



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

# **FINANCIAL AUDIT REPORT**

**on the**

**BALIWAG WATER DISTRICT  
Baliwag City, Bulacan**

**For the Year Ended December 31, 2025**



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. III**  
City of San Fernando, Pampanga

March 23, 2026

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

Dear **Chairperson Galang**:

We are pleased to transmit the Financial Audit Report on the audit of the Baliwag Water District, Baliwag City, Bulacan for the Calendar Year 2025 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 they provided reasonable bases 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 because the deviations from the prescribed procedures affected the account balances.

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

The audit observations and recommendations were discussed with the officials concerned of the District in the exit conference held on March 12, 2026. Management's comments were incorporated in the report, where appropriate.

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

Very truly yours,

**EUMAIDA P. TIONGSON**  
OIC – Regional Director



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. III**  
City of San Fernando, Pampanga

March 23, 2026

**Engr. MA. VICTORIA E. SIGNO**  
General Manager  
Baliwag Water District  
Baliwag City, Bulacan

Dear **Manager Signo**:

We are pleased to transmit the Financial Audit Report on the audit of the Baliwag Water District, Baliwag City, Bulacan for the Calendar Year 2025 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 they provided reasonable bases for the results of our audit.

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

The audit observations and recommendations were discussed with the officials concerned of the District in the exit conference held on March 12, 2026. 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 100 of the General Provisions of the General Appropriations Act for FY 2025.

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

Very truly yours,

**EUMaida P. TIONGSON**  
OIC – Regional Director





REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. III**  
City of San Fernando, Pampanga

**Office of the Regional Supervising Auditor  
Water District**

**MEMORANDUM**

**FOR** : **ATTY. EUMaida P. TIONGSON**  
OIC – Regional Director  
COA Regional Office No. III

**FROM** : **JANET D. CAPARAS**  
Officer-In-Charge – Regional Supervising Auditor  
This Office

**SUBJECT** : Transmittal Letter of Baliwag Water District CY 2025 FAR

**DATE** : March 18, 2026

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We are pleased to submit herewith the Financial Audit Report on the audit of the Baliwag Water District, Baliwag City, Bulacan for the Calendar Year 2025 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, Part III – Status of Implementation of Prior Year's Audit Recommendations, and Part IV – Annex A. The audit observations and recommendations were discussed with the officials concerned in the exit conference held on March 12, 2026.

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 the presentation of the financial statements.

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




REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. III**  
City of San Fernando, Pampanga

**Office of the Regional Supervising Auditor  
Water District**

**MEMORANDUM**

**FOR** : **JANET D. CAPARAS**  
Officer-In-Charge – Regional Supervising Auditor  
Water Districts Audit Group

**FROM** :   
**JERAFIN SYLON R. RAMOS**  
OIC-Audit Team Leader

**SUBJECT** : Transmittal Letter of Baliwag Water District CY 2025 FAR

**DATE** : March 16, 2026

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We are pleased to submit herewith the Financial Audit Report on the audit of the Baliwag Water District, Baliwag City, Bulacan for the Calendar Year 2025 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.

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



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

# **FINANCIAL AUDIT REPORT**

**on the**

**BALIWAG WATER DISTRICT  
Baliwag City, Bulacan**

**For the Year Ended December 31, 2025**

## EXECUTIVE SUMMARY

### A. Introduction

The Baliwag Water District was created pursuant to Presidential Decree (PD) 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 to the District by the Local Water Utilities Administration (LWUA) to formalize its establishment. This CCC is the accreditation of the LWUA to a newly formed water district to operate under the standard specification.

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

As of December 31, 2025, the District has 29 pumping stations, which serve 27 barangays with a total of 40,007 active service connections. The District is categorized as Category “A” WD pursuant to the Local Water District Manual on Re-categorization, since March 2017.

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

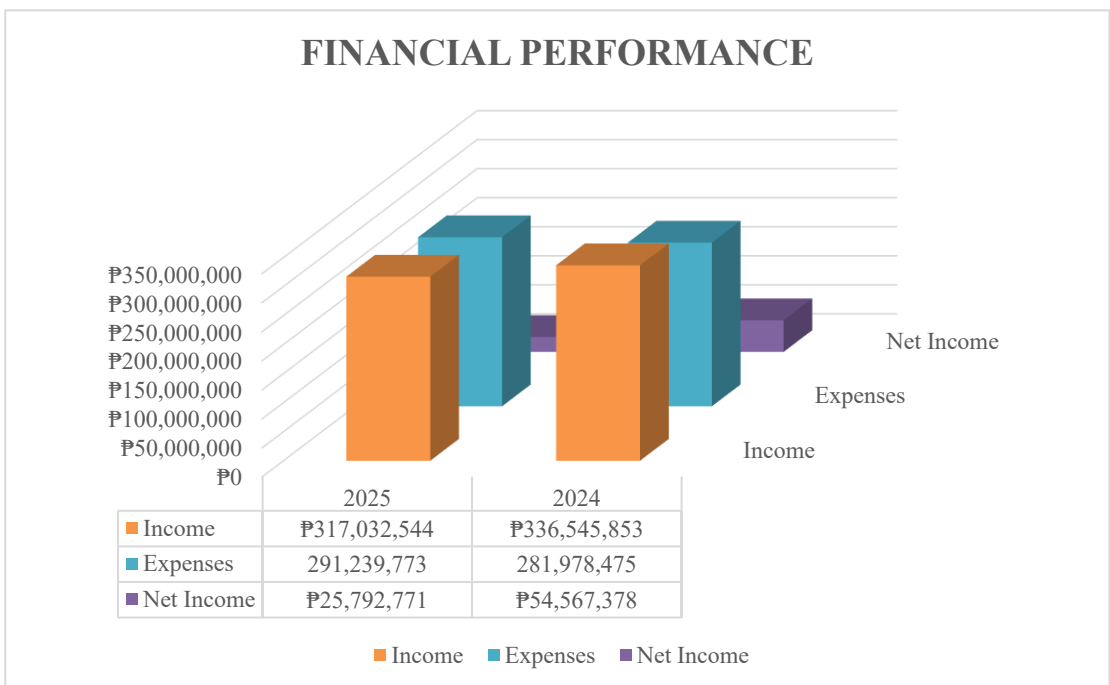
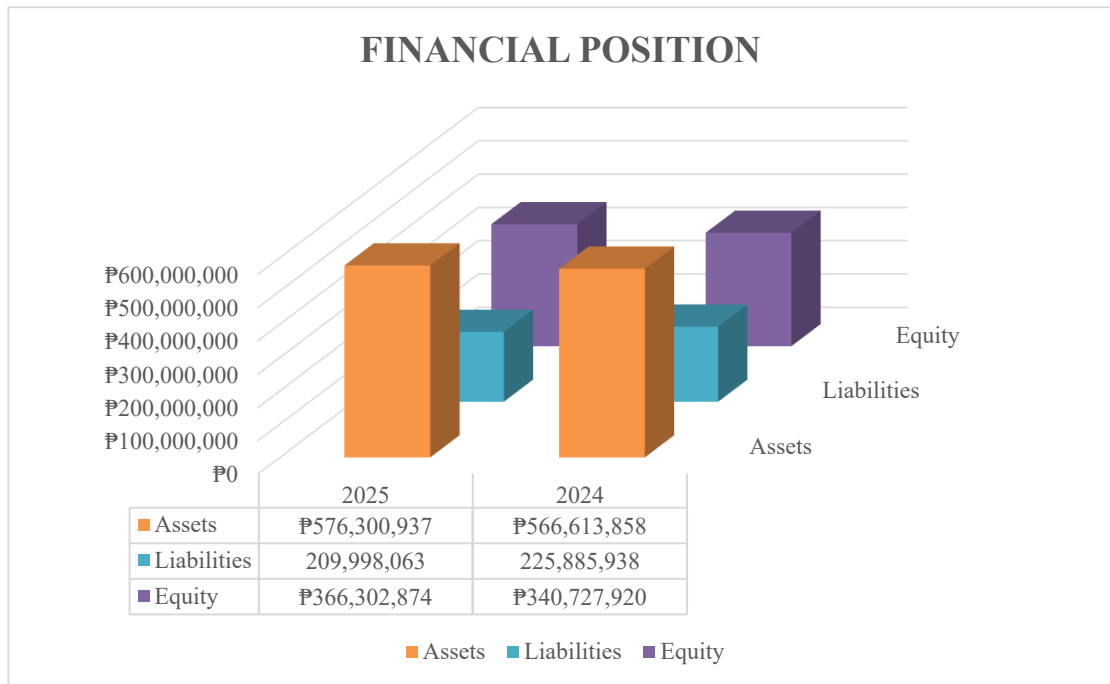
The District’s Board of Directors (BOD) is composed of the following:

<b>Name</b>	<b>Position/Designation</b>	<b>Sector</b>
Ms. Hazel M. Galang	Chairperson	Women
Ms. Victoria G. Canoza	Vice-Chairperson	Professional
Mr. Florido S. Santos	Secretary	Business
Mr. Conrado E. Evangelista	Member	Education
Ms. Jacqueline D. Samson	Member	Civic

The District has 142 permanent and eight casual employees, 19 job order personnel and one coterminous employee under the stewardship of Engr. Ma. Victoria E. Signo as General Manager.

## B. Financial Highlights

The comparative analyses of the District's Financial Position and Financial Performance for CYs 2025 and 2024 are as follows:



### **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, 2025 using a risk-based approach in accordance with the International Standards of Supreme Audit Institutions and Local Government Audit Sector Memorandum dated October 30, 2024, prescribing the General Audit Instructions for the conduct of CY 2025 Audit of Water Districts and for other sectors. 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**

We rendered a qualified opinion on the fairness of presentation of the financial statements of the District for the year ended December 31, 2025 due to the accounting errors and deficiencies that significantly misstated or misrepresented the accounts, as follows: (a) understatement of the Current Portion of Liabilities by ₱3,914,320 and misclassification of payable accounts, resulting in the understatement of Loans Payable (LP) – Domestic and the Accounts Payable (AP) by ₱9,500,000 and ₱2,714,320, respectively, and overstatement of Other Payables (OP) by ₱12,214,320; and (b) understatement of Prepaid Insurance and Retained Earnings by ₱459,644 each due to the non-recognition of the unexpired portion of insurance premiums.

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

- (a) For the LP – Domestic, AP and OP accounts:
  - (i) conduct periodic internal reviews to ensure proper classification and presentation of the accounts, particularly the current and non-current portions of liabilities;
  - (ii) reclassify contract costs funded by Cumberland Development Corporation (CDC) and Sumitomo Mitsui Construction Co. Ltd. (Sumitomo) from AP/OP to LP – Domestic;
  - (iii) prepare the necessary adjusting journal entries to reclassify the current portion of obligations for completed projects from OP to AP; and
  - (iv) revise the financial statements as necessary to accurately reflect the substance of the transactions and to provide stakeholders with reliable financial information for informed decision-making.

(b) For the Prepaid Insurance account:

(i) review and adjust the accounting treatment of insurance premiums to recognize the unexpired portion as Prepaid Insurance and record the corresponding adjustments to the appropriate accounts at year-end.

#### **E. Summary of Other Significant Audit Observations and Recommendations**

The summary of other significant audit observations noted during the audit and the corresponding recommendations is presented below:

1. The failure of the District to implement more effective collection strategies rendered remote the collectability of inactive Accounts Receivable (AR), amounting to ₱9,234,763 or 23.05% of the total outstanding balance as of December 31, 2025, contrary to Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I. Moreover, the District failed to request authority from the COA to write off dormant AR, in violation of COA Circular No. 2016-005 dated December 19, 2016, casting doubt on the validity of the AR balance as of year-end. In addition, the lenient enforcement of the District's disconnection policy resulted in the continued accumulation of past-due AR from concessionaires with active accounts, thereby increasing credit risk exposure and depriving the District of the funds tied up in these receivables. Furthermore, the accuracy and valuation of the AR, with a net realizable value of ₱33,676,630, could not be ascertained and relied upon due to the failure of the District to measure the Allowance for Impairment using the Expected Credit Losses (ECL) model, contrary to Paragraph 5.5 of Philippine Financial Reporting Standard (PFRS) 9, resulting in potential misstatement of receivables and related impairment losses. (*Observation No. 3*)

We recommended that the General Manager, through the Assistant General Manager (AGM) – Administration and Finance Group (AFG), require the Division Manager-Accounts and Billing, in coordination with the Division Manager-Treasury, to (a) send at least three confirmation-cum-demand letters to verify the existence of the concessionaires with past-due accounts at their registered addresses and formally notify and demand them to pay their outstanding obligations with the District; (b) intensify efforts and improve collection strategies for past-due AR, including those with active accounts, and take appropriate legal action, if necessary; (c) strictly implement the District's Policy on Disconnection to prevent accumulation of past-due AR from active concessionaires; (d) evaluate the status of dormant accounts and consider filing a request for write-off of dormant accounts with the COA, after collection measures have been exhausted, pursuant to COA Circular No. 2016-005; (e) reassess the percentages used in determining the provision for impairment to comply with the ECL model using the provision matrix required by PFRS 9; (f) propose, to the BOD, the issuance and approval of a new impairment policy in accordance with the ECL model; and (g) set up the impairment allowance, in compliance with the approved BOD policy, following Paragraph 5.5 of PFRS 9.

