly recorded as Accounts Payable.

6.5 The misclassification of other payable account is contrary to Philippine Accounting Standard (PAS) 1 which states that: *financial statements must present fairly financial position, financial performance and cash flows of an entity. Faithful representation seeks to maximize the underlying characteristics of completeness, neutrality and freedom from error*; thus, affecting the fair presentation of the payable accounts in the financial statements.

6.6 Moreover, allowances such as District's share in Provident Fund (April 2018 to December 2019) and Employees Rice Allowance benefits (March to December 2019) amounting to ₱7,377,864.76 were accrued and inappropriately recorded as other payables. Disbursements for said claims were already disallowed in the previous audits and management disclosed that they just recognized the payables in case the result of their appeal will be favorable to the District. However, these benefits were already discussed to have no legal basis in accordance with COA Resolution No. 2004-006 dated September 14, 2004.

6.7 In collaboration with the DBM, the Commission on Audit (COA) issued Resolution No. 2004-006 dated September 14, 2004 prescribing the guidelines on the granting of allowances and benefits by the water districts to the members of the Board of Directors and their organic personnel, viz:

2. *Allowances and benefits of organic personnel of water districts who were incumbents as of July 1, 1989 and were receiving such allowances and benefits shall be allowed in audit. Conversely, those hired after that date including those hired to the positions vacated by the said incumbents shall not be entitled to the said allowances and benefits;*

3. *Allowances and benefits granted after January 23, 2002 other than those allowed under the Salary Standardization Law as implemented by DBM Corporate Compensation Circular No. 10 shall be disallowed in audit; and*

4. *Water Districts shall comply strictly with the parameters laid down by the Department of Budget and Management for the continued receipt of allowances and benefits enjoyed as of July 1, 1989 embodied in two (2) separate letters of the Secretary of the Department of Budget and Management addressed to the General Manager, Davao City Water District and the President, Philippine Association of Water Districts (PAWD) dated November 9, 2002 and April 27, 2001, respectively, which letters shall be denominated as Annexes "A" and "B" and form integral part of this Resolution.*

6.8 The recognition of invalid claims overstated the District's payable account and understated its retained earnings.

6.9 **We recommended that the General Manager in coordination with the Finance Department to instruct the Senior Financial Specialist to prepare journal entries to (a) reclassify the above-mentioned payables to suppliers from Other payable to Accounts payable; and (b) reverse the recording of invalid claims to retained earnings for fair presentation of the account balances in the financial statements.**

6.10 Management commented that they will comply with the audit recommendations.

Extraordinary and Miscellaneous Expenses - ₱4.826 millions

7. *Various payments for allowances and others expenses were erroneously charged to Extraordinary and Miscellaneous Expenses accounts; thus, the total expenses incurred exceeded the limitations prescribed in the General Provisions of the CY 2020 GAA by ₱4,826,112.14. Moreover, the payments were not supported by complete documents; thus, casting doubt on the validity, legality and regularity of the payments made.*

7.1 COA Circular 2006-001 dated January 3, 2006 states that the amount of extraordinary and miscellaneous expenses, as authorized in the corporate charters of GOCCs/GFIs, shall be the ceiling in the disbursement of these funds. Where no such authority is granted in the corporate charter, and the authority to grant extraordinary and miscellaneous expenses is derived from the GAA, the amounts fixed thereunder shall be the ceiling in the disbursements.

7.2 Section 42.d) of CY 2020 GAA provides among others the amount of EME for General Managers of Local Water Districts under categories A and B as follows:

7.3 "Section 42. *Extraordinary and Miscellaneous Expenses. Appropriations authorized in this Act may be used for the annual extraordinary expenses of the following officials with the following ranks and their equivalent rank, as may be determined by the DBM, or by the GCG for GOCC/GFIs covered by RRA No. 19149, not exceeding the amount indicated:*

- a) xxx
- b) xxx
- c) xxx
- d) P45,600 for each Head of Bureau or Organization of equivalent rank; and for each head of a Department Regional Office including General Manager of Local Water Districts in Categories A and B:

In addition, annual miscellaneous expenses not exceeding Ninety Thousand Pesos (P90,000) for each of the offices under the above named officials are authorized herein.

7.4 Inquiry revealed that the District has no approved authority/ceiling for extraordinary and miscellaneous expenses. However, the CY 2020 Corporate Budget approved by the Board of Directors included allocations for the following items of expenditures under EME:

Description	Budget	Expenditures
Allowance-Board Secretary	P48,000.00	P46,000.00
Annual Physical Examination (Ape) Casual/Job Order Employees	11,250.00	5,745.00
BAC And SAC Allowances	240,000.00	240,000.00
BOD Meals (Regular & Committee Meeting)	125,000.00	120,062.80
Brigada Eskwela 2020	27,410.00	0.00
BWD 31 st Year Anniversary	50,000.00	27,843.57
BWD Christmas Party	250,000.00	249,571.25
BWD Visitors Meals	231,921.52	173,982.59
Cash Gift (Security Personnel)	35,000.00	0.00
Covid-19	720,800.00	682,393.75
Donation	9,000.00	9,000.00
Drug Test	50,000.00	35,366.10
Food And Stipend On The 1 st Monday Mass	22,200.00	22,200.00
GM's EME	135,600.00	135,600.00
Grocery Allowance	3,100,000.00	2,980,000.00
Honoraria (DPPP)	120,000.00	7,024.00
Job Order Employee's Cash Gift	60,000.00	1,000.00
Management Review	40,000.00	24,707.20
Meals (Praise, HRMPSB, L&D, PMT & Choir Committee)	60,968.00	57,635.50
Monthly Managers Meeting	59,933.00	59,279.00
Planning Meetings By Department	50,000.00	48,872.90
Transport And Treatment Of Hazardous Waste Materials	20,000.00	380.00
OTSG - Miscellaneous	7,720.00	7,720.00
Election of Officer GMM	5,240.85	5,240.85
Clean Up Drive	2,590.00	2,590.00
Medical Assistance	13,110.00	13,110.00
Photoshoot	2,233.00	2,233.00
Contract Signing	4,154.63	4,154.63
TOTAL	P5,502,131.00	P4,961,712.14

7.5 As can be gleaned from the above table, the District' allocated fund for EME and the actual expenses incurred exceeded the rates provided under Section 42 of the General Provisions of GAA for FY 2020 computed as follows:

GAA Allowable Budget (a)	Board Approved Budget (b)	Reported Expenditures (c)	Difference	
			Excess Budget (d=b-a)	Excess Expenditures (e=c-a)
₱135,600.00	₱5,502,131.00	₱4,961,712.14	(₱5,637,731.00)	(₱4,826,112.14)

7.6 Moreover, the Audit Team noted that payments for extraordinary and miscellaneous expense in the performance and official function of the General Manager (GM) amounting to ₱135,600.00 were mostly for meals and snacks and were supported only by official receipts and certifications executed by the General Manager that the expense sought to be reimbursed have been incurred in relation to or by reasons of his position. It was also noted that the purposes for which such expenses were incurred were not disclosed in the vouchers and supporting documents. COA Circular 2006-001 covers extraordinary and miscellaneous expenses and other similar expenses, such as discretionary, business development expenses, representation expenses and the like, and provided that the nature or purpose of said expenditures pertain to any of the following:

- a meetings, seminars and conferences
- b official entertainment;
- c public relations;
- d educational, athletic and cultural activities;
- e contribution to civic and charitable institutions;
- f membership in government associations;
- g membership in national professional organizations duly accredited by the Professional Regulation Commission;
- h membership in the Integrated Bar of the Philippines;
- i subscription to professional technical journals and informative magazines, library books and materials; other similar expenses not supported by regular budget allocation.