2. Due to the District's lack of awareness of COA Circular No. 2022-004 dated May 31, 2022, adequate internal controls over semi-expendable properties amounting to ₱2,107,037 were not established, contrary to the said Circular. This was evidenced

by: (a) the non-classification of items into low-valued and high-valued categories, and the absence of an updated policy or memorandum defining the estimated useful lives of such properties, resulting in unclear accountability, particularly for low-valued items; and (b) the non-issuance of Inventory Custodian Slips (ICSs) and the absence of monitoring reports and a registry of issued semi-expendable properties, which may hinder proper tracking in the event of loss, mishandling, or unauthorized use. **(Observation No. 4)**

We recommended that the General Manager, through the AGM-AFG, (a) evaluate the current workload of the Property/Supply Unit and augment personnel, either through hiring, reassignment, or designation of additional staff, to ensure timely preparation of required registries, reports, and ICSs; (b) conduct orientation for concerned personnel (Property Custodian, Accounting, and End-Users) to ensure awareness and proper implementation of COA Circular No. 2022-004; (c) instruct the Senior Financial Specialist to classify the District's semi-expendable properties into low-valued and high-valued categories, in accordance with Items 4.8 and 4.9 of COA Circular No. 2022-004; (d) endorse to the BOD for approval the estimated useful life of each semi-expendable property and, upon approval, issue a corresponding policy or memorandum; and (e) direct the designated Property or Supply Officer, in coordination with the Senior Financial Specialist, to prepare ICSs to ensure proper accountability, and to maintain the necessary monitoring reports and the registry of semi-expendable properties issued to end-users, in compliance with COA Circular No. 2022-004.

3. Properties of the District, amounting to ₱138,199,443, were insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) with premium payments totaling ₱1,223,788 for CY 2025, pursuant to COA Circular No. 92-390 dated November 17, 1992, implementing the Property Insurance Law or Republic Act (RA) No. 656, as amended by PD No. 245, and COA Circular No. 2018-002 dated May 31, 2018, thus, obtaining financial protection against unexpected events, such as natural or man-made calamities. **(Observation No. 5)**

We recommended that the General Manager, through the AGM-AFG, (a) strictly comply with the laws and regulations on property insurance; and (b) ensure that the District's properties are adequately insured at all times to protect its interest from damages or losses that may be caused by natural or man-made calamities.

## **F. Summary of Audit Suspensions, Disallowances and Charges**

The audit suspensions, disallowances, and charges have a balance of ₱31,127,110, as of December 31, 2024, which pertains to audit disallowances issued for the audit of accounts and transactions from CY 2013 to CY 2020. During CY 2025, audit settlements totaling ₱7,300 were issued, leaving an outstanding balance of ₱31,119,810 as of December 31, 2025.

## **G. Status of Implementation of Prior Year's Audit Recommendations**

Of the 49 audit recommendations embodied in the CY 2024 Financial Audit Report, 44 were implemented and five were not implemented.

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**PART I – AUDITED FINANCIAL STATEMENTS**



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. III**  
City of San Fernando, Pampanga

**INDEPENDENT AUDITOR'S REPORT**

**THE BOARD OF DIRECTORS**

Baliwag Water District  
Baliwag City, Bulacan

**Report on the Audit of the Financial Statements**

**Qualified Opinion**

We have audited the accompanying financial statements of the **Baliwag Water District, Baliwag City, Bulacan**, which comprise the statement of financial position as at December 31, 2025, and the statement of financial performance, 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 and other explanatory information.

In our opinion, except for the effects of the matters 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 the **Baliwag Water District** as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

**Bases for Qualified Opinion**

The accuracy of the balances of the following accounts was doubtful due to the accounting errors and deficiencies that significantly misstated or misrepresented the accounts, as follows: (a) understatement of the Current Portion of Liabilities by ₱3,914,320 and misclassification of payable accounts, resulting in the understatement of Loans Payable (LP) – Domestic and the Accounts Payable (AP) by ₱9,500,000 and ₱2,714,320, respectively, and overstatement of Other Payables (OP) by ₱12,214,320; and (b) understatement of Prepaid Insurance and Retained Earnings by ₱459,644 each due to the non-recognition of the unexpired portion of insurance premiums.

We conducted our audits 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 Company in accordance with the *Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics)* together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## **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 PFRSs 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.

In preparing the financial statements, Management is responsible for assessing the agency's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the agency or to cease operations, or has no alternative but to do so.

Those charged with governance are responsible for overseeing the agency'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 a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Baliwag Water District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt

on the Baliwag Water District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Baliwag Water District to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **COMMISSION ON AUDIT**

**By:**

**JANET D. CAPARAS**  
OIC-Supervising Auditor

March 12, 2026



# Baliwag Water District

Col. Tomacruz St., Poblacion, Baliwag City, Bulacan 3006  
E-mail Address: [official@baliwagwd.com.ph](mailto:official@baliwagwd.com.ph)  
Tel. No. : (044) 766-2618 [f@baliwagwd](#) [@baliwagwd](#)  
[BaliwagWD](#) Website: [www.baliwagwd.com.ph](http://www.baliwagwd.com.ph)




## 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, 2025, 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.

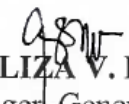
The Board of Directors reviews and approves the financial statements before such statements are issued to regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Baliwag Water District in accordance with the 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.

  
**HAZEL M. GADANG**  
Chairperson of the Board  
February 3, 2026

  
**ENGR. MA. VICTORIA E. SIGNO**  
General Manager  
February 3, 2026

  
**MA. TERESA F. RAMOS**  
Assistant General Manager, AFG  
February 3, 2026

  
**ANALIZA V. BULAON**  
Manager, General Acctg. Division  
February 3, 2026



*ISO 9001: 2015 Certified*

**BALIWAG WATER DISTRICT**  
**Baliwag City, Bulacan**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2025  
*(With Comparative Figures for CY 2024)*  
*(All amounts are rounded off to the nearest peso)*

	Note	2025	2024
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	₱ 27,920,371	₱ 22,118,746
Receivables, Net	5	35,771,834	44,022,591
Inventories	6	7,447,008	7,524,426
Other Current Assets	7	4,296,532	4,766,412
<b>Total Current Assets</b>		<b>75,435,745</b>	<b>78,432,175</b>
<b>Non-Current Assets</b>			
Investment in Time Deposits-Local Currency	8	731,998	729,512
Property, Plant and Equipment, Net	9	499,371,536	486,786,108
Intangible Assets, Net	10	761,658	666,063
<b>Total Non-Current Assets</b>		<b>500,865,192</b>	<b>488,181,683</b>
<b>TOTAL ASSETS</b>		<b>₱576,300,937</b>	<b>₱566,613,858</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	11	₱ 41,971,951	₱ 41,526,991
Inter-Agency Payables	12	4,187,144	4,069,907
Provisions	13	3,250,000	3,000,000
<b>Total Current Liabilities</b>		<b>49,409,095</b>	<b>48,596,898</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	11	109,927,790	144,166,176
Inter-Agency Payables	12	3,420,845	3,420,845
Provisions	13	23,965,475	21,581,181
Trust Liabilities	14	8,592,257	6,749,142
Deferred Credits/Unearned Revenue/Income	15	474,540	407,696
Other Payables	16	14,208,061	964,000
<b>Total Non-Current Liabilities</b>		<b>160,588,968</b>	<b>177,289,040</b>
<b>TOTAL LIABILITIES</b>		<b>209,998,063</b>	<b>225,885,938</b>
<b>EQUITY</b>			
Government Equity	17	3,495,000	0
Contributed Capital		0	20,883,552
Retained Earnings	18	362,807,874	319,844,368
<b>TOTAL EQUITY</b>		<b>366,302,874</b>	<b>340,727,920</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱576,300,937</b>	<b>₱566,613,858</b>

*The notes on pages 9 to 32 form part of these statements.*

**BALIWAG WATER DISTRICT**  
**Baliwag City, Bulacan**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For the Year Ended December 31, 2025  
*(With Comparative Figures for CY 2024)*  
*(All amounts are rounded off to the nearest peso)*

	Note	2025	2024
<b>INCOME</b>			
Service and Business Income	19	₱ 316,027,717	₱ 333,647,113
Other Gains	20	232,351	95,504
Other Non-Operating Income	21	772,476	2,803,236
<b>TOTAL INCOME</b>		<b>317,032,544</b>	<b>336,545,853</b>
<b>EXPENSES</b>			
Personnel Services	22	102,545,608	97,306,144
Maintenance and Other Operating Expenses	23	140,088,578	134,714,111
Financial Expenses	24	8,278,093	9,338,982
Direct Costs	25	14,931,588	14,786,220
Non-Cash Expenses	26	25,395,906	25,833,018
<b>TOTAL EXPENSES</b>		<b>291,239,773</b>	<b>281,978,475</b>
<b>NET INCOME</b>		<b>₱ 25,792,771</b>	<b>₱ 54,567,378</b>

*The notes on pages 9 to 32 form part of these statements.*

**BALIWAG WATER DISTRICT**  
**Baliwag City, Bulacan**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended December 31, 2025  
*(With Comparative Figures for CY 2024)*  
*(All amounts are rounded off to the nearest peso)*

	GOVERNMENT EQUITY	CONTRIBUTED CAPITAL	RETAINED EARNINGS	TOTAL
<b>BALANCE AT JANUARY 1, 2024</b>	₱ 0	₱ 20,883,552	₱ 291,398,659	₱ 312,282,211
Add(Deduct):				
Net Income for the year	0	0	54,567,378	54,567,378
Other Adjustments	0	0	(26,121,669)	(26,121,669)
<b>BALANCE AT DECEMBER 31, 2024</b>	<b>0</b>	<b>20,883,552</b>	<b>319,844,368</b>	<b>340,727,920</b>
Add(Deduct):				
Net Income for the year	0	0	25,792,771	25,792,771
Other Adjustments	3,495,000	(20,883,552)	17,170,735	(217,817)
<b>BALANCE AT DECEMBER 31, 2025</b>	<b>₱ 3,495,000</b>	<b>₱ 0</b>	<b>₱ 362,807,874</b>	<b>₱ 366,302,874</b>

*The notes on pages 9 to 32 form part of these statements.*

**BALIWAG WATER DISTRICT**  
**Baliwag City, Bulacan**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2025  
*(With Comparative Figures for CY 2024)*  
*(All amounts are rounded off to the nearest peso)*

	Note	2025	2024
<b>Cash Flows from Operating Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Sale of Goods and Services		₱ 566,485	₱ 320,640
Collection of Revenue/Income		19,694,338	15,948,749
Collection of loans and receivables		272,633,589	263,453,095
Collection of other receivables		22,967,745	25,198,673
Receipt of customers' deposits		1,990,000	1,871,000
Other Receipts		7,517,000	6,044,006
Restoration of cash for cancelled/lost/stale checks/ADA		174,300	0
<b>Total Cash Inflows</b>		<b>325,543,457</b>	<b>312,836,163</b>
<b>Cash Outflows</b>			
Payment of Expenses		112,768,707	104,234,052
Purchase of Inventories		13,836,288	14,774,550
Grant of Cash Advances		10,883,378	10,236,168
Prepayments		255,536	468,281
Payment of Accounts Payable		65,657,427	67,499,600
Remittance of Personnel Benefit Contributions and Mandatory Deductions		63,360,518	61,680,463
Other Disbursements		1,779,852	717,523
Other Adjustments		5,194	7,643
<b>Total Cash Outflows</b>		<b>268,546,900</b>	<b>259,618,280</b>
<b>Net Cash Provided by Operating Activities</b>		<b>56,996,557</b>	<b>53,217,883</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Sale/Disposal of Property, Plant and Equipment		752,200	0
Receipt of Interest Earned		11,003	12,148
<b>Total Cash Inflows</b>		<b>763,203</b>	<b>12,148</b>
<b>Cash Outflows</b>			
Purchase/Construction of Property, Plant and Equipment		13,495,560	18,659,127
<b>Total Cash Outflows</b>		<b>13,495,560</b>	<b>18,659,127</b>
<b>Net Cash Used in Investing Activities</b>		<b>(12,732,357)</b>	<b>(18,646,979)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Domestic Loans		0	6,635,000
<b>Total Cash Inflows</b>		<b>0</b>	<b>6,635,000</b>
<b>Cash Outflows</b>			
Payment of Long Term Liabilities		38,462,575	42,882,325
<b>Total Cash Outflows</b>		<b>38,462,575</b>	<b>42,882,325</b>
<b>Net Cash Used in Financing Activities</b>		<b>(38,462,575)</b>	<b>(36,247,325)</b>
<b>Increase in Cash and Cash Equivalents</b>		<b>5,801,625</b>	<b>(1,676,421)</b>
Cash and Cash Equivalents - January 1		22,118,746	23,795,167
<b>Cash and Cash Equivalents - December 31</b>	<b>4</b>	<b>₱27,920,371</b>	<b>₱22,118,746</b>

*The notes on pages 9 to 32 form part of these statements.*

## **NOTES TO FINANCIAL STATEMENTS**

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### **1. Agency Information and Authorization for Issue of the Financial Statements**

The Baliwag Water District was created pursuant to Presidential Decree (PD) 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 to the District by the Local Water Utilities Administration (LWUA) to formalize its establishment. This CCC is the accreditation of the LWUA to a newly formed water district to operate under the standard specification.

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

As of December 31, 2025, the District has 29 pumping stations, which serve 27 barangays with a total of 40,007 active service connections. The District is categorized as Category “A” WD pursuant to the Local Water District Manual on Re-categorization, since March 2017.

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

The District’s Board of Directors (BOD) is composed of the following:

<b>Name</b>	<b>Position/Designation</b>	<b>Sector</b>
Ms. Hazel M. Galang	Chairperson	Women
Ms. Victoria G. Canoza	Vice-Chairperson	Professional
Mr. Florido S. Santos	Secretary	Business
Mr. Conrado E. Evangelista	Member	Education
Ms. Jacqueline D. Samson	Member	Civic

The District has 142 permanent and eight casual employees, 19 job order personnel and one coterminous employee under the stewardship of Engr. Ma. Victoria E. Signo as General Manager.

#### **1.1 Authorization for Issue of the 2025 Financial Statements**

The financial statements of the District for the year ended December 31, 2025 were authorized for issue by the Board of Directors on February 3, 2026 as reflected in the Statement of Management’s Responsibility for Financial Statements signed by the BOD Chairperson.

## **2. 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 the nearest peso, except when otherwise indicated.

For the year ended December 31, 2025, the District prepared its financial statements in accordance with generally accepted accounting principle in the Philippines and Philippine Financial Reporting Standards (PFRSs).

### **2.2 Statement of Compliance**

The financial statements were prepared in compliance with PFRSs, which includes statements named PFRSs, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council and Revised Chart of Accounts (RCA) for Government Corporations prescribed in COA Circular Nos. 2020-002 dated January 28, 2020.

### **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, 2025 and 2024, 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 “Impairment Loss-Loans and Receivables” in profit or loss.

As at December 31, 2025 and 2024, 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, 2025 and 2024, 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:

<u>Category</u>	<u>Number of years</u>
Infrastructure Assets	7 - 50
Building and other structures	10 - 50
Machinery and equipment	5 - 20
Transportation equipment	7 - 15
Office furniture and equipment	7 - 15

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 ₱50,000.

#### *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 based on its experience in determining the specific estimated useful life for each asset.

#### *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 Construction in Progress

Construction in progress (CIP) is stated at cost. While the construction is in progress, project costs are accrued based on the contractors' accomplishments reports and billings. These represent cost incurred for technical services and capital work programs contracted by the District to facilitate the implementation of the project. While the construction of the project is in progress, no provision for depreciation is recognized.

For assets under construction, the Construction Period Theory shall be applied for costing purposes. Liquidated damages shall be charged and paid by the contractor.

CIP is booked to the related PPE account when the construction or installation and related activities necessary to prepare the PPE for their intended use have been completed and ready for service. Any related expense incurred during the construction of the project, such as license, permit, clearance fees, etc., shall be capitalized.

#### 2.3.12 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.

### 2.3.13 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, 2025 and 2024, the District has no reported impaired non-financial assets.

#### 2.3.14 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.

#### 2.3.15 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, 2025 and 2024, Income from Waterworks System was classified under Business Income in the Statement of Comprehensive Income.

#### 2.3.16 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, 2025 and 2024, Fines and Penalties was classified under Business Income in the Statement of Comprehensive Income.

#### 2.3.17 Other Business Income

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

#### 2.3.18 Interest Income

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

#### 2.3.19 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 risen 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, 2025 and 2024, cost of services and operating expenses includes personnel services, maintenance and other operating expenses, financial expenses, direct costs and non-cash expenses.

### 2.3.20 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, 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.

### 2.3.21 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.

### 2.3.22 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 Judgement, 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 2025, 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 the aging of receivables.

#### *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. **Cash And Cash Equivalent**s

This consists of the following:

	<b>2025</b>	<b>2024</b>
Cash-Collecting Officers	₱ 2,049,494	₱ 1,879,307
Petty Cash Fund	50,000	50,000
Cash in Bank – Local Currency, Current Account	18,063,698	12,885,331

	<b>2025</b>	<b>2024</b>
Cash in Bank – Local Currency, Savings Account	7,757,179	7,304,108
<b>Total Cash and Cash Equivalents</b>	<b>₱27,920,371</b>	<b>₱22,118,746</b>

Cash-Collecting Officers consists of undeposited collections as at year-end.

Petty Cash Fund pertains to amount granted to designated Petty Cash Fund Custodian for payment of authorized petty or miscellaneous expenses which cannot be conveniently paid through checks.

Cash in Bank – Local Currency, Current Account pertains to current accounts maintained at Land Bank of the Philippine (LBP)-Baliwag Branch and Development Bank of the Philippines-Malolos Branch.

Cash in Bank – Local Currency, Savings Account pertains to savings account maintained at LBP – Baliwag Branch for the Joint Savings Account (JSA) with LWUA.

## **5. Receivables, Net**

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

	<b>2025</b>	<b>2024</b>
Accounts Receivable (AR)	₱40,070,488	₱44,688,784
Allowance for Impairment – AR	(6,393,858)	(2,764,020)
<i>AR, Net</i>	<i>33,676,630</i>	<i>41,924,764</i>
Notes Receivable (NR)	2,075,820	2,263,273
Allowance for Impairment – NR	(747,166)	(272,768)
<i>NR, Net</i>	<i>1,328,654</i>	<i>1,990,505</i>
Other Receivables	766,550	107,322
<b>Receivables, Net</b>	<b>₱35,771,834</b>	<b>₱44,022,591</b>

AR pertains to the amount due from concessionaires arising from water sales, septage fee and LGU billing for both active and disconnected accounts.

Allowance for Impairment for both AR and NR pertain to provisions for impairment loss computed based on rates provided under BOD Resolution No. 086 Series of 2021 and BOD Resolution No. 020 Series of 2023 dated November 24, 2021 and March 07, 2023, respectively.

Notes Receivable pertains to new service connection paid on installment basis and for the penalties imposed to concessionaires who violated the District's established policy on pilferages and other unlawful acts.

Other Receivables pertains to receivables from the clustering/tipping fee, suppliers and employee's deduction from payroll.

The aging of AR is shown on the next page.

<b>Age of AR</b>	<b>2025</b>	<b>2024</b>
0	₱15,790,477	₱21,637,770
1 – 90 Days	8,072,611	7,839,728
91 – 180 Days	918,673	793,928
181 Days – one Year over 1 year	820,748	1,192,157
	14,467,979	13,225,201
<b>Total AR</b>	<b>₱40,070,488</b>	<b>₱44,688,784</b>

## 6. Inventories

This account consists of unissued materials and supplies, which are kept in the stockroom and available for future use by the District in its operations. Breakdown is presented as follows:

<b>Inventory Held for Consumption</b>	<b>2025</b>	<b>2024</b>
<i>Cost</i>		
Balance, January 1	₱ 7,524,426	₱ 6,827,731
Acquisitions during the year	15,737,502	14,521,856
Expensed during the year except for write-down	(15,814,920)	(13,825,161)
<b>Total Inventories</b>	<b>₱ 7,447,008</b>	<b>₱ 7,524,426</b>

Inventory Held for Consumption pertains to Office Supplies Inventory, Accountable Forms, Plates and Stickers Inventory, Medical, Dental and Laboratory Supplies Inventory, Fuel, Oil and Lubricants, Chemical and Filtering Supplies Inventory, Supplies and Materials for Water Systems Operations, Housekeeping/Cleaning Supplies, and Other Supplies and Materials Inventory used for repairs of Buildings, Vehicles and IT supplies for use in operation.

## 7. Other Current Assets

This consists of the following:

	<b>2025</b>	<b>2024</b>
Advances to Officers and Employees	₱ 0	₱ 654,152
Other Prepayments	388,125	643,219
Other Deposits	2,698,166	2,459,407
Other Assets	1,210,241	1,009,634
<b>Total Other Current Assets</b>	<b>₱4,296,532</b>	<b>₱4,766,412</b>

Other Prepayments pertain to purchase of firewall software to Microgenesis Software Inc.

Other Deposits pertains to the bill deposit which is required by Meralco as a guarantee for payment of electric bills of the District's various pumping stations.

Other Assets pertains to unserviceable properties for disposal.

## 8. Investment in Time Deposits – Local Currency

This pertains to authorized placements of cash in local currency with Authorized Government Depository Bank (AGDB) for a period of 91 days or more.

## 9. 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:

2025					
PPE Account	Balance at January 1	Additions/ Acquisitions	Disposals/ Reclassification	Accumulated Depreciation	PPE, Net
Land	₱ 30,759,551	₱ 1,235,000	₱ 0	₱ 0	₱ 31,994,551
Infrastructure Assets	253,627,397	18,493,169	(2,950,268)	(115,255,403)	153,914,895
Buildings and Other Structures	416,673,733	5,585,780	0	(172,059,406)	250,200,107
Machinery and Equipment	138,458,538	5,736,052	(4,442,249)	(93,781,800)	45,970,541
Transportation Equipment	32,348,461	260,000	(203,300)	(18,803,274)	13,601,887
Furniture, Fixtures and Books	5,237,331	0	0	(4,510,861)	726,470
Construction in Progress	945,319	2,948,712	(945,319)	0	2,948,712
Other PPE	143,732	0	0	(129,359)	14,373
<b>Total</b>	<b>₱878,194,062</b>	<b>₱34,258,713</b>	<b>(₱8,541,136)</b>	<b>(₱404,540,103)</b>	<b>₱499,371,536</b>

2024					
PPE Account	Balance at January 1	Additions/ Acquisitions	Disposals/ Reclassification	Accumulated Depreciation	PPE, Net
Land	₱ 32,045,977	₱ 277,704	(₱ 1,564,130)	₱ 0	₱ 30,759,551
Infrastructure Assets	194,271,186	61,318,764	(1,962,553)	(115,494,974)	138,132,423
Buildings and Other Structures	380,002,565	80,283,294	(43,612,126)	(164,402,040)	252,271,693
Machinery and Equipment	132,922,499	12,870,028	(7,333,989)	(89,459,874)	48,998,664
Transportation Equipment	33,675,991	207,570	(1,535,100)	(17,444,743)	14,903,718
Furniture, Fixtures and Books	4,979,188	258,143	0	(4,476,964)	760,367
Construction in Progress	76,595,121	945,319	(76,595,121)	0	945,319
Other PPE	143,732	0	0	(129,359)	14,373
<b>Total</b>	<b>₱854,636,259</b>	<b>₱156,160,822</b>	<b>(₱132,603,019)</b>	<b>(₱391,407,954)</b>	<b>₱486,786,108</b>

The following information pertains to the three parcels of land which have no Transfer Certificate of Title (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 had already been fully paid.