7.7 In accordance with Section 42.d of CY 2020 GAA the EME of the District should not exceed ₱135,600.00. However, as shown in the above table, there were approved allotments and actual expenditures incurred that were charged to the account, thus exceeding the authorized limit in the GAA. Likewise, the Audit Team believes that the following expenditures should be covered by separate budget allocation and payments should be recorded under appropriate expenses account, to wit:

Description	Expenditures
Allowance-Board Secretary	₱46,000.00
BAC and SAC Allowances	240,000.00
Covid-19 related expenses	682,393.75
TOTAL	₱968,393.75

7.8 Also, the District used the allocated funds for extraordinary and miscellaneous expenses for the following expenditures which lack legal basis, thus the validity, legality and regularity of the disbursements were doubtful:

Description	Expenditures
Annual Physical Examination (APE) Casual/Job Order Employees	₱5,745.00
BWD 31 st Year Anniversary	27,843.57
BWD Christmas Party	249,571.25
Donation for the deceased members of family of employees	9,000.00
Drug Test	35,366.10
Food and Stipend on the 1 st Monday Mass	22,200.00
Grocery Allowance	2,980,000.00
Honoraria (DPPP)	7,024.00
Job Order Employee's Cash Gift	1,000.00
Management Review	24,707.20
Meals (PRAISE, HRMPSB, L&D, PMT & Choir Committee)	57,635.50
Monthly Managers Meeting	59,279.00
Planning Meetings by Department	48,872.90
Transport and Treatment of Hazardous Waste Materials	380.00
OTSG - Miscellaneous	7,720.00
Election of Officer GMM	5,240.85
Medical assistance	13,110.00
Photoshoot	2,233.00
Contract Signing	4,154.63
TOTAL	₱3,561,083.34

7.9 We recommended that the General Manager (a) ensure that the approved allocation and disbursement of funds for extraordinary and miscellaneous are within the rates prescribed in the GAA as required under COA Circular No. 2006-001; (b) exercise prudence in the utilization of funds; (c) ensure that allocation for extraordinary and miscellaneous expenses are used only for the purposes for which these were established; and (d) submit to the Audit Team authority/legal basis and complete supporting documents for allowances and expenditures charged to EME as basis for the next audit action.

7.10 Management commented that they will comply with the audit recommendations.

Honorarium of Bid and Awards Committee not supported with complete documentations

8. *Disbursements for honorarium of Bid and Awards Committee were not supported with complete documentations in violation of Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012, and not in accordance with the prescribed rates provided under DBM Circular no. 2004-5A dated March 23, 2004, thus the validity and propriety of the claims were not established. Furthermore, the District appointed personnel of the accounting unit with the position of Corporate Budget Analyst B, as BAC member in violation of COA Circular 2003-04 dated July 30, 2003.*

8.1 Audit of the District's transactions showed that the Bids and Awards Committee claimed honorarium totaling ₱204,000.00 for CY 2020. The details are as follows:

Date	DV No.	Particulars	Payees	Designation	Amount
1/20/2020	2001-084	BAC Honorarium for January	Cruz, Rodolfo Jr. S.	Member	₱2,000.00

Date	DV No.	Particulars	Payees	Designation	Amount
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Punzalan, Zenaida C.	Member	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		16,000.00
2/18/2020	2002-071	BAC Honorarium for February	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Punzalan, Zenaida C.	Member	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		16,000.00
3/31/2020	2003-083	BAC Honorarium for March	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Punzalan, Zenaida C.	Member	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		16,000.00
4/29/2020	2004-047	BAC Honorarium for April	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Punzalan, Zenaida C.	Member	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		16,000.00
5/5/2020	2005-018	BAC Honorarium for May	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Punzalan, Zenaida C.	Member	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		16,000.00
6/18/2020	2006-102	BAC Honorarium for June	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00

Date	DV No.	Particulars	Payees	Designation	Amount
			Punzalan, Zenaida C.	Member	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		16,000.00
7/17/2020	2007-102	BAC Honorarium for July	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Pascual, Gianina Dr.	Secretariat	2,000.00
			Punzalan, Zenaida C.	Member	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		18,000.00
8/20/2020	2008-097	BAC Honorarium for August	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Maniego, Nerisa, C.	Member	2,000.00
			Pascual, Gianina Dr.	Secretariat	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		18,000.00
9/17/2020	2009-068	BAC Honorarium for September	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Maniego, Nerisa, C.	Member	2,000.00
			Pascual, Gianina Dr.	Secretariat	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		18,000.00
10/20/2020	2010-096	BAC Honorarium for October	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Maniego, Nerisa, C.	Member	2,000.00
			Pascual, Gianina Dr.	Secretariat	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		18,000.00
11/23/2020	2011-098	BAC Honorarium for November	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00

Date	DV No.	Particulars	Payees	Designation	Amount
			Maniego, Nerisa, C.	Member	2,000.00
			Pascual, Gianina Dr.	Secretariat	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		18,000.00
12/29/2020	2012-139	BAC Honorarium for December	Cruz, Rodolfo Jr. S.	Member	2,000.00
			Estrella, Roberto D.	Chairperson	2,000.00
			Ignacio, Farlyn E.	Secretariat	2,000.00
			Laxamana, Ethel Joy T.	Secretariat	2,000.00
			Maniego, Nerisa, C.	Member	2,000.00
			Pascual, Gianina Dr.	Secretariat	2,000.00
			Ramos, Ma. Teresa F.	Member	2,000.00
			Santos, Evelyn R.	Secretariat	2,000.00
			Signo, Ma. Victoria E.	Member	2,000.00
			Sub-total		18,000.00
			Total		₱204,000.00

8.2 Verification disclosed that the disbursement vouchers for payments of the above honorarium were not supported with the necessary documents as required under COA Circular 2012-001, to wit;

1. Office Order creating and designating the BAC, composition and authority of the members to receive honorarium;
2. Minutes of BAC Meetings;
3. Notice of Award to the winning bidder of the procurement activity being claimed;
4. Certification that the procurement involves competitive bidding;
5. Attendance sheet listing the name of attendees to the BAC Meeting; and
6. Certification from Accounting Unit that the honorarium was charged to savings of the project and/or from proceeds of sale of bid documents

8.3 The failure of the District to provide or attach necessary documents was contrary to Section 4(6) of PD No. 1445 which requires that: *Claims against government funds shall be supported with complete documentation.* Relative thereto, COA Circular No. 2012-001 dated June 14, 2012 provides the documentary requirements needed to support claims.

8.4 The pertinent provisions of Department of Budget and Management (DBM) Circular 2004-5A, was formulated to provide guidelines in the payment of honoraria, as follows:

Sec. 5.1. The chairs and members of the Bids and Awards Committee (BAC) and the Technical Working Group (TWG) may be paid honoraria only for successfully completed procurement projects. In accordance with Section 7 the Implementing Rules and Regulations Part A (IRR-A) of RA No. 9184, a procurement project refers to the entire project identified, described, detailed, scheduled and budgeted for in the Project Procurement Management Plan (PPMP) prepared by the agency.

A procurement project shall be considered successfully completed once the contract has been awarded to the winning bidder.

5.3 The honoraria of each person shall not exceed the rates indicated below per completed procurement project:

	Maximum Honorarium rate per procurement project
BAC Chair	₱3,000.00
BAC Members	₱2,500.00
TWG Chair and Members	₱2,000.00

5.6 The members of the BAC Secretariat who are performing the attendant functions in additions to their regular duties in other non-procurement units of the agency may likewise be paid honoraria at the same rate as the TWG Chair and Members, subject to the same regulations. xxx

8.5 Verification revealed that the District was able to successfully completed six (6) procurement projects during the year, details are as follows:

No	Date of Posting of Invitation to BID	Bid Notice Title	Opening Date	Date of NOA	Approved Budget for the Contract	Contract Amount
1	2/27/2020	Outsourcing of Read and Bill System with Manpower Requirements	3/19/2020	9/2/2020	₱8.00 per concessionaire billed	₱8.00 per concessionaire billed
2	7/24/2020	Supply of Labor and Materials for Transmission Line Program along DRT Highway between BS Aquino Avenue and V. Gonzales Street Including Permits	8/19/2020	9/2/2020	3,869,491.00	3,860,000.00
3	9/24/2020	Drilling of One (1) Production Well (200mm x 152 meters depth) at Waterwood Phase 3B, Brgy. Pagala, Baliwag, Bulacan	10/19/2020	10/26/2020	3,100,000.00	3,050,000.00
4	10/9/2020	Supply and Delivery of (1) Unit 3000 liters Stainless Water Tanker (6 Wheeler)	10/26/2020	10/29/2020	2,000,000.00	1,734,000.00
5	10/1/2020	Supply and Delivery of One (1) Unit Double Row (24 Capacity) Water Meter Test Bench Complete with Parts and Accessories	10/28/2020	10/30/2020	4,975,000.00	4,970,000.00
6	11/11/2020	Design, Supply and Installation of 500 cubic meters effective volume capacity with 300mm Free Board Glass-Fused or Epoxy-Coated to Steel Bolted Tank (Sealant Type) with Booster Pumps and Piping Works	12/1/2020	12/4/2020	9,000,000.00	8,099,882.02

8.6 Based from the foregoing, the honorarium received by the members of the BAC exceeded the maximum rates allowed by ₱83,000.00 in violation of DBM Circular 2004-5A. Details as follows:

Name	Designation	Received	Allowed	Excess
Estrella, Roberto D.	Chairman	₱24,000.00	₱18,000.00	₱6,000.00
Cruz, Rodolfo Jr. S.	Member	24,000.00	15,000.00	9,000.00

Name	Designation	Received	Allowed	Excess
Ignacio, Farlyn E.	Secretariat	24,000.00	12,000.00	12,000.00
Laxamana, Ethel Joy T.	Secretariat	24,000.00	12,000.00	12,000.00
Maniego, Nerisa, C.	Member	10,000.00	12,000.00	0.00
Pascual, Gianina Dr.	Secretariat	12,000.00	12,000.00	0.00
Ramos, Ma. Teresa F.	Secretariat	24,000.00	15,000.00	9,000.00
Santos, Evelyn R.	Member	24,000.00	12,000.00	12,000.00
Signo, Ma. Victoria E.	Member	24,000.00	15,000.00	9,000.00
Punzalan, Zenaida C.	Former Member	14,000.00	0.00	14,000.00
Total		₱204,000.00	₱111,000.00	₱83,000.00

8.7 Management commented that they do not have expertise on the provisions of procurement laws, hence these observations.

8.8 We recommended that Management (a) submit the complete supporting documents for the above claims in compliance with Section 4 (6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012 in order to establish the validity of the transactions; (b) verify the validity and accuracy of claims for honoraria before payment is made; (c) strictly abide by the provisions of RA 9184 and COA Circular 2003-04 regarding appointment of Members of the BAC; and (d) refund immediately the excess allowances received by BAC Chairs, Members and Secretariat.

8.9 Management commented that they will comply with the audit recommendations.

Compliance with Non-Revenue Water

9. *The District registered an average rate of 20.19 per cent of Non-Revenue Water (NRW) in CY 2020 which is slightly over the maximum allowable 20 per cent NRW benchmark prescribed by the Local Water Utilities Administration (LWUA) under Memorandum Circular Nos. 004-10 and 014-10; resulting in estimated revenue losses of ₱357,032.00.*

9.1 To accelerate further improvement in the efficiency level of Water Districts (WDs) and pursuant to Board of Trustee (BOT) Resolution No. 444 dated September 15, 2009, LWUA issued MC No. 004-10 dated February 23, 2010 which approved the reduction of the maximum acceptable non-revenue water from the existing 25 per cent to 20 per cent, applicable to all WDs.

9.2 Further, under LWUA Memorandum Circular No. 014-10 dated December 2, 2010, *WDs are enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy. Depending on the condition of operations, the water meters should be tested for accuracy after five years utilization. Water meters showing errors of more than the following tolerance levels should be calibrated or replaced as follows:*

From Maximum Flow to Transitional Flow ±2%
From Minimum Flow to Transitional Flow ± 5%

9.3 In order to meet this requirement, all WDs were encouraged to allocate funds to establish their own water meter testing facility.

9.4 Review of the District' operations showed that in CY 2020 it registered a 20.19 per cent NRW level which was slightly more than the 20 per cent maximum allowable non-revenue water benchmark prescribed by LWUA. The details are presented below:

BALIWAG WATER DISTRICT NRW LEVEL FOR CY 2020



9.5 Moreover, an increase of 5.49 per cent was noted in the CY 2020 NRW level as compared to the CY 2019 level, arrived at as follows:

Percentage of NRW CY 2020	20.19%
Percentage of NRW CY 2019	14.70%
Increase in NRW Percentage from the CY 2019 level	5.49%

9.6 Upon inquiry, Management commented that the increase in the NRW level could be attributed to the road widening and canal extension projects of the Department of Public Works and Highways (DPWH) which brought damages to the distribution/transmission lines resulting in water leakages. Also, portions of the pipelines were damaged by floods due to the typhoon that occurred in November 2020 which also contributed to the increase of NRW level in CY 2020.

9.7 The District could have generated an estimated water sales revenue of ₱357,032.00 for CY 2020 if the unaccounted 17,852 cubic meters of water had been distributed and billed at ₱20.00 per cubic meter that the District is charging its concessionaires. The non-revenue water is lost revenue for the District that could have been used for its operations.

9.8 We recommended that the General Manager formulate a leakage control program to (a) include strategies to lessen the impact of floods to the transmission/distribution pipelines; (b) regularly monitor and identify the major causes of water losses thru continuous inspection of pipelines for possible leakages; (c) make sure that the identified leaks are immediately repaired; (d) repeatedly check water meters and ensure that worn out or defective ones are immediately replaced; and (e) identify and penalize concessionaires found guilty of illegal tapping and permanently disconnect their water service.

9.9 Management commented that they will comply with the audit recommendations.

Compliance with Water Safety Plan requirements

10. The District implemented its Water Safety Plan (WSP) in compliance with the directives of the Local Water Utilities Administration (LWUA) Memorandum Circular (MC) No. 010.14 dated December 1, 2014.

10.1 Local Water Utilities Administration (LWUA) Memorandum Circular (MC) No. 010.14 directed all Water Districts (WD) and Rural Waterworks and Sanitation Associations (RWSA) to develop and implement Water Safety Plan (WSP) and comply with the provisions of Department of Health (DOH) Administrative Order (AO) No. 2014-0027 dated September 4, 2014.

10.2 The WSP is the use of a comprehensive risk assessment and risk management approach that encompasses all steps in water supply from catchment to consumer to consistently ensure the safety of drinking water. Its objectives are to prevent or minimize contamination of water source, remove contamination thru treatment and prevent re-contamination during storage, distribution and handling of drinking-water.

10.3 In compliance with the said LWUA MC and DOH AO, the District thru the General Manager, ensures the implementation of its WSP to guarantee that water is potable and safe for human consumption before distribution by means of chlorination and periodic flushing to prevent deposit of manganese sediment.

10.4 Verification and interview revealed that the District was able to prepare and submit a WSP to LWUA, evidenced by a Certificate of WSP Acceptance from the DOH given on April 2, 2018. Furthermore, the District is in the process of reassessing and updating their WSP to submit the same to LWUA to better mitigate current and future risks.

10.5 Review of the test results of Microbiological, Physical and Chemical Analysis of the water produced by the District for CY 2020 revealed that there were instances where the results were outside the benchmark of the Philippine National Standards for Drinking Water (PNSDW). The District implemented corrective actions to meet the said standards, thus, on the subsequent test it registered a passed result.