**2. *Barangay Tibag***

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

**3. *Barangay Tangos (Silverdale)***

A Deed of Donation and Acceptance was executed by and between the District and Mr. John Paul T. Dy on November 3, 2014. However, due to certain issues affecting the mother title, the transfer of the subject lot to the name of the District has not yet been effected.

Management is exerting 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.

**10. Intangible Assets, Net**

There pertains to the acquisition cost of software application recognized under the Computer Software account and Website account net of the related Accumulated Amortization. The breakdown of this account is as follows:

	<b>2025</b>	<b>2024</b>
Computer Software (CS)	₱7,442,084	₱7,442,084
Accumulated Amortization – CS	(6,697,876)	(6,795,496)
<i>CS, Net</i>	<i>744,208</i>	<i>646,588</i>
Websites	174,500	174,500
Accumulated Amortization – Websites	(157,050)	(155,025)
<i>Websites, Net</i>	<i>17,450</i>	<i>19,475</i>
<b>Intangible Assets, Net</b>	<b>₱761,658</b>	<b>₱666,063</b>

**11. Financial Liabilities**

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

	<b>2025</b>	<b>2024</b>
<b>Current</b>		
Accounts Payable	₱ 16,473,564	₱ 9,998,857
Loans Payable – Domestic		
LWUA	1,796,155	1,725,840
LBP	7,147,325	7,623,302

	<b>2025</b>	<b>2024</b>
DBP	16,554,907	16,757,207
Others	0	5,421,785
<b>Total Financial Liabilities – Current</b>	<b>41,971,951</b>	<b>41,526,991</b>
<b>Non-Current</b>		
Loans Payable – Domestic		
LWUA	10,702,069	12,498,224
LBP	24,117,779	31,265,104
DBP	75,107,942	91,662,848
Others	0	8,740,000
<b>Total Financial Liabilities – Non-Current</b>	<b>109,927,790</b>	<b>144,166,176</b>
<b>Total Financial Liabilities</b>	<b>₱151,899,741</b>	<b>₱185,693,167</b>

Loans Payable – Domestic 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, to wit:

	<b>2025</b>	<b>2024</b>
<b>Current</b>		
Due to BIR	₱2,004,311	₱2,001,525
Due to GSIS	1,755,500	1,659,800
Due to Pag – IBIG	149,385	164,723
Due to PhilHealth	246,448	229,959
Due to SSS	31,500	13,900
<b>Total Inter-Agency Payables-Current</b>	<b>4,187,144</b>	<b>4,069,907</b>
<b>Non-Current</b>		
Due to LGUs	3,420,845	3,420,845
<b>Total Inter-Agency Payables-Non-Current</b>	<b>3,420,845</b>	<b>3,420,845</b>
<b>Total Inter-Agency Payables</b>	<b>₱7,607,989</b>	<b>₱7,490,752</b>

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. The previous COA Audit Team requested the confirmation of the receivable to Municipal Accountant of Baliwag. However, the receivable is not recorded in the books of accounts of the LGU. Due to the foregoing, the District shall request from COA for the dropping of the said payable amount.

## 13. Provisions

This pertains to the undiscounted expected cost of short-term employee benefits in the form of compensated absences recognized under the Leave Benefits Payable account.

To arrive at the undiscounted expected cost of short-term employee benefit, the total earned vacation and sick leave credits of each employee is multiplied to their respective basic monthly salary. The product is then multiplied to a constant factor of 0.0481927 as prescribed under CSC Memorandum Circular No. 02 s. 2016 promulgated on December 21, 2015.

#### **14. Trust Liabilities**

This pertains to receipt of amount held in trust for specific purpose as follows:

	<b>2025</b>	<b>2024</b>
Trust Liabilities	₱ 18,633	₱ 278,010
Guaranty/Security Deposits Payable	2,628,106	2,531,614
Customers' Deposits Payable	5,918,100	3,912,100
Trust Liabilities – Disallowances/Charges	27,418	27,418
<b>Total Trust Liabilities</b>	<b>₱8,592,257</b>	<b>₱6,749,142</b>

Trust Liabilities include the GSIS premium contribution of a resigned employee, the deducted amount for the disallowed Health Card benefit of a retired employee, refunds related to GSIS policies and withholding tax on compensation, and advance collection for the Electronic Salary Loan payable to LBP. It also includes funds held in trust for the compassion to an employee.

Guaranty/Security Deposits Payable refers to retention on contract payment.

Customers' Deposits Payable pertains to new connections guarantee deposit upon application of service.

#### **15. Deferred Credits/Unearned Revenue/Income**

This includes excess payment received from the monthly water sales and septage fee billing.

#### **16. Other Payables**

This pertains to other liabilities not falling under any of the specific payable accounts such as payable for the purchased lot, other suppliers and unredeemed gift certificates.

#### **17. Government Equity**

This pertains to the amount of contributions paid by various donors whether in cash or in kind and eventually donated to the District.

## 18. Retained Earnings

This account consists of the following:

	2025	2024
Retained Earnings, Beginning	₱319,844,368	₱291,398,659
Add/(Deduct):		
Comprehensive Income	25,792,771	54,567,378
Other Adjustments	17,170,735	(26,121,669)
<b>Total Retained Earnings</b>	<b>₱362,807,874</b>	<b>₱319,844,368</b>

Other Adjustments were attributed to the following:

	2025	2024
Prior Year's Expenses	(₱ 4,688,903)	(₱ 9,276,389)
To reverse estimated consumption of Water Bill and Septage fee	0	(14,883,513)
Reclassification of various accounts	1,229,586	(1,853,967)
Payment of disallowances from Resigned Employees	6,500	0
Adjusting entry for donated land and Contributed Capital (Paid-in) accounts	20,623,552	0
Written-off 146 dormant receivables approved by COA (COA Decision No. 2023-01 dated July 20, 2023) and adjustment due to collection of payment from the dormant accounts	0	(107,800)
<b>Total Other Adjustments</b>	<b>₱17,170,735</b>	<b>(₱26,121,669)</b>

## 19. Service and Business Income

This consists of the following:

	2025	2024
Waterworks System Fees	₱266,348,099	₱285,183,863
Interest Income	16,239	17,460
Fines and Penalties – Business Income	8,836,526	8,896,626
Other Business Income	40,826,853	39,549,164
<b>Total Service and Business Income</b>	<b>₱316,027,717</b>	<b>₱333,647,113</b>

Waterworks System Fees pertain to water bills and septage fee arising from services rendered to the customers of the District.

Interest Income includes interest earned from current and savings depository accounts.

Fines and Penalties – Business Income refers to penalty charges collected for delayed payment of water bills and violations.

Other Business Income refers to income earned from the installation of service connections, reconnection, repairs of the consumer's service line and tipping fee of septage clustering program.

## 20. Other Gains

These are proceeds from materials purchased by concessionaires to the District and includes gains which are not classified under any of the specific gain accounts.

## 21. Other Non-Operating Income

This includes proceeds from sale of scrap materials and receipts of miscellaneous income.

## 22. Personnel Services

This consists of the following:

	<b>2025</b>	<b>2024</b>
Salaries and Wages	₱ 60,699,006	₱57,961,535
Other Compensation	26,295,437	26,181,473
Personnel Benefit Contributions	9,314,883	8,880,807
Other Personnel Benefits	6,236,282	4,282,329
<b>Total Personnel Services</b>	<b>₱102,545,608</b>	<b>₱97,306,144</b>

## 23. Maintenance And Other Operating Expenses (MOOE)

This consists of the following:

	<b>2025</b>	<b>2024</b>
Travelling Expenses	₱ 1,938,646	₱ 1,679,190
Training Expenses	1,947,805	1,574,788
Supplies and Materials Expenses	6,201,400	4,654,075
Utility Expenses	3,254,471	2,841,997
Communication Expenses	1,249,411	853,317
Awards/Rewards Expenses	878,601	1,020,507
Survey, Research, Exploration and Development Expenses	9,248	29,354
Generation, Transmission and Distribution Expenses	64,369,223	59,464,984
Extraordinary and Miscellaneous Expenses	135,005	135,237
Professional Services	738,619	405,366
General Services	38,115,296	39,772,552
Repairs and Maintenance	8,971,054	9,865,960
Taxes, Insurance Premiums and Other Fees	6,820,033	6,933,957

	<b>2025</b>	<b>2024</b>
Other Maintenance and Operating Expenses	5,459,766	5,482,827
<b>Total MOOE</b>	<b>₱140,088,578</b>	<b>₱134,714,111</b>

#### **24. Financial Expenses**

This consists of the following:

	<b>2025</b>	<b>2024</b>
Interest Expenses	₱8,277,893	₱9,338,682
Other Financial Charges	200	300
<b>Total Financial Expenses</b>	<b>₱8,278,093</b>	<b>₱9,338,982</b>

#### **25. Direct Costs**

This pertains to the cost of bulk water purchased by the District for distribution to its concessionaires recognized under the Cost of Sales account.

#### **26. Non-Cash Expenses**

This consists of the following:

	<b>2025</b>	<b>2024</b>
Depreciation	₱20,885,055	₱25,085,025
Amortization – Intangible Assets	0	46,575
Impairment Loss – Loans and Receivables	4,104,237	520,809
Loss on Sale of Unserviceable Property	257,434	0
Other Discounts	149,180	180,609
<b>Total Non-Cash Expenses</b>	<b>₱25,395,906</b>	<b>₱25,833,018</b>

**PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS**

## PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

### A. Audit Qualifications/Financial Audit Observations

*Improper Presentation of the Current and Non-Current Portions of Liabilities and Incorrect Classification of Payable Accounts*

**1. Oversight in Management's review process prior to the finalization of the District's financial statements (FSs) disclosed misclassifications in liability accounts, which resulted in the understatement of the current portion of liabilities by ₱3,914,320, contrary to Paragraph 69 of Philippine Accounting Standard (PAS) 1 – Presentation of Financial Statements, thereby affecting the fair presentation of the accounts in the FSs. In addition, the District improperly recognized (a) contract costs initially funded by Cumberland Development Corporation (CDC) and Sumitomo Mitsui Construction Co. Ltd. (Sumitomo) as either Accounts Payable (AP) or Other Payables (OP) instead of Loans Payable (LP) – Domestic; and (b) the current portion of outstanding obligations for other completed projects as OP rather than AP, which are inconsistent with Commission on Audit (COA) Circular No. 2020-002 dated January 28, 2020. As a result, LP – Domestic and AP were understated by ₱9,500,000 and ₱2,714,320, respectively, while OP was correspondingly overstated by ₱12,214,320 as of year-end.**

1.1 Prior to Calendar Year (CY) 2025, the District entered into a Memorandum of Agreement (MOA) with CDC and a Water Supply Agreement with Sumitomo. Among the provisions of the agreements are as follows:

➤ *MOA with CDC on May 15, 2023*

#### A. FIRST PARTY OBLIGATIONS

8. *The [CDC], with regard to the construction of the transmission line from the source outside the Subdivision going to the tapping point of the Subdivision, shall initially shoulder the Project Cost. The amount of the Project Cost shall be agreed upon by both Parties by means of an addendum. The amount initially shouldered by the [CDC] shall be paid by the [Baliwag Water District (BWD)] in equal installments for a period of five (5) years or sixty (60) months on a monthly basis without interest. The transmission line shall remain property of the [BWD].*

#### B. SECOND PARTY OBLIGATIONS

16. *The [BWD] shall construct a transmission line from the source outside the Subdivision going to the tapping point of the Subdivision. The [BWD] shall ensure the payment payable in equal installments for a period of five (5) years or sixty (60) months or for the cost of the transmission line initially shouldered by the [CDC]. The amount of the Project Cost shall be agreed upon by both Parties by means of an addendum, as stated in A.8.*

17. *The [BWD] shall remit the reimbursement stated in A.8 and B.16 to the [CDC] on a monthly basis on or before the 25th day of the month. The first reimbursement shall start One (1) year after the date of first Move-in of homeowners.*

1.2 Accordingly, on November 17, 2023, the parties to the aforementioned MOA executed an Addendum to reflect the mutually agreed project cost for the construction of the transmission line, which provides as follows:

*NOW, THEREFORE, for and in consideration of the foregoing premises and the terms and conditions of the Memorandum of Agreement, the PARTIES herein agree that the Total Project Cost shall be Five Million Three Hundred Thousand Philippine Peso (₱5,300,000), Philippine currency.*

1.3 Consequently, the agreed project cost of ₱5,300,000 for the construction of the transmission line was remitted by the CDC and duly received by the District, as evidenced by Official Receipt (OR) No. 2493261 dated December 18, 2023.