10.6 We commended and encouraged Management to continuously implement the guidelines, procedures and methodologies crafted in its WSP to provide safe drinking water and prevent/mitigate the future risks on the safety of water provided to its concessionaires.

10.7 We recommended that the Management update its WSP and submit the same to LWUA and DOH for their review and reissuance of Certificate of WSP Acceptance.

10.8 Management commented that they will comply with the audit recommendations.

11. *Compliance with Gender and Development (GAD) requirements*

11.1 *The District allocated/appropriated at least five per cent of total budget/appropriations and formulated and implemented Gender and Development (GAD) Plan and Budget in accordance with Joint Circular No. 2012-01 of the Department of Budget and Management (DBM), the National Economic and Development Administration (NEDA) and Philippine Commission on Women (PCW). Furthermore, the District was able to collect and generate sex disaggregated data in consonance with PCW Memorandum Circular No. 2014-05.*

11.2 Verification of the approved Corporate Operating Budget (COB) revealed that the allocations for the GAD budget for CY 2020 was sufficient. Details as follows:

	CY 2020
Approved COB	₱218,028,860.20
GAD Requirement (at least 5% of COB)	10,901,443.01
GAD Budget	11,670,000.00
GAD Budget Excess/(Insufficiency)	768,556.99
Percentage of Actual Budget	5.35%

11.3 The allocation of funds for the implementation of Gender and Development (GAD) Plan is a statutory requirement that must be complied with by all government agencies. The Philippine Plan for Gender Responsive Development (PPGRD) for 1995-2025 was adopted through Executive Order (EO) No. 273. The pertinent provisions of Joint Circular No. 2012-01 of the DBM, the NEDA and the Philippine Commission on Women (PCW), was formulated to provide guidelines in the implementation thereof, as follows:

2.3 Pursuant to the Magna Carta of Women (MCW) and General Appropriation Act (GAA), all government departments, including their attached agencies, offices, bureaus, state universities and colleges (SUCs), government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GAD plans and budgets (GPBs) within the context of their mandates to mainstream gender perspectives in their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five percent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.

3.3 The GAD budget, which is the cost of implementing the GAD plan, shall form part of, and is not in addition to the agencies' approved budget.

11.4 The District's GPB and Accomplishments Report for CY 2020 were submitted to the Local Water Utilities Administration (LWUA) on January 31, 2019 and February 2, 2021, respectively pursuant to Item 4 of PCW Memorandum Circular No. 2016-06 dated October 10, 2016 which pertains to extension of moratorium on the PCW review and endorsement of local water district annual gender and development plans and budgets which states that: *All LWD GPBs and GAD ARs shall be submitted to LWUA. In addition, for Categories A, B, C LWDs, their GPBs shall be reviewed by LWUA, but will not be reviewed nor endorsed by PCW during the moratorium period.*

11.5 The actual cost of the GAD activities utilized by the District in CY 2020 amounted to ₱5,701,220.45 which was 49% of their GAD Budget, the details of which are as follows:

GAD Mandate/ Gender Issue	Cause of the Gender Issue	GAD Activity	Actual Results (Outputs/Outcomes)	Total Approved Budget	Actual Cost/ Expenditure
ORGANIZATIONAL FOCUSED ACTIVITIES					
1) Equal opportunities of all (men and women) employees and managers to be recognized on their performance	Employees' perception that management gives recognition only to the office personnel	Search for BWD's Top Performer and Manager of the year	BWD awarded the top performer and manager of the year with cash incentive of 50,000.00 each. (20,000 cash incentive, and 30,000 tour package. Due to pandemic, tour package was monetized.)	₱100,000.00	₱100,000.00
2) Awareness on Gender Mainstreaming and Analysis in the context of the water district	Lack of knowledge on Gender Mainstreaming and Analysis/Gender and Development	Capacity building of GAD Focal Point System/ Employees		100,000.00	-
3) Poor health seeking behavior of BWD Employees	Lack of knowledge on the importance of health seeking	Health Orientation/ Awareness "Oplan Bakuna" for all employees	Due to pandemic, BWD conducted "Turok sa Gitnang Pagsubok" Flu	-	116,960.00

GAD Mandate/ Gender Issue	Cause of the Gender Issue	GAD Activity	Actual Results (Outputs/Outcomes)	Total Approved Budget	Actual Cost/ Expenditure
	behavior of BWD Employees		Vaccination Program to all employees		
Sub-Total				200,000.00	216,960.00
CLIENT-FOCUSED					
1) Limited access to safe and adequate water especially to women and children residents	Lack of access to safe and adequate water especially to women and children residents	Rehabilitation of pumping Stations and replacement of pumps and motors	The following Pumping Stations were rehabilitated: 1) Sabang Pumping Station 2) Silverdale Pumping Station 3) San Jose 1 Pumping Station 4) Tangos 1 Pumping Station 5) Tangos 2 Pumping Station 6) Limmers Pumping Station 7) Waterwood 3 Pumping Station 8) Pinagbarilan Pumping Station	1,780,000.00	1,392,465.98
2) Very low water conservation and proper sanitation and hygiene practices(women and children)	Lack of awareness campaign on water conservation and proper sanitation and hygiene practices	Launching of Handwashing/ Dental Care Program	Due to pandemic, BWD resulted to online platform and conducted "Alyansa laban sa Pandemya: Kaalaman sa importansya ng Pagkakaroon ng Malusog at Malinis na Pangangalawan sa Gitna ng Pandemya"	70,000.00	50,420.50
3) Concessionaires' (women and children) hesitancy to drink water from the tap	Lack of knowledge on the potability of BWD's water	Leak audits and water potability challenge through "Oplan TUTO (Tubig Umakasyon, Tubig Uminom) Program"	Activity was cancelled due to pandemic		
4) High water consumption due to weal leak detection	Lack of knowledge on basic leak detection, repair and reporting			20,000.00	
5) Water, Sanitation and Hygiene Safety of All Concessionaires Served	Lack of access to septic tank desludging service	Desludging and Treatment of Septage and proper disposal of by- product	A total of 1,603 concessionaires were served and 1,719 septic tanks were deslugged	9,600,000.00	4,041,373.97
Sub-Total				₱11,470,000.00	₱5,484,260.45
Total				₱11,670,000.00	₱5,701,220.45

11.6 The underutilization of GAD Budget was contrary to Section 2.3 of the PCW, National Economic and Development Authority (NEDA) and Department of Budget and Management (DBM) Joint Circular No. 2012-01 which provides that *xxx GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five percent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein*. Thus, the goals and objectives of this program were not fully achieved. The Management commented that due to pandemic some activities did not push through.

11.7 Likewise, the District was able to generate a sex-disaggregated data that is useful in the formulation of GAD Plan, which is in consonance to PCW Memorandum Circular No. 2014-05 dated November 28, 2014 which pertains to the Adoption and Generation of Data Support to the Magna Carta of Women Paragraph 4(1) of this PCW MC states that: *Agencies shall regularly collect and generate sex-disaggregated data and statistics in*

support of the MCW indicators relevant to their agency. Such data shall be stored and maintained in the agency's GAD database or similar system, updated as needed, and used in their policy and program development to address gender issues in their respective sectors, particularly in the preparation of their annual GAD plans and budgets and accomplishment reports.

11.8 However, the District failed to use the Harmonized Gender Development Guideline (HGDG) Tools in preparing its GAD Plan, thus programs and activities may not be responsive to the District's gender issues. The absence of the assessment using the HGDG checklist for the attributed project costs for CY 2020 may render the attribution invalid or the attributed items may not be considered as GAD-related expenses.

11.9 Management commented that these project costs were attributed to GAD since they addressed the needs of their various concessionaires, but claimed that they were not yet well-trained with the HGDG checklist requirement for attribution of projects.