➤ *Water Supply Agreement with Sumitomo on March 25, 2024*

#### *A. FIRST PARTY's OBLIGATIONS*

1. *The [Sumitomo] shall advance the cost amounting to Six Million Pesos (₱6,000,000) (the "Works Cost") for the execution of the Works which shall be released by the [Sumitomo] to the [BWD] three (3) days after the issuance of a Notice of Award by the [BWD] to the winning bidder. The Works Cost initially shouldered by the [Sumitomo] shall be paid by the [BWD] in monthly equal installments of One Hundred Thousand Pesos (₱100,000) for a period of five (5) years or sixty (60) months without interest. The [Horizontal Directional Drilling] [(HDD)] transmission line shall remain the property of the [BWD].*

#### *B. SECOND PARTY's OBLIGATIONS*

9. *The [BWD] shall, in relation to Clause A (1), be liable to pay the monthly amortization of One Hundred Thousand Pesos (₱100,000) for a period of five (5) years.*

(a) *The payment of monthly amortization shall be off-set with the monthly billing for the water consumed by the [Sumitomo].*

(b) *The payment of the [BWD] shall be due and effective immediately upon due date of the first water billing statement for the [Sumitomo].*

#### *C. COMMON PROVISIONS*

3. *Both Parties agree that should the amount due reflected in the monthly billing of the [Sumitomo] is more than the monthly amortization, the [Sumitomo] shall pay the deficiency. If the billing is*

*less than the amount of the monthly amortization, Clause B (9) shall apply.*

1.4 Subsequently, the amount of ₱6,000,000.00, representing the agreed Works Cost for the Pipelaying Project using the HDD method, was advanced by Sumitomo and officially received by the District under OR No. 2602289 dated May 16, 2024.

1.5 Further, in CY 2025, the District engaged several contractors and suppliers for the implementation of various projects, with an aggregate project cost of ₱12,727,445. The details are presented below:

<b>Table 1: Schedule of Various Projects for CY 2025</b>	
<b>Name of Contractors/Suppliers</b>	<b>Total Project Cost</b>
<b>1. Laguna Well Drilling and Construction Corporation (Laguna Well)</b>	
a. Tarcan	₱1,601,400
b. Tangos	1,421,560
c. Sto Niño (Villa Katrina)	1,667,160
<b>2. Pacers Trading and Services (Pacers)</b>	4,065,150
<b>3. PJM Construction and General Merchandise (PJM)</b>	
a. San Jose	257,025
b. Makinabang	126,450
c. Catulinan	151,400
d. Bagong Nayon	130,000
e. Pagala (Waterwood)	1,131,300
<b>4. JT Solido Corporation (JTSC)</b>	
a. Bagong Nayon (Submersible Pump and Motor with accessories)	638,000
b. Bagong Nayon (150MM Discharge Line)	585,000
c. Bagong Nayon (Variable Frequency Drive)	363,000
<b>5. Riddhi and Zarana Enterprises Corp. (RZEC)</b>	560,000
<b>6. Ghianne's Pump Equipment Repair &amp; Maintenance Shop (GPERMS)</b>	30,000
<b>Total</b>	<b>₱12,727,445</b>

1.6 Verification confirmed that the abovementioned projects, including those initially funded by CDC and Sumitomo, were already completed as of December 31, 2025.

1.7 The table below summarizes the payment terms outlined in the contracts for the projects mentioned above.

<b>Table 2: Summary of Payment Terms Stated in the Contracts for Projects Completed as of December 31, 2025</b>		
<b>Name of Contractors/ Creditors</b>	<b>Brief Description of the Project</b>	<b>Payment Terms</b>
CDC	Initial project cost shouldered by CDC for the construction of transmission line from the source outside the subdivision going to the tapping point of the subdivision	Equal installments for a period of five years or 60 months without interest to be paid on or before the 25th of the month, which shall start one year after the date of the first Move-in of homeowners

<b>Name of Contractors/ Creditors</b>	<b>Brief Description of the Project</b>	<b>Payment Terms</b>
Sumitomo	Advance cost funded by Sumitomo for the Pipelaying Project using HDD method at Pulilan-Baliuag By-Pass Road	Equal monthly installments of ₱100,000 for a period of five years or 60 months to be offset with the monthly billing for the water consumed by Sumitomo. In case the monthly billing is less than ₱100,000, the BWD should pay the deficiency, which shall be due and effective immediately upon the due date of the first water billing statement for the Sumitomo.
Laguna Well	Supply of Labor and Materials for Well Rehabilitation:  a. Tarcan Pump Station (PS); and  b. Tangos 2 (Star) PS	15% Mobilization Fee upon issuance of Notice to Proceed, 35% Progress Billing and the remaining 50% to be paid in equal monthly installments for the period of 12 months
Laguna Well	Supply of Labor and Materials for Emergency Well Rehabilitation of Villa Katrina PS, Sto Niño, Baliwag City, Bulacan	50% Progress Billing and the remaining 50% to be paid in equal monthly installments for the period of 12 months
Pacers	Drilling of One Production Well 250MM x 150M Depth at BS Aquino, Bagong Nayon, Baliwag City, Bulacan	15% Mobilization Fee and the balance to be paid in equal monthly installments for 24 months which will reckon 30 days after the completion of well drilling
PJM	Supply of Labor and Materials for Pipeline Expansion Project:  a. San Jose-135 LM of 75MM Diameter 3" PVC-0;  b. Makinabang-175LM of 50MM Diameter 2" PVC-0; and  c. Catulinan-105LM of 75MM Diameter 3" PVC-0	15% advance payment and full payment upon issuance of certificate of acceptance
PJM	Supply of Labor and Materials for Interconnection Works with 23LM of 150 mm Diameter 6" PVC-0 at BS Aquino, Bagong Nayon, Baliwag City, Bulacan	Full payment upon issuance of certificate of acceptance
PJM	Supply of Labor and Materials for Pipeline Replacement Program in front of Waterwood along DRT Highway, Pagala, Baliwag City, Bulacan	15% Mobilization Fee upon issuance of Notice to Proceed and weekly progress payments based on the value of work completed, including the cost of materials delivered and installed

<b>Name of Contractors/ Creditors</b>	<b>Brief Description of the Project</b>	<b>Payment Terms</b>
JTSC	Submersible Pump and Motor with accessories for electromechanical works at BS Aquino PS, Bagong Nayon, Baliwag City, Bulacan	Payable within 15 days
JTSC	Supply of Labor and Materials for 150MM Diameter Discharge Line Program at BS Aquino PS, Bagong Nayon, Baliwag City, Bulacan	15% advance payment and balance based on progress billing
JTSC	Supply and Installation including Commissioning of Variable Frequency Drive 40HP, 3-Phase with accessories for electromechanical works at BS Aquino PS, Bagong Nayon, Baliwag City, Bulacan	Payable within 15 days
RZEC	Supply and Installation of Riser Pipes and Accessories for electromechanical works at BS Aquino PS, Bagong Nayon, Baliwag City, Bulacan	Payable within 30 days
GPERMS	Installation of Submersible Pump and Motor with Accessories	Full payment upon issuance of certificate of completion

1.8 A review of the total payments made by the District revealed that an amount of ₱7,176,835 had already been paid as of December 31, 2025, leaving an outstanding balance of ₱16,850,610. The details are as follows

<b>Name of Contractors/ Suppliers/Creditors</b>	<b>Project Cost/ Contract Cost</b>	<b>Total Amount Paid as of December 31, 2025</b>	<b>Balance as of December 31, 2025</b>
CDC	₱ 5,300,000	₱ 0	₱ 5,300,000
Sumitomo	6,000,000	1,800,000	4,200,000
Laguna Well-Tarcan PS	1,601,400	1,334,500	266,900
Laguna Well-Tangos 2 (Star) PS	1,421,560	1,184,633	236,927
Laguna Well-Villa Katrina PS	1,667,160	1,180,905	486,255
Pacers	4,065,150	753,747	3,311,403
PJM-San Jose	257,025	38,554	218,471
PJM-Makinabang	126,450	18,967	107,483
PJM-Catulinan	151,400	22,710	128,690
PJM-Bagong Nayon	130,000	0	130,000
PJM-Pagala (Waterwood)	1,131,300	842,819	288,481
JTSC-Bagong Nayon (Submersible Pump and Motor with Accessories)	638,000	0	638,000
JTSC-Bagong Nayon (150MM Discharge Line)	585,000	0	585,000
JTSC-Bagong Nayon (Variable Frequency Drive)	363,000	0	363,000
RZEC	560,000	0	560,000
GPERMS	30,000	0	30,000
<b>Total</b>	<b>₱24,027,445</b>	<b>₱7,176,835</b>	<b>₱16,850,610</b>

1.9 The District’s Statement of Financial Position reflected a total unpaid balance of ₱16,850,610, with ₱3,196,550 classified as AP – Current and ₱13,654,060 as OP – Non-Current. However, a review of the classification revealed that it was not aligned with the payment terms stipulated in the contracts. Based on a proper assessment in accordance with the contractual provisions, the amount of ₱7,110,870 should be classified as current liabilities, while the balance of ₱9,739,740 should be presented as non-current liabilities, computed as follows:

**Table 4: Schedule of Current and Non-Current Liabilities as of December 31, 2025 based on Contractual Terms**

Name of Contractors/ Suppliers/Creditors	Should be Current Liabilities	Should be Non-Current Liabilities	Total	Remarks
CDC	₱ 0	₱5,300,000	₱ 5,300,000	As per Certification issued by the Area Team Leader-North B of CDC, no actual move-in has been recorded within the Subdivision as of February 25, 2026.
Sumitomo	1,200,000	3,000,000	4,200,000	Equal monthly installments of ₱100,000 each for the next 12 months should be classified as current liabilities in accordance with Clause B (9) of the Water Supply Agreement.
Laguna Well-Tarcan PS	266,900	0	266,900	Unpaid monthly amortization of ₱66,725 for December 2025 and total amortization of ₱200,175 due for the next three months
Laguna Well-Tangos 2 (Star) PS	236,927	0	236,927	Unpaid monthly amortization of ₱59,232 for December 2025 and total amortization of ₱177,695 due for the next three months
Laguna Well-Villa Katrina PS	486,255	0	486,255	Unpaid monthly amortization of ₱69,465 for December 2025 and total amortization of ₱416,790 due for the next six months
Pacers	1,871,663	1,439,740	3,311,403	The unpaid monthly amortization of ₱143,974 for December 2025, as well as the total monthly amortization of ₱1,727,689 due for the next 12 months should be classified as current liabilities, while the remaining balance of ₱1,439,740 should be classified as non-current liabilities.
PJM-San Jose	218,471	0	218,471	Certificate of completion was issued on December 26, 2025. Certificate of Acceptance should be issued three months after the issuance of Certificate of Completion as agreed in the contract.
PJM-Makinabang	107,483	0	107,483	Certificate of completion was issued on December 23, 2025. Certificate of Acceptance should be issued three months after the issuance of Certificate of Completion as agreed in the contract.
PJM-Catulinan	128,690	0	128,690	Certificate of completion was issued on December 10, 2025. Certificate of Acceptance should be issued three months after the issuance of Certificate of Completion as agreed in the contract.
PJM-Bagong Nayon	130,000	0	130,000	Certificate of completion was issued on December 18, 2025. Certificate of Acceptance should be issued three months after the issuance of

<b>Table 4: Schedule of Current and Non-Current Liabilities as of December 31, 2025 based on Contractual Terms</b>				
<b>Name of Contractors/ Suppliers/Creditors</b>	<b>Should be Current Liabilities</b>	<b>Should be Non-Current Liabilities</b>	<b>Total</b>	<b>Remarks</b>
				Certificate of Completion as agreed in the contract.
PJM-Pagala (Waterwood)	288,481	0	288,481	Certificate of completion was issued on December 10, 2025.
JTSC-Bagong Nayon (Submersible Pump and Motor with Accessories)	638,000	0	638,000	Certificate of completion was issued on December 29, 2025.
JTSC-Bagong Nayon (150MM Discharge Line)	585,000	0	585,000	Certificate of completion was issued on December 18, 2025.
JTSC-Bagong Nayon (Variable Frequency Drive)	363,000	0	363,000	Certificate of completion was issued on December 29, 2025.
RZEC	560,000	0	560,000	Certificate of completion was issued on December 29, 2025.
GPERMS	30,000	0	30,000	Certificate of completion was issued on December 29, 2025.
<b>Total</b>	<b>₱7,110,870</b>	<b>₱9,739,740</b>	<b>₱16,850,610</b>	

1.10 This misclassification is contrary to Paragraph 69 of PAS 1 on the Presentation of FSs, which states that *[a]n entity shall classify a liability as current when:*

- a. it expects to settle the liability in its normal operating cycle;*
- b. it holds the liability primarily for the purpose of trading;*
- c. the liability is due to be settled within twelve months after the reporting period; or*
- d. it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.*

*An entity shall classify all other liabilities as non-current.*

1.11 Management explained that the misclassification was due to lapses in the review process prior to the finalization of the FSs. As a result, current liabilities were understated by ₱3,914,320 (₱7,110,870 less ₱3,196,550), with a corresponding overstatement of non-current liabilities by the same amount. Moreover, the improper presentation of current liability accounts may mislead users of the FSs, particularly in the computation of the current ratio, which is used to assess the District's ability to meet its short-term obligations or those due within 12 months after the reporting period.