11.10 The development of the GAD Plan shall proceed from the conduct of gender analysis, the generation and review of sex-disaggregated data, and consultations with gender advocates and women-clientele. Its implementation shall contribute to poverty alleviation, the economic empowerment especially of marginalized women, the protection, promotion, and fulfillment of women's human rights, and the practice of gender-responsive governance. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.

11.11 We recommended that Management (a) continue to set aside or attribute at least five per cent of the total annual corporate budget for GAD activities and programs of the District which shall be integrated in its programs, projects and activities; (b) continue to submit GAD Plan and Budget for review by the LWUA (c) fully utilize the budget allocated for GAD programs, projects, and activities; and (d) use Harmonized Gender Development Guideline (HGDG) tools in crafting the District's GAD Plan and Budget.

11.12 Management commented that they will comply with the audit recommendations.

Absence of plan and budget allocation on Disaster Risk Reduction and Management (DRRM)

12. The District was not able to prepare a plan concerning Disaster Risk Reduction and Management (DRRM) which is in violation of Republic Act (RA) No. 10121 and Section 36 of the General Provisions of the FY 2020 General Appropriations Act (GAA) thus, the purpose of the program was not accomplished leaving the District incapable of being ready prior to, during and after every disaster.

12.1 Section 4, Rule 1 of the Implementing Rules and Regulations (IRR) of RA No. 10121 or the Philippine Disaster Risk Reduction and Management Act provides for

the development of policies and plans and the implementation of actions and measures pertaining to all aspects of disaster risk reduction and management, including good governance, risk assessment, early warning, knowledge building and awareness raising, reducing underlying risk factors, preparedness for effective response and early recovery. These shall apply to all levels of government, civil societies, private sectors and all other DRMM stakeholders.

12.2 Section 5, Rule 19 of the same IRR states that all departments, bureaus, offices and agencies of the government are authorized to use a portion of their appropriation to implement projects designated to address DRRM activities in accordance with the guidelines to be issued by the NDRRMC in coordination with the Department of Budget and Management (DBM).

12.3 In addition, Section 36 of the FY 2020 GAA on Mainstreaming of Disaster Risk Reduction and Climate Change Adaptation and Mitigation in All Agency Programs and Projects provides that *All agencies of the government shall plan and implement programs and projects, taking into consideration measures for climate change adaptation and mitigation, and disaster risk reduction, based on climate and disaster risk assessments.* xxx

12.4 Inquiry revealed that Management was not able to develop policies and procedures pertaining to disaster risk reduction due to lack of knowledge and expertise, thus, leaving the District incapable of being ready prior to, during and after every disaster. However, as of audit date, the District officials and personnel concerned were undergoing training for the preparation of their Disaster Risk Reduction and Management Plan.

12.5 Further, review of the Corporate Operating Budget for CY 2020 disclosed the non-provision of allocation for the DRRM. However, the District was able to perform activities in response to the COVID-19 pandemic such as construction of handwashing stations and posting of information campaign such as “alert” tips within the premises of their office building.

12.6 We recommended that the Management (a) prepare and implement the District’s action plan and measures related to disaster risk reduction management including climate change mitigation; and (b) allocate budget for the implementation of programs and activities to increase awareness and preparedness of its personnel and concessionaires in times of disasters and calamities.

12.7 Management commented that they will comply with the audit recommendations.

Compliance with GSIS contribution and remittance

13. The District complied with its obligation to deduct from officers and employees the mandatory employees’ contribution from compensation and the corresponding employer’s share for CY 2020 and remitted the same to the GSIS pursuant to Sections 5

and 6(b) of Republic Act No. 8291, the Government Service Insurance System Act of 1997.

13.1 Analysis of the Due to GSIS account disclosed that premiums were withheld pursuant to Section 5 of Republic Act (RA) 8291, or the Government Service Insurance System Act of 1997 which states that the mandatory monthly contribution of each employee and employer is 9% and 12%, respectively, of the basic monthly compensation.

13.2 In addition, remittances of the amount withheld were made pursuant to Section 6(b) of the Republic Act which states that *each employer shall remit directly to the GSIS the employees' and employers' contributions within the first ten (10) days of the calendar month following the month to which the contributions apply. The remittance by the employer of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.*

13.3 Further review of the disbursement vouchers and the related supporting documents showed that premiums and loans were remitted on time as shown below:

CY 2020				
Month	Due to GSIS Beginning	Withheld	Remittance	Due to GSIS End
January	₱1,135,654.07	₱1,171,400.65	₱1,135,654.07	₱1,171,400.65
February	1,171,400.65	1,147,796.97	1,171,400.65	1,147,796.97
March	1,147,796.97	1,182,308.64	1,147,796.97	1,182,308.64
April	1,182,308.64	1,197,454.67	1,583,339.38	796,423.93
May	796,423.93	795,837.59	796,423.93	795,837.59
June	795,837.59	1,175,926.33	795,837.59	1,175,926.33
July	1,175,926.33	1,212,736.85	1,175,926.33	1,212,736.85
August	1,212,736.85	1,237,946.66	1,212,736.85	1,237,946.66
September	1,237,946.66	1,245,911.80	1,237,946.66	1,245,911.80
October	1,245,911.80	1,269,891.54	1,245,911.80	1,269,891.54
November	1,269,891.54	859,011.48	1,269,891.54	859,011.48
December	859,011.48	855,977.53	859,011.48	855,977.53

13.4 As shown in the above table, the District complied with the GSIS regulations by withholding and remitting contributions due to the government institution.

13.5 The premiums and loan amortizations due to GSIS withheld on December amounting to ₱855,977.53 were remitted on January 8, 2021.

13.6 We commended and encouraged the Management to continuously withhold contributions due to the GSIS and remit the same within the prescribed period in compliance with GSIS laws and regulations.

Compliance with tax laws

14. Taxes withheld from salaries and benefits of employees, per diem of the Board of Directors, payment for purchases of materials and services, franchise tax and other related taxes for CY 2020 were remitted to the BIR pursuant to Revenue Memorandum Circular No. 23-2007, Revenue Regulations 10-2008 and Revenue Memorandum Circular No. 5-2006.

14.1 Analysis of the Due to BIR account disclosed that all taxes withheld in CY 2020 were fully remitted to the BIR pursuant to BIR Revenue Memorandum Circular No. 23-2007 dated March 23, 2007, Revenue Regulations No. 10-2008 dated July 8, 2008 and Revenue Memorandum Circular No. 5-2006 dated November 2, 2005 which were issued to ensure the efficient compliance of government withholding agents to existing withholding tax laws, rules and regulations and to identify government officials who are to be designated as withholding agents and to be personally responsible for the correct withholding of taxes and timely remittance thereof which were also identified in Revenue Memorandum Circular No. 23-2012.

14.2 Review of the disbursement vouchers and the related supporting documents, such as official receipts, showed that taxes were remitted correctly as presented below:

CY 2020				
Month	Due to BIR (Beginning)	Taxes Withheld	Taxes Remitted	Due to BIR (End)
January	₱1,742,693.09	₱ 1,044,128.96	₱ 1,743,091.66	₱ 1,043,730.39
February	1,043,730.39	779,911.18	1,043,730.39	779,911.18
March	779,911.18	715,813.88	779,911.18	715,813.88
April	1,395,975.05	516,611.39	542,635.46	1,369,950.98
May	1,369,950.98	796,658.92	315,685.86	1,850,924.04
June	997,584.45	1,247,796.65	483,168.23	1,762,212.87
July	1,762,212.87	1,406,529.67	1,762,212.87	1,406,529.67
August	1,406,529.67	1,067,385.45	996,902.43	1,477,012.69
September	1,477,012.69	1,198,023.69	702,618.79	1,972,417.59
October	1,972,417.59	1,460,469.99	1,972,417.60	1,460,469.98
November	1,460,469.98	1,478,330.32	1,101,043.70	1,837,756.60
December	1,837,756.60	1,359,889.51	1,118,904.03	2,078,742.08

14.3 As shown in the above table, the District complied with the BIR Revenue Regulations by withholding and remitting taxes due to the government. The taxes withheld on December 31, 2020 amounting to ₱2,078,742.08 was remitted on January 8, 2021.