1.12 Further examination of the accounting entries revealed the following errors:

- a. The unpaid balance amounting to ₱9,500,000, representing the agreed contract costs advanced by CDC and Sumitomo, was recorded under AP or OP instead of LP – Domestic; and
- b. The current portion of the outstanding obligations for other completed projects totaling ₱3,774,320 was classified under OP rather than AP. The details are presented on the next page.

Table 5: Schedule of Recognition of Unpaid Completed Projects as of December 31, 2025				
Name of Contractors/ Suppliers	Recognized as		Total	Remarks
	Current AP	Non-Current OP		
<b>Should be LP – Domestic</b>				
CDC	₱1,060,000	₱4,240,000	₱5,300,000	The total amount of ₱9,500,000 should be classified as LP – Domestic with presentation for Current and Non-Current portions (See Table 4 for reference)
Sumitomo	0	4,200,000	4,200,000	
<b>Subtotal</b>	<b>1,060,000</b>	<b>8,440,000</b>	<b>9,500,000</b>	
<b>Should be AP</b>				
Laguna Wells	264,887	725,195	990,082	The Non-Current OP should be reclassified and presented as Current AP (See Table 4 for reference)
PJM	0	873,125	873,125	
JTSC	0	1,586,000	1,586,000	
RZEC	0	560,000	560,000	
GPERMS	0	30,000	30,000	
<b>Subtotal</b>	<b>264,887</b>	<b>3,774,320</b>	<b>4,039,207</b>	
Pacers	1,871,663	1,439,740	3,311,403	Correctly classified and presented
<b>Total</b>	<b>₱3,196,550</b>	<b>₱13,654,060</b>	<b>₱16,850,610</b>	

1.13 The foregoing errors are inconsistent with the provisions of Annex C of COA Circular No. 2020-002 dated January 28, 2020, which set forth the definitions of the following accounts:

*Account Title*      *Accounts Payable*  
*Account Code*      *20101010*  
*Normal Balance*    *Credit*  
*Description*        *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 unpaid expenses. This account is debited upon payment or settlement of liabilities, and/or adjustments.*

*Account Title*      *Loans Payable-Domestic*  
*Account Code*      *20102040*  
*Normal Balance*    *Credit*  
*Description*        *This account is credited to recognize receipt of loan proceeds (cash or non-cash) from local creditors. This account is debited for payments of loan amortization, and/or adjustments.*

*Account Title*      *Other Payables*  
*Account Code*      *29999990*  
*Normal Balance*    *Credit*  
*Description*        *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.*

1.14 As a result of the erroneous recognition, the LP – Domestic and AP were understated by ₱9,500,000 and ₱2,714,320, respectively, while the OP was overstated by ₱12,214,320 as of year-end. The Summary of the Effects of Erroneous Recognition is presented in the matrix on the next page.

<b>Table 6: Summary of the Effects of Erroneous Recognition</b>			
<b>Particulars</b>	<b>Understatement (Overstatement)</b>		
	<b>AP</b>	<b>LP – Domestic</b>	<b>OP</b>
a. Understatement of LP – Domestic and overstatement of AP and OP due to an error in recording the unpaid balance amounting to ₱9,500,000, representing the agreed contract costs advanced by CDC and Sumitomo	(₱1,060,000)	9,500,000	(₱8,440,000)
b. Understatement of AP and overstatement of OP due to misclassification of the current portion of the outstanding obligations for other completed projects totaling ₱3,774,320	3,774,320	0	(3,774,320)
<b>Total Understatement (Overstatement)</b>	<b>₱2,714,320</b>	<b>₱9,500,000</b>	<b>(₱12,214,320)</b>

1.15 Management is advised to strengthen its review and reconciliation procedures, particularly in evaluating the proper classification and presentation of liabilities, to ensure that all accounts are accurately presented in accordance with applicable financial reporting standards.

**1.16 We recommended and the General Manager agreed, through the Assistant General Manager (AGM)-Administration and Finance Group (AFG), to (a) conduct periodic internal reviews to ensure proper classification and presentation of the accounts, particularly the current and non-current portions of liabilities; (b) reclassify contract costs funded by CDC and Sumitomo from AP/OP to LP – Domestic; (c) prepare the necessary adjusting journal entries to reclassify the current portion of obligations for completed projects from OP to AP; and (d) revise the FSs as necessary to accurately reflect the substance of the transactions and to provide stakeholders with reliable financial information for informed decision-making.**

*Non-recognition of Prepaid Insurance for the Unexpired Portion of Insurance Premiums*

**2. The District's practice of expensing Government Service Insurance System (GSIS) insurance premiums upon payment resulted in the improper recognition of ₱1,223,788 in premiums for various motor vehicles and properties, contrary to Paragraph 27 of PAS 1, Section 4(a) of the Manual on the New Government Accounting System (NGAS), Volume I, and Chapter 19, Section 50 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, thereby understating Prepaid Insurance and Retained Earnings by ₱459,644 as of year-end.**

2.1 Audit of the Insurance Expense account disclosed that the coverage of insurance premiums paid for various motor vehicles and properties of the District had not yet expired as of year-end; however, these were fully recognized as expenses in the books. Inquiry with Management revealed that it has been the District's practice to recognize such premiums as outright expenses upon payment to the GSIS. The details are shown on the next page.

<b>Table 7: Schedule of Payment of Insurance Premiums to GSIS for CY 2025</b>						
<b>Date</b>	<b>Check No.</b>	<b>Particulars</b>	<b>Covered Period</b>	<b>Amount Expensed Outright</b>	<b>Should be expensed</b>	<b>Prepaid Insurance</b>
January 21, 2025	1370660	Various Properties	December 23, 2024 to December 23, 2025	₱265,346	₱265,346	₱0
January 28, 2025	1370691	Various Motor Vehicles (MVs)	January 30, 2025 to January 30, 2026	3,173	2,909	264
			February 16, 2025 to February 16, 2026	279	233	46
			March 23, 2025 to March 23, 2026	11,371	8,528	2,843
March 18, 2025	Paid Thru Petty Cash Fund	Various MVs	January 30, 2025 to January 30, 2026	279	256	23
			February 12, 2025 to February 12, 2026	636	583	53
March 24, 2025	Paid Thru Petty Cash Fund	Various MVs	May 01, 2025 to May 01, 2026	836	557	279
April 22, 2025	1460335	Various Properties	April 21, 2025 to April 21, 2026	69,394	46,263	23,131
April 29, 2025	1460363	Various MVs	June 23, 2025 to June 23, 2026	3,003	1,502	1,501
May 29, 2025	1460463	Various Properties	May 21, 2025 to May 21, 2026	5,943	3,467	2,476
June 16, 2025	Paid Thru Petty Cash Fund	Various MVs	June 09, 2025 to June 09, 2026	587	342	245
			June 22, 2025 to June 22, 2026	557	279	278
July 08, 2025	1460637	Various Properties	April 21, 2025 to April 21, 2026	179,989	119,993	59,996
July 16, 2025	1460682	Various Properties	August 27, 2025 to August 27, 2026	154,291	51,430	102,861
July 29, 2025	Paid Thru Petty Cash Fund	Various MVs	July 24, 2025 to July 24, 2026	557	232	325
July 29, 2026	Paid Thru Petty Cash Fund	Various MVs	August 25, 2025 to August 25, 2026	865	288	577
			August 30, 2025 to August 30, 2026	279	93	186
			August 31, 2025 to August 31, 2026	279	93	186
September 09, 2025	1460884	Various Properties	July 03, 2025 to July 03, 2026	124,168	62,084	62,084
			July 28, 2025 to July 28, 2026	725	302	423
September 15, 2025	1460895	Various MVs	August 21, 2025 to August 21, 2026	587	196	391
			October 07, 2025 to October 07, 2026	278	70	208
			October 08, 2025 to October 08, 2026	279	70	209
			October 21, 2025 to October 21, 2026	557	93	464
			September 23, 2025 to September 23, 2026	587	147	440
			September 30, 2025 to September 30, 2026	278	70	208
September 26, 2025	1460956	Various MVs	October 11, 2025 to October 11, 2026	1,173	293	880
			October 21, 2025 to October 21, 2026	1,114	186	928
			October 31, 2025 to October 31, 2026	279	47	232

<b>Date</b>	<b>Check No.</b>	<b>Particulars</b>	<b>Covered Period</b>	<b>Amount Expensed Outright</b>	<b>Should be expensed</b>	<b>Prepaid Insurance</b>
November 13, 2025	1461143	Various Properties	June 07, 2025 to June 07, 2026	22,414	13,075	9,339
			July 03, 2025 to July 03, 2026	370,234	185,117	185,117
November 19, 2025	1461163	Various MVs	February 05, 2026 to February 05, 2027	3,173	0	3,173
			March 13, 2026 to March 13, 2027	278	0	278
		<b>TOTAL</b>		<b>₱1,223,788</b>	<b>₱764,144</b>	<b>₱459,644</b>

2.2 This practice is contrary to Paragraph 27 of PAS 1, which requires that *[a]n entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.* Further, Section 4(a) of the Manual on the NGAS, Volume I provides that *under [the accrual accounting], all expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate.*

2.3 In view thereof, expenses should be recognized in the District's books of accounts in the period in which they are incurred or utilized, regardless of when payment is made. Accordingly, insurance premiums should be recognized as expense only upon the expiration of the coverage, with the unexpired portion recorded under the Prepaid Insurance account.

2.4 The recording of insurance premiums entirely as an expense upon payment, without making an adjusting entry for the unexpired portion, led to an understatement of both the Retained Earnings and Prepaid Insurance accounts by ₱459,644. This practice is inconsistent with Chapter 19, Section 50 of the GAM for NGAs, Volume I, which states that:

***Sec. 50. Adjusting Journal Entries.** Adjusting journal entries are made at the end of an accounting period to allocate revenue and expenses to the period in which they actually occurred. [Adjusting Journal Entries] are required every time a financial statement is prepared to make the statement truly reflective of the financial condition of the entity at a given period. Adjustments are of two main types:*

*a. Accrued items*

*b. Deferred items*

**2.5 We recommended and the General Manager agreed, through the AGM-AFG, to direct the Division Manager for Accounting and Budgeting to review and adjust the accounting treatment of insurance premiums to recognize the unexpired portion as Prepaid Insurance and record the corresponding adjustments to the appropriate accounts at year-end, in accordance with the applicable rules and guidelines prescribed under Paragraph 27 of PAS 1, Section 4(a) of the Manual on the NGAS, Volume I, and Chapter 19, Section 50 of the GAM for NGAs, Volume I.**

## B. Other Audit Observations

*Accumulation of Inactive and Dormant Accounts Receivable, Weak Enforcement of the Disconnection Policy, and Non-compliance with the Expected Credit Losses Model*

3. *The failure of the District to implement more effective collection strategies rendered remote the collectability of inactive Accounts Receivable (AR), amounting to ₱9,234,763 or 23.05% of the total outstanding balance as of December 31, 2025, contrary to Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I. Moreover, the District failed to request authority from the COA to write off dormant AR, in violation of COA Circular No. 2016-005 dated December 19, 2016, casting doubt on the validity of the AR balance as of year-end. In addition, the lenient enforcement of the District's disconnection policy resulted in the continued accumulation of past-due AR from concessionaires with active accounts, thereby increasing credit risk exposure and depriving the District of the funds tied up in these receivables. Furthermore, the accuracy and valuation of the AR, with a net realizable value of ₱33,676,630, could not be ascertained and relied upon due to the failure of the District to measure the Allowance for Impairment using the Expected Credit Losses (ECL) model, contrary to Paragraph 5.5 of Philippine Financial Reporting Standard (PFRS) 9, resulting in potential misstatement of receivables and related impairment losses.*