14.4 Furthermore, in CY 2020 the District complied with Section 40 of Republic Act No. 10963 - Tax Reform for Acceleration and Inclusion (TRAIN) Law, which mandates taxpayers, subject to percentage taxes such as franchise tax under Title V of the Tax Code, as amended, to file quarterly returns of their gross sales, receipts or earnings and pay the tax due thereon within 25 days after the end of each taxable quarter thus taxes within the

month was not completely remitted the following since the franchise taxes withheld was remitted within 25 days after the end of each quarter, thus results to large ending balance of Due to BIR.

14.5 We commended and encouraged Management to continuously withhold taxes and timely remit the same to the BIR pursuant to the revenue regulations.

Compliance with Home Development and Mutual (HDMF)/Pag-IBIG

15. The District complied with its obligation to deduct from the compensation of its officers and employees the mandatory employees' contribution and remitted the same and the corresponding employer's share for CY 2020 to the Home Development and Mutual (HDMF)/Pag-IBIG Fund pursuant to Rule VI, Section 1 and Rule VII Sections 2 and 3 of Republic Act No. 9679, the Home Development Mutual Fund Law of 2009.

15.1 Section 1 of Republic Act (RA) No. 9679, the Home Development Mutual Fund Law of 2009 states that:

Covered employees and employers shall contribute to the Fund based on the monthly compensation of covered employees as follows:

- a. *Employees earning not more than One thousand five hundred pesos (P1,500.00) per month – one percent (1 %).*
- b. *Employees earning more than One thousand five hundred pesos (P1,500.00) per month –two percent (2%).*
- c. *All employers – two percent (2%) of the monthly compensation of all covered employees.*

15.2 In addition, Rule VII, Sections 2 and 3 of the same RA state that *Monthly contributions of members to the Fund shall be collected through payroll deductions by their respective employers, who for this purpose shall act as agent both of the Fund and the member. xxx. All employers shall remit to the Fund their contributions and the contributions of their covered employees as well as the latter's loan amortizations or payments to the Fund, as provided for under Section 2 of this Rule, when applicable, within fifteen (15) days from the date the same were collected unless another period is previously agreed upon between the employer and the Fund, or within such periods as the Fund may prescribe otherwise. xxx*

15.3 Analysis of the Due to Pag-IBIG account disclosed that contributions and loan amortizations withheld were regularly remitted to the Pag-IBIG Fund pursuant to the above regulations as presented below.

2020				
Month	Due to Pag-IBIG (Beginning)	Withheld	Remitted	Due to Pag-IBIG (End)
January	₱ 169,032.43	₱ 178,061.85	₱ 169,032.43	₱ 178,061.85
February	178,061.85	179,429.97	178,061.85	179,429.97
March	179,429.97	174,048.07	179,429.97	174,048.07
April	174,048.07	186,609.27	219,048.07	141,609.27
May	141,609.27	190,406.98	141,609.27	190,406.98
June	190,406.98	183,803.30	190,406.98	183,803.30
July	183,803.30	195,755.73	183,803.30	195,755.73
August	195,755.73	188,807.84	195,755.73	188,807.84
September	188,807.84	192,202.26	188,807.84	192,202.26
October	192,202.26	190,924.79	192,202.26	190,924.79
November	190,924.79	222,420.42	190,924.79	222,420.42
December	222,420.42	228,590.14	222,420.42	228,590.14

15.4 The table above showed that the amount withheld during the month was completely remitted the following month thus, the premiums and loan amortizations withheld on December 2020 amounting to ₱228,590.14 was remitted on January 7, 2021.

15.5 We commended and encouraged the Management to continuously comply with the withholding and regular monthly remittances of mandatory employees' and employer's contributions and loans amortizations to the Pag-IBIG Fund pursuant to RA No. 9679.

Compliance with PhilHealth remittances

16. *The District complied with the provisions of Section 44 of Republic Act No. 7875 also known as the Philippine National Health Insurance Act of 1995 and PhilHealth Circular No. 0001 S. 2014 on the contributions and remittances of employee and employer's share within the prescribed period.*

16.1 Analysis of the account relative to the amount of contributions and remittances to the Philippine Health Insurance Corporation for CY 2020 revealed that the District complied with Section 44 of Republic Act No. 7875 also known as the Philippine National Health Insurance Act of 1995 which requires that *Any employer or any officer authorized to collect contributions under this Act who, after collecting or deducting the monthly contributions from his employee's compensation, fails to remit the said contributions to the Corporation within (30) days from the date they become due shall be presumed to have misappropriated such contributions and shall suffer the penalties provided for in Article 315 of the Revised Penal Code.*

16.2 Likewise, PhilHealth Circular No. 0001 S. 2014 prescribes the new payment schedule for premium contributions to provide a longer payment window and set new

payment schedules for the Formal Sector, particularly the private and government employers as follows:

Employers with PENs ending in 0-4	Every 11th-15th day of the month following the applicable period
Employers with PENs ending 5-9	Every 16th-20th day of the month following the applicable period

16.3 Further review of the disbursement vouchers and the related supporting documents showed that premiums and loans were remitted on time as shown below:

CY 2020				
Month	Due to PHIC Beginning	Deductions	Remittance	Due to PHIC End
January	₱86,185.63	₱103,896.85	₱86,185.63	₱103,896.85
February	103,896.85	103,582.50	103,896.85	103,582.50
March	103,582.50	103,496.79	103,582.50	103,496.79
April	103,496.79	103,510.41	103,496.79	103,510.41
May	103,510.41	103,519.38	103,510.41	103,519.38
June	103,519.38	103,528.23	103,519.38	103,528.23
July	103,528.23	107,529.66	103,528.23	107,529.66
August	107,529.66	108,402.07	107,529.66	108,402.07
September	108,402.07	108,213.48	108,402.07	108,213.48
October	108,213.48	108,213.48	108,213.48	108,213.48
November	108,213.48	109,561.05	108,213.48	109,561.05
December	109,561.05	109,100.13	109,561.05	109,100.13

16.4 As shown in the above table, the District complied with the PHIC regulations by withholding and remitting contributions due to the government institution.

16.5 The account balance of ₱109,100.13 as of December 31, 2020 was remitted on January 8, 2021.

16.6 We commended and encouraged the Management to continuously withhold contributions due to the PHIC and remit the same within the prescribed period in compliance with PHIC laws and regulations.

Enforcement of Audit Suspensions, Disallowances and Charges

17. The Statement of Audit Suspensions, Disallowances and Charges had a balance of ₱29,671,166.25 as of December 31, 2020 which pertains to audit disallowances issued

for CYs 2013 to 2019 transactions. There were disallowable disbursements amounting to ₱1,889,643.75 in the audited transactions of the District for CY 2020.

17.1 The Statement of Audit Suspensions, Disallowances and Charges as of December 31, 2020 amounted to ₱29,671,166.25. The details are as follows:

ND No./Date	Nature	Balance as of December 31, 2020	Remarks
CYs 2013 - 2014 Audit			
2015-08-001-BWD (2013-2014) dated 8/4/15	Unauthorized and excessive anniversary bonus	3,082,518.13	In view of RO III Decision No. 2018-130 dated August 23, 2018 which denied the appeal for the lifting of NDs issued, the District filed a Petition for Review with the COA Commission Proper under COA CP Case No. 2018-1163 dated December 10, 2018. The District is still waiting for the decision of the Commission Proper as of audit date.
2015-08-002-BWD (2013-2014) dated 8/4/15	Excessive productivity incentive bonus	2,750,760.40	
2015-08-003-BWD (2013-2014) dated 8/4/15	Unauthorized rice allowance and Year End Financial Assistance	3,682,571.50	
2015-08-004-BWD (2013-2014) dated 8/4/15	Excessive Pag-IBIG Employer's share	586,201.45	
2015-08-005-BWD (2013-2014) dated 8/4/15	Unauthorized Provident Fund	3,999,450.03	
2015-08-006-BWD (2013-2014) dated 8/4/15	Excessive Extraordinary and Miscellaneous Expenses (EME)	204,400.00	
Sub-Total		14,305,901.51	
CY 2015 Audit			
2016-05-001-BWD (2015) dated 5/2/16	Unauthorized Rice Allowance	890,000.00	With Appeal Memorandum filed on November 3, 2016. The Management is still waiting for the decision of the COA Regional Office No. III as of audit date.
2016-05-002-BWD (2015) dated 5/2/16	Unauthorized Anniversary Bonus	1,963,427.85	
2016-05-003-BWD (2015) dated 5/2/16	Excessive Employer's share in Pag-IBIG Fund Contribution	213,838.08	
2016-05-004-BWD (2015) dated 5/2/16	Unauthorized Employer's share in Provident Fund Contribution	2,021,005.70	
2016-05-005-BWD (2015) dated 5/2/16	Excessive EME	98,063.33	
Sub-Total		5,186,334.96	

ND No./Date	Nature	Balance as of December 31, 2020	Remarks
CY 2017 Audit			
2018-001-BWD (2017) dated 11/21/18	Excessive Representation and Transportation Allowance (RATA)	277,836.00	With Appeal Memorandum filed on June 10, 2019. The Management is still waiting for the decision of the COA Regional Office No. III as of audit date.
2018-002-BWD (17) dated 12/12/18	Unauthorized Employer's share in Provident Fund Contribution	2,075,303.50	
2018-005-BWD (17) dated 12/12/18	Unauthorized Rice Allowance	797,500.00	
Sub-Total		3,150,639.50	
CY 2018 Audit			
2019-001-BWD (18) dated 09/20/19	Excessive RATA	387,436.80	With Appeal Memorandum filed on June 10, 2019. The Management is still waiting for the decision of the COA Regional Office No. III as of audit date.
2019-002-BWD (18) dated 09/20/19	Unauthorized Employer's share in Provident Fund Contribution	1,777,824.10	
2019-003-BWD (18) dated 09/23/19	Unauthorized Rice Allowance	767,500.00	
2019-004-BWD (18) dated 10/02/19	Excessive Travelling Expenses	41,100.00	
Sub-Total		2,973,860.90	
CY 2019 Audit			
2020-01-BWD (19) dated 06/13/20	Excessive RATA	300,952.80	With Appeal Memorandum filed on August 19, 2020. The Management is still waiting for the decision of the COA Regional Office No. III as of audit date.
2020-02-BWD (19) dated 06/13/20	Unauthorized Rice Allowance	130,000.00	
2020-03-BWD (19) dated 06/15/20	Unauthorized health care services or benefits	2,714,875.58	
2020-01-BWD (19) dated 06/15/20	Unauthorized Employer's Share to the District's Employees Provident Fund Association, Inc.	1,124,601.00	
Sub-Total		4,054,429.38	
TOTAL		₱29,671,166.25	

17.2 Section 7.1 of the Rules and Regulations on Settlement of Accounts (RRSA) provides among others that *the Head of Agency shall ensure that disallowances and charges are settled within the prescribed period, the requirement of transactions*

suspended in audit are complied with, and appropriate actions are taken on the deficiencies presented in the Audit Observations Memorandum.

17.3 In the audit of CY 2020 transactions, the Audit Team disclosed disallowable disbursements amounting to ₱1,889,643.75 which were discussed thoroughly in the Audit Observation Memoranda (AOM), to wit:

Nature	AOM No.	Date	Amount
Unauthorized health care services or benefits	BWD-2021-13(2020)	01/29/2020	₱1,448,643.75
Unauthorized anniversary bonus	BWD-2021-14(2020)	06/03/2020	441,000.00
Total			₱1,889,643.75

17.4 We recommended that the officials and employees determined liable cause the refund of the amount received covered by the Notices of Disallowance to be issued for CY 2020 audit or file an appeal within the period of six months after receipt thereof pursuant to Section 1, Rule V of the 2009 Revised Rules of Procedures of the Commission on Audit.

17.5 We also recommended that Management (a) file a Petition for Review within the remaining period of six months provided in Section 4, Rule V of the 2009 Revised Rules of Procedures of the COA for their Appeals that were denied by COA Regional Office No. III; and (b) comply strictly with laws, rules and regulations to avoid disallowances in the future transactions.

**PART III – STATUS OF IMPLEMENTATION OF
PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS**

BALIWAG WATER DISTRICT

**PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S
UNIMPLEMENTED AUDIT RECOMMENDATIONS**

Of the 23 audit recommendations embodied in the CY 2019 Financial Audit Report, 12 were fully implemented, two were partially implemented and nine were not implemented as detailed below:

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non-Implementation
<p>1. <i>The accuracy, existence and completeness of Property, Plant and Equipment (PPE) account with carrying amount of P381,980,635.20 were doubtful due to the inclusion of (a) intangible assets with carrying amount of P974,650.92 which were previously recognized as Information and Communication Technology Equipment account; and (b) semi expendable items costing below P15,000.00, contrary to the provisions of Annex A of COA Circular 2015-010. Likewise, Report on the Physical Count of PPE (RPCPPE) was not prepared in accordance with the provisions of Sections 490 and 55.a.1a of the GAAM Volume I and III, respectively, thus, no reconciliation was made between the PPE Lapsing Schedule and RPCPPE from Finance and General Services Division.</i></p> <p>We recommended that the General Manager instruct the Corporate Budget Analyst B through the OIC-Department Manager – Finance to prepare the necessary adjusting entries guided by COA Circular No. 2015-010 dated December 01, 2015 to reclassify to</p>	<p>FAR 2019 Obs. No. 1</p>	<p>Reclassified to Intangible Assets per JEV No. 2002-152.</p>	<p>Fully implemented.</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non-Implementation
<p>the proper accounts the intangible assets with total acquisition cost of ₱9,050,875.28 and semi-expendable items amounting to ₱173,555.00 that were included in the PPE accounts.</p> <p>We also recommended that the General Manager:</p> <p>(a) instruct the designated Property Officer to prepare and submit the Report on the Physical Count of PPE in compliance with Section 490 of the GAAM, Volume I; and</p> <p>(b) (i) direct the Corporate Budget Analyst B and designated Property Officer to reconcile the PPE balances per accounting records and the Report on the Physical Count of PPE; and</p> <p>(ii) investigate the discrepancies noted, if any, and make the necessary adjustments and reclassification to the proper accounts.</p>		<p>Semi-Expendable items reclassified to Retained Earnings per JEV No. 2002-151.</p>	<p>Not implemented.</p> <p>Reiterated under Observation No. 4 of the CY 2020 FAR.</p> <p>Not implemented.</p> <p>Reiterated under Observation No. 4 of the CY 2020 FAR.</p> <p>Not implemented.</p>
<p>2. <i>The District did not recognize as payable the unpaid audit fees for CY 2018 of ₱217,554.74 Commission on Audit – Region III, thereby understating the Accounts Payable and overstating the Retained Earnings contrary to paragraphs 27 and 28 of the Philippine Accounting Standards (PAS) 1 and Chapter 4 of the International Financial Reporting</i></p>	<p>FAR 2019 Obs. No. 2</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non-Implementation
<p><i>Standards (IFRS) Framework for Expenses.</i></p> <p>We recommended that the General Manager instruct the OIC – Department Manager, Finance to:</p> <p>(a) record the amount due to COA Region III amounting to ₱217,554.74 based on the billings provided by the ATFS and cause the eventual settlement thereof; and</p> <p>(b) monitor closely the compliance of the District regarding the recognition of audit fees and prompt settlement to prevent the occurrence of similar conditions in the future.</p> <p>(c) prepare the necessary adjusting entry to take up in the books of accounts the unpaid audit fees pertaining to CY 2018 audit.</p>		<p>Recognized under Payables under JEV No. 2101-007 dated 01/04/21.</p> <p>The Management will settle audit charges once receive.</p> <p>Settled under DV No. 2101-007 dated 01/05/21</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>
<p>3. <i>The remote collectability of inactive accounts totaling ₱4,702,616.80 accumulated to an alarming level because of the absence of an effective collection policy while the settlement of active receivables from the Municipality of Baliwag amounting to ₱6,142,590.57 is still under negotiations, thus, depriving the District of the opportunity cost on the funds tied up to these receivables contrary to Section 64 of the Government Accounting and Auditing Manual, Volume I.</i></p>	<p>FAR 2019 Obs. No. 3</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non-Implementation
<p>We recommended that the General Manager instruct the Division Manager – Customer Accounts and the OIC – Department Manager Finance to:</p> <p>(a) send demand letters to verify the existence of the concessionaires with inactive accounts in their indicated addresses;</p> <p>(b) strengthen efforts to collect the inactive accounts receivables including those with existing accounts and take appropriate legal action, if necessary;</p> <p>(c) fast track the preparation of the request for write-off of dormant accounts from the Commission on Audit, after all measures to collect proved futile pursuant to COA Circular No. 2016-005 dated December 19, 2016; and</p> <p>(d) coordinate/discuss constantly with the incumbent Municipal Mayor the legal processes on the possible offsetting of the value of the properties transferred as in lieu share to the District for the unpaid water bill; otherwise, exert utmost efforts to collect the unpaid active accounts totaling ₱6,142,590.57.</p>			<p>Not implemented.</p> <p>Reiterated under Observation No. 3 of the CY 2020 FAR.</p> <p>Not implemented.</p> <p>Reiterated under Observation No. 3 of the CY 2020 FAR.</p> <p>Not implemented.</p> <p>Reiterated under Observation No. 3 of the CY 2020 FAR.</p> <p>Not implemented.</p> <p>Reiterated under Observation No. 1 of the CY 2020 FAR.</p>
<p>4. <i>The District did not develop policies, prepare plans</i></p>	<p>FAR 2019</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non-Implementation
<p><i>and display information on disasters contrary to Section 4, Rule 1 of the General Provisions of the Implementing Rules and Regulations of RA No. 10121. As a result, the awareness/consciousness and understanding of disasters by its personnel and concessionaires were not promoted.</i></p> <p>We recommended that the General Manager thru the OIC-Buildings and Grounds Division to:</p> <p>(a) prepare policies, plans and display complete information materials like NDCC alert tips charts at customer's waiting areas and office bulletin boards; and</p> <p>(b) conduct briefings/alert drills on calamities to assess the preparedness of its personnel in the event of calamities.</p>	Obs. No. 4		Fully implemented. Fully implemented.
<p>5. <i>Analysis of the Due to BIR account revealed over or under remittance of monthly taxes withheld ranging from a negative amount of ₱678,026.53 to ₱399,882.13 contrary to Philippine Accounting Standards (PAS) 1 – Presentation of Financial Statements and Conceptual Framework for Financial Reporting.</i></p> <p>We recommended that the General Manager through the OIC – Department Manager Finance:</p>	FAR 2019 Obs. No. 5		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non-Implementation
<p>(a) continue to be compliant with the BIR regulations on the withholding and remittance of the appropriate taxes within the prescribed period; and</p> <p>(b) require the Senior Accounting Processor B to be more cautious in recording the taxes withheld and remitted to avoid errors that may result in over or under remittances of taxes withheld.</p>			<p>Fully implemented.</p> <p>Fully implemented.</p>
<p>6. <i>Analysis of the Due to GSIS account revealed over or under remittance of monthly contributions ranging from a negative amount of ₱39,861.67 to ₱30,725.59 contrary to Philippine Accounting Standards (PAS) 1 – Presentation of Financial Statements and Conceptual Framework for Financial Reporting.</i></p> <p>We recommended that the General Manager through the OIC – Department Manager Finance:</p> <p>(a) remit fully and continuously on time the GSIS contributions in compliance with the provisions of Sections 5 and 6 of RA No. 8291; and</p> <p>(b) require the Senior Accounting Processor B to be more cautious in recording the transactions to avoid errors that could result in the over or under</p>	<p>FAR 2019 Obs. No. 6</p>		<p>Fully implemented.</p> <p>Fully implemented.</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non-Implementation
remittances of contributions withheld in compliance with PAS 1 and Conceptual Framework for Financial Reporting.			
<p>7. <i>The Gender and Development (GAD) Projects, Programs and Activities (PPAs) for CY 2019 amounting to ₱12,100,000.00 constituted 5.10 per cent of the total budget of the District pursuant to Section 32 of the General Appropriations Act (GAA) for FY 2019.</i></p> <p>We recommended that the General Manager thru the Chairperson, GAD Focal Point System:</p> <p>(a) continue to set aside or attribute at least 5% of the total budget for GAD which shall be integrated in its PPAs; and</p> <p>(b) implement fully all GAD PPAs identified by the District for CY 2020 and onwards.</p>	<p>FAR 2019 Obs. No. 7</p>	<p>The Management appropriated the amount ₱11,670,000.00 which was at least five per cent of its total budget</p>	<p>Fully implemented.</p> <p>Not implemented.</p> <p>Reiterated under Observation No. 11 of the CY 2020 FAR.</p>
<p>8. <i>The District registered an average rate of 14.70 per cent of Non-Revenue Water (NRW) in CY 2019 which was within the maximum acceptable 30 per cent NRW set by the Local Water Utilities Administration (LWUA) under Memorandum Circular (MC) No. 011-18 dated June 1,</i></p>	<p>FAR 2019 Obs. No. 8</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non-Implementation
<p>2018.</p> <p>We recommended that the General Manager and OIC Division Manager – Water Production to closely/rigorously monitor and to continuously undertake measures to further reduce its NRW.</p>			Partially implemented.
<p>9. <i>Prior years' audit disallowances issued for CYs 2012 to 2018 transactions totaled ₱26,166,736.87 with settlements made in the total amount of ₱550,000.00; leaving a balance of ₱25,616,736.87 as of December 31, 2019. There were disallowable disbursements amounting to ₱4,054,429.38 in the audit of CY 2019 transactions.</i></p> <p>We recommended that the officials and employees determined liable cause the refund of the amount received covered by the Notices of Disallowance to be issued for CY 2019 audit or file an appeal within the period of six months after receipt thereof pursuant to Section 1, Rule V of the 2009 Revised Rules of Procedures of the Commission on Audit.</p> <p>We also recommended that Management:</p> <p>(a) file a Petition for Review within the remaining period of six months provided in Section 4, Rule V of the 2009 Revised Rules of Procedures of the COA for their</p>	<p>FAR 2019 Obs. No. 9</p>		<p>Partially implemented.</p> <p>Fully implemented.</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non-Implementation
<p>Appeals that were denied by COA Regional Office No. III; and</p> <p>(b) comply strictly with laws, rules and regulations to avoid disallowances in the future transactions.</p>			<p>Not implemented.</p> <p>Reiterated under Observation No. 17 of the CY 2020 FAR.</p>

BALIWAG WATER DISTRICT