3.1 As of December 31, 2025, the net realizable value of the District's AR amounted to ₱33,676,630. The details are as follows:

Particulars	AR
Balance as of December 31, 2025	₱40,070,488
Allowance for Impairment	(6,393,858)
<b>Net Realizable Value as of December 31, 2025</b>	<b>₱33,676,630</b>

(a) *Inactive and Dormant Accounts*

3.2 The Aging Schedule provided by the Accounts and Billing Division showed the following balances of AR as of December 31, 2025:

Age of AR	Active	Inactive
0 Days (Accrual)	₱15,790,477	₱0
1-90 days	7,530,115	542,496
91-180 days	297,341	621,332
181-360 days	341,946	478,802
1-3 years	485,376	2,234,217
4-6 years	765,235	1,987,579
7-8 years	875,043	729,298
9-10 years	4,750,192	698,142
above 10 years	0	1,942,897
<b>Total</b>	<b>30,835,725</b>	<b>9,234,763</b>
Balance of AR as of end of the year	<b>₱40,070,488</b>	

<b>Table 9: Aging Schedule of AR as of December 31, 2025</b>		
<b>Age of AR</b>	<b>Active</b>	<b>Inactive</b>
<b>Percentage of Inactive to balance of AR</b>	<b>23.05%</b>	

3.3 Review of records revealed that Receivables amounting to ₱9,234,763, representing 23.05% of the total balance of AR per Aging Schedule as of December 31, 2025, pertained to inactive or disconnected accounts the collectability of which may be considered remote.

3.4 Verification disclosed that the Board of Directors (BOD), as the District’s policy-making and governing body, had issued policies and procedures in the handling and recovery of past-due accounts by disconnecting the water services of concessionaires with unpaid accounts of ₱800 and above. Management continuously implemented the program called “Barangayan” in order to recover Receivables from concessionaires with inactive accounts. Under the said program, the District issued demand letters to concessionaires with disconnected accounts for one year or more. The customers were given one month to respond to the letter.

- a. For concessionaires who are willing to settle their obligation:
  - The concessionaires with disconnected accounts were given the option to settle their accounts in installments as follows:
    - For accounts with arrears of ₱5,000 and below, 30% of the total amount must be settled and the remaining balance could be paid within up to six months, as agreed upon in promissory notes signed by the customers; and
    - For accounts with arrears of ₱5,001 and above, 30% of the total amount must be settled and the remaining balance could be paid within up to 12 months, as agreed upon in promissory notes signed by the customers.
- b. For concessionaires who did not respond within a month after receiving the letter:
  - The District would coordinate with the concerned barangay officials to schedule a meeting with the concessionaire/s.
- c. After 10 years of being disconnected and all collection efforts have been exhausted, accounts shall then be recommended for write-off.

3.5 Based on the report submitted by the Division Manager-Treasury, 545 demand letters were issued for concessionaires with total unpaid obligations of ₱2,095,159, while 126 accounts were endorsed to various barangays, and 110 accounts with a total outstanding balance of ₱473,131 were collected as of December 31, 2025. However, the majority of concessionaires with disconnected accounts are still unwilling to pay their outstanding balances, resulting in the accumulation of past-due inactive accounts.

3.6 Section 64 of the GAAM, Volume I states that *[q]uarterly, 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. (Underscoring ours)

3.7 Further review of the customers' records disclosed that 412 out of 1,138 concessionaires with accounts disconnected for more than 10 years still have outstanding water bills ranging from ₱1,000 to ₱42,563, with a total unpaid balance of ₱1,539,913. The Audit Team observed that the District has yet to evaluate the status of these inactive accounts, which appear to have nil probability of collection. Such evaluation could be used as a basis for its request for write-off from the COA as stated under COA Circular No. 2016-005 dated December 19, 2016, which provides that dormant Receivable Accounts, which remained inactive or non-moving in the books of accounts for 10 years or more and whose settlement or collectability could no longer be ascertained, may be requested for write-off.

3.8 Owing to the District's inability to implement more effective collection strategies, the recovery of the inactive AR as of December 31, 2025, amounting to ₱9,234,763 or 23.05%, may be considered remote. Further, the inclusion of dormant accounts casts doubt on the validity of the AR balance as of year-end.

(b) *Weak Enforcement of Disconnection Policy*

3.9 The Implementing Rules and Regulations (IRR) on the District's Policy on Service Connection provides that:

**C. Disconnection**

1. *The disconnection personnel may disconnect waterlines when:*

xxx

- *The accountholder fails to pay his or her water bill and environmental fee before the disconnection date indicated in the statement of account that exceeds the existing ceiling amount approved by the Board;*

xxx

3.10 Board Resolution (BR) No. 021, s. 2014 dated April 1, 2014, set the ceiling amount for disconnection of water services at ₱800. However, a random evaluation of the Detailed Aging Schedule submitted by Management disclosed that several concessionaires with active accounts have arrears of ₱800 or more. This indicates leniency in the enforcement of the District's disconnection policy. Consequently, past-due AR from active concessionaires has accumulated, increasing credit risk exposure and depriving the District of funds tied up in these outstanding receivables.

(c) *Non-Compliance with PFRS 9 – ECL Model*

3.11 Paragraph 5.5 of PFRS 9 on Financial Instruments provides, among others, that an entity shall recognize a loss allowance for ECL on a financial asset.

3.12 Likewise, paragraphs 5.5.3 and 5.5.5 of PFRS 9 on the ECL model state that:

*xxx an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. xxx*

*xxxx*

*xxx if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.*

3.13 Pursuant to BR No. 086 series of 2021, dated November 24, 2021, the District's policy for the provision of Allowance for Impairment of AR was set as follows:

<b>Age of Receivables</b>	<b>Percentage of Allowance</b>
1-90 days	1%
91-180 days	2%
181-360 days	5%
1-3 years	10%
4-6 years	20%
7-8 years	50%
9-10 years	60%
10 years above	70%

3.14 Re-computation of the provision for Allowance for Impairment using the rates provided under BR No. 086, based on the Summary of Aging of Accounts submitted by the Accounts and Billing Division, revealed no discrepancy. The details of the computation of impairment allowance are presented as follows:

<b>Age</b>	<b>Rate</b>	<b>AR</b>	<b>Allowance for Impairment</b>
0 Days (Accrual)	0%	₱15,790,477	₱ 0
1-90 days	1%	8,072,611	80,726
91-180 days	2%	918,673	18,373
181-360 days	5%	820,748	41,037
1-3 years	10%	2,719,593	271,959
4-6 years	20%	2,752,814	550,563
7-8 years	50%	1,604,341	802,171
9-10 years	60%	5,448,335	3,269,001
above 10 years	70%	1,942,897	1,360,028
<b>Total</b>		<b>₱40,070,489</b>	<b>₱6,393,858</b>
<b>Allowance for Impairment per books</b>			<b>6,393,858</b>
<b>Difference</b>			<b>₱ 0</b>

3.15 However, further verification revealed that the abovementioned impairment policy could be presumed not in accordance with the ECL model due to the absence of documentation that would prove that the Allowance for Impairment provided by the District was based on the guidelines set by PFRS 9.

3.16 PFRS 9 specifies how an entity should classify and measure financial assets, among others. It introduced the impairment model based on ECL. The idea is to recognize the loss allowance before the credit loss is incurred. It provides that the loss allowance must be measured at initial recognition and throughout the life of the receivable. The allowance should equal the ECL over the entire receivable life for cases without significant financing components. To calculate ECL, a simplified approach may be used, such as a provision matrix that considers the agency's historical credit loss experience along with forward-looking information to determine loss rates. Refer to Annex A for the detailed discussion and step-by-step procedures on measuring receivables using ECL.

3.17 Since the ECL on AR was not considered in the computation of Allowance for Impairment, the accuracy and valuation of the net realizable value of the AR amounting to ₱33,676,630 as reflected in the FS as of December 31, 2025, may not be reliable, resulting in potential misstatement of receivables and related impairment losses.

**3.18 We recommended and the General Manager agreed, through the AGM-AFG, to require the Division Manager-Accounts and Billing, in coordination with the Division Manager-Treasury, to**

**(a) send at least three confirmation-cum-demand letters to verify the existence of the concessionaires with past-due accounts at their registered addresses and formally notify and demand them to pay their outstanding obligations with the District;**

**(b) intensify efforts and improve collection strategies for past-due AR, including those with active accounts, and take appropriate legal action, if necessary;**

**(c) strictly implement the District's Policy on Disconnection to prevent accumulation of past-due AR from active concessionaires;**

**(d) evaluate the status of dormant accounts and consider filing a request for write-off of dormant accounts with the COA, after collection measures have been exhausted, pursuant to COA Circular No. 2016-005;**

**(e) reassess the percentages used in determining the provision for impairment to comply with the ECL model using the provision matrix required by PFRS 9;**

**(f) propose, to the BOD, the issuance and approval of a new impairment policy in accordance with the ECL model; and**

**(g) set up the impairment allowance, in compliance with the approved BOD policy, following Paragraph 5.5 of PFRS 9.**

*Internal Control Weaknesses Over Semi-Expendable Properties*

4. ***Due to the District’s lack of awareness of COA Circular No. 2022-004 dated May 31, 2022, adequate internal controls over semi-expendable properties amounting to ₱2,107,037 were not established, contrary to the said Circular. This was evidenced by: (a) the non-classification of items into low-valued and high-valued categories, and the absence of an updated policy or memorandum defining the estimated useful lives of such properties, resulting in unclear accountability, particularly for low-valued items; and (b) the non-issuance of Inventory Custodian Slips (ICSs) and the absence of monitoring reports and a registry of issued semi-expendable properties, which may hinder proper tracking in the event of loss, mishandling, or unauthorized use.***

4.1 The balance of the Semi-Expendable Expense accounts for CY 2025 is ₱2,107,037. The details are as follows:

<b>Particulars</b>	<b>Amount</b>
Semi-Expendable Machinery and Equipment Expenses	₱1,296,405
Semi-Expendable Furniture, Fixtures and Books Expenses	810,632
<b>Total</b>	<b>₱2,107,037</b>

4.2 The following discrepancies, however, were noted during the audit:

- (a) *Non-classification into Low-valued and High-valued items and the Absence of an Updated Policy or Memorandum for the Estimated Useful Lives of the Semi-Expendable Items*

4.3 Items 4.8 and 4.9 of COA Circular No. 2022-004 dated May 31, 2022, relative to the increase in capitalization threshold of Property, Plant and Equipment (PPE) from ₱15,000 to ₱50,000, provide for the following:

*4.8 For additional control and to safeguard the semi-expendable property considering that more valuable items shall be covered by the new capitalization threshold, the semi-expendable property shall be classified into two categories:*

- a. Low-valued items – cost of each item is ₱5,000 or less; and*
- b. High-valued items – cost of each item is more than ₱5,000 but less than ₱50,000.*

*4.9 The accountability for semi-expendable property shall also be segregated based on a categorization, as follows:*

- a. Low-valued items - accountability shall be extinguished upon expiration of the estimated useful life, or upon return of the property before the end of its useful life, whether serviceable or non-serviceable, to the Property and/or Supply Division/Unit; and*

- b. *High-valued items - accountability shall only be extinguished upon return of the item to the Property and/or Supply Division/Unit or in case of loss, upon approval of the request for relief from property accountability, regardless of the expiration of the estimated useful life.*

4.4 The information gathered revealed that, due to lack of awareness of the provisions of COA Circular No. 2022-004, the District did not classify its semi-expendable properties amounting to ₱2,107,037 as of December 31, 2025 into low-valued and high-valued categories, relative to the increase in the capitalization threshold from ₱15,000 to ₱50,000 under the aforementioned COA Circular, which is intended to enhance safeguards against possible loss or misuse. Proper classification of these properties would likewise facilitate the accurate assignment of control numbers in the preparation of ICSs, as provided in Annex B of the same Circular.

4.5 Management also admitted in an interview that no policy or memorandum had been issued providing the estimated useful life of each semi-expendable property, contrary to Item 4.12 of COA Circular No. 2022-004, which provides that ***[t]he agency shall determine/provide the estimated useful life of each semi-expendable property, subject to post-audit of the COA auditors concerned. The agency is in the best position to estimate the useful life of their semi-expendable property. The agency shall also issue an updated policy/memorandum determining/providing the estimated useful life, as necessary.*** (Emphasis supplied)

4.6 Accordingly, Item 4.13 of the abovementioned Circular provides a range of estimated useful lives per class of semi-expendable property to serve as a guide, as follows:

- *Semi-Expendable Machinery and Equipment - 5 to 15 years*
- *Semi-Expendable Furniture, Fixtures, and Books - 2 to 15 years*

*The above life span of semi-expendable property may be used unless a more appropriate estimated useful life of semi-expendable property is determined by the agency based on the nature of its operation and mission, among others.*

*Based on the above life spans, the entity shall prepare the specific estimated useful life for each semi-expendable property based on its experience on the life of its asset, and copy furnished the COA auditors.*

4.7 The failure of Management to issue a policy or memorandum specifying the estimated useful lives of semi-expendable properties may prove to be counterproductive, as it results in unclear accountability and may adversely affect the District's asset management and internal control systems.

- (b) *Absence of ICSs and Non-preparation of Monitoring Reports and a Registry of Semi-expendable Properties Issued*

4.8 Further verification disclosed that, owing to inadequate manpower, the District failed to prepare monitoring reports and a registry to strengthen the controls over the

semi-expendable items issued to its personnel. Similarly, the issuance of such properties was not supported by ICSs, contrary to Item 4.1 of COA Circular No. 2022-004, which states that *[t]angible items which meet the definition and recognition criteria of PPE but cost is below Fifty Thousand Pesos (P50,000) shall be accounted in the books of accounts of the agencies as semi-expendable property. This shall be supported by the issuance of the Inventory Custodian Slip (ICS) to establish accountability of the end-user. ICS shall be issued to the end-user and shall be renewed every three years or every time there is a change in custodianship/user of the property.* (Emphasis supplied)

4.9 Item 4.7 of the same COA Circular outlines the required reports, forms, and registry, including, but not limited to, the following:

*4.7.1. Annex A.1 – Semi-Expendable Property Card (SPC)*

*This form shall be maintained in the Supply and/or Property Division/Unit for each class of semi-expendable property to record promptly the acquisition (based on the Inspection and Acceptance Report and other supporting documents), issue/transfer/disposal and the description/ information about the asset.*

*4.7.2. Annex A.2 – Semi-Expendable Property Ledger Card (SPLC)*

*This form shall be kept in the Accounting Division/Unit to record promptly the acquisition, description, custody, impairment, issue/transfer/disposal, repair history, and other information about the property. xxx*

*4.7.4. Annex A.4 – Registry of Semi-Expendable Property Issued (RegSPI)*

*This registry shall be maintained in the Property and/or Supply Division/Unit for each class of issued semi-expendable property. The Property and/or Supply Custodian shall record promptly the issue, return, reissue, disposal, and other information about the property if returned and the description/information about the asset. It shall be maintained by fund. ICS shall be maintained continuously and recorded in sequential manner to keep track of any missing ICS.*

*4.7.7. Annex A.7 – Report of Semi-Expendable Property Issued (RSPI)*

*This report shall be prepared by the Property and/or Supply Division/Unit to report/summarize all issued semi-expendable property (by semi-expendable property number) at least weekly. It shall be prepared by the Property and/or Supply Custodian based on the ICS and shall be used by the Accounting Division/Unit as basis in preparing the journal entry voucher to recognize the semi-expendable property issued.*

4.7.8. *Annex A.8 – Report on the Physical Count of Semi-Expendable Property (RPCSP)*

*This form shall be used to report the physical count of semi-expendable property, which are owned by the agency/entity, by type of property still in the custody of the Property and/or Supply Division/Unit as at a given date. It shows the balance of semi-expendable items per card and per count and shortage/overage, if any. It shall be prepared annually and by fund by the Inventory Committee.*

4.10 The lack of monitoring reports, registry, and ICS documentation hinders the proper establishment of responsibility and accountability for semi-expendable items. It also limits the ability to track key details, such as issuance, return, disposal, and other relevant information, which may result in difficulties in monitoring in cases of loss, mishandling, or unauthorized use.

**4.11 We recommended and the General Manager agreed, through the AGM-AFG, to (a) evaluate the current workload of the Property/Supply Unit and augment personnel, either through hiring, reassignment, or designation of additional staff, to ensure timely preparation of required registries, reports, and ICSs; (b) conduct orientation for concerned personnel (Property Custodian, Accounting, and End-Users) to ensure awareness and proper implementation of COA Circular No. 2022-004; (c) instruct the Senior Financial Specialist to classify the District’s semi-expendable properties into low-valued and high-valued categories, in accordance with Items 4.8 and 4.9 of COA Circular No. 2022-004; (d) endorse to the BOD for approval the estimated useful life of each semi-expendable property and, upon approval, issue a corresponding policy or memorandum; and (e) direct the designated Property or Supply Officer, in coordination with the Senior Financial Specialist, to prepare ICSs to ensure proper accountability, and to maintain the necessary monitoring reports and the registry of semi-expendable properties issued to end-users, in compliance with COA Circular No. 2022-004.**

*Insured Properties with the GSIS*

**5. *Properties of the District amounting to ₱138,199,443 were insured with the General Insurance Fund (GIF) of the GSIS with premium payments totaling ₱1,223,788 for CY 2025, pursuant to COA Circular No. 92-390 dated November 17, 1992, implementing the Property Insurance Law or Republic Act (RA) No. 656, as amended by Presidential Decree (PD) No. 245, and COA Circular No. 2018-002 dated May 31, 2018, thus, obtaining financial protection against unexpected events, such as natural or man-made calamities.***

5.1 COA Circular No. 92-390 dated November 17, 1992, which quoted the provisions of RA No. 656, otherwise known as the Property Insurance Law, as amended, requires all properties of the government, including government-owned and controlled corporations, to be insured with the GIF administered by the GSIS. Section 5 of the aforementioned law states that *[e]very government, xxx, is required to insure*

its property with the fund against any insurable risk herein provided and to pay the premiums thereon xxx.

5.2 Moreover, COA Circular No. 2018-002 dated May 31, 2018 prescribes the Guidelines for the submission of the Property Inventory Form (PIF) as the basis for the assessment of general insurance coverage over all insurable assets, properties and interests of the government with the GIF of the GSIS. Item 4.1 of this Circular states that insurable properties *[i]nclude vessels and craft, motor vehicles, machineries, permanent buildings, properties stored therein (i.e. furniture, fixtures, equipment, supplies and materials, etc.) or in buildings rented by the government, or properties in transit, the ownership of which had already passed to the government.*

5.3 Audit of disbursements for CY 2025 showed payments to the GSIS amounting to ₱1,223,788, for the insurance premiums of properties at the insured sum of ₱138,199,443, pursuant to the provisions of the aforementioned COA Circulars. The details of the properties insured, as well as the premiums paid, are shown below.

<b>Table 13: Schedule of Properties Insured with the GSIS as of December 31, 2025</b>				
<b>Particulars</b>	<b>Sum Insured</b>	<b>Check No.</b>	<b>Date</b>	<b>Amount of Premiums Paid to GSIS</b>
Water Network Geographic Information System and Equipment-Contents	₱ 5,135,184	1370660	January 21, 2025	₱ 265,346
Tangos Pumping Station (PS)-Building and Equipment	6,661,710			
Two-Storey Office Building-San Roque	1,766,571			
One-Storey Building (Generator Room)-San Roque	107,800			
One-Storey Building (Control and Blower)-San Roque	98,000			
One-Storey Building (Storage)-San Roque	58,800			
One-Storey Open Shed-San Roque	101,250			
Septage Treatment Plant-San Roque	7,189,125			
Perimeter Fence with Gate-San Roque	576,000			
Concrete Pavement-San Roque	524,790			
San Jose PS-Electromechanical Equipment Complete Accessories	1,241,194			
Contents-Equipment (Data Logger with Digital Pulser)	710,000			
Perimeter Fence-San Jose PS	122,360			
MVs	3,133,910	1370691	January 28, 2025	14,823
MVs	400,000	Paid Thru Petty Cash Fund	March 18, 2025	915
MVs	600,000	Paid Thru Petty Cash Fund	March 24, 2025	836
Generator Set-FG Wilson Perkins	575,250	1460335	April 22, 2025	69,394
Pump House-Building (Villa Katrina PS)	50,850			
Perimeter Fence-Villa Katrina PS	73,224			
Three-Storey Office Building-Poblacion	7,260,000			
Four Units Electric Generators	105,563			
MVs	800,000	1460363	April 29, 2025	3,003
Chlorinating Equipment and Accessories	86,220	1460463	May 29, 2025	5,943
Dedicated Line	642,492			

<b>Table 13: Schedule of Properties Insured with the GSIS as of December 31, 2025</b>				
<b>Particulars</b>	<b>Sum Insured</b>	<b>Check No.</b>	<b>Date</b>	<b>Amount of Premiums Paid to GSIS</b>
MVs	600,000	Paid Thru Petty Cash Fund	June 16, 2025	1,144
Four-Storey Office Extension Building-Poblacion	24,156,657	1460637	July 08, 2025	179,989
One Unit Schindler Passenger Elevator-Poblacion	942,149			
Ground Reservoir-Tangos	7,861,774	1460682	July 16, 2025	154,291
Ground Reservoir-Tarcan	6,253,067			
MVs	800,000	Paid Thru Petty Cash Fund	July 29, 2025	1,423
MVs	400,000	Paid Thru Petty Cash Fund	July 29, 2025	557
Chlorinating Equipment-Contents-Sta. Barbara	65,610	1460884	September 09, 2025	124,893
Building-Site Development-Sabang	1,667,331			
Generator Set-Makinabang	1,021,250			
Five Units Primary Treatment Equipment Upgrade-San Roque	8,782,617			
MVs	1,400,000	1460895	September 15, 2025	2,566
MVs	1,400,000	1460956	September 26, 2025	2,566
Bolted Tank-San Roque	6,394,741	1461143	November 13, 2025	392,648
Chlorinating Equipment-Contents-San Roque	92,225			
Water Booster Station (Booster Pump-Discharge Line)-San Roque	395,749			
Motorized Valve with Control-Contents-San Roque	314,500			
Building-Site Development-San Roque	1,879,605			
Bolted Tank-Sta. Barbara	8,903,758			
Building-Site Development-Sta. Barbara	1,304,980			
Bolted Tank-Sabang	8,624,351			
Makinabang PS	4,560,000			
Four Units Electro-Mechanical Equipment	1,539,613			
3 Units Generator Sets (San Roque, Sabang, Sta. Barbara Homes-Phase 2)	1,603,101			
Two-Storey Septage Treatment Plant Upgrade-San Roque	3,762,894			
Septage Treatment Plant Upgrade-Contents-San Roque	3,653,178			
MVs	1,800,000	1461163	November 19, 2025	3,451
<b>Total</b>	<b>₱138,199,443</b>			<b>₱1,223,788</b>

5.4 We appreciate the District's efforts to insure its various properties to obtain financial protection against unexpected events, such as natural or man-made calamities.

**5.5 We recommended and the General Manager agreed, through the AGM-AFG, to (a) strictly comply with the laws and regulations on property insurance; and (b) ensure that the District's properties are adequately insured at all times to**

protect its interest from damages or losses that may be caused by natural or man-made calamities.

*Non-Revenue Water Within Acceptable Level*

**6. The District registered an average Non-Revenue Water (NRW) rate of 19.35% in CY 2025, which is within the acceptable level prescribed under Local Water Utilities Administration (LWUA) Memorandum Circular (MC) Nos. 004-10 and 014-10 dated February 23, 2010, and December 2, 2010, respectively, hence contributing to the overall efficiency and sustainability of the District’s water supply system.**

6.1 In order to accelerate further improvement in the efficiency level of water districts (WDs) and pursuant to Board of Trustees Resolution No. 444 dated September 15, 2009, the LWUA issued MC No. 004-10 dated February 23, 2010, which approved the reduction of the maximum acceptable NRW from the existing 25% to 20%, applicable to all WDs.

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

- From Maximum Flow to Transitional Flow :  $\pm 2\%$
- From Minimum Flow to Transitional Flow :  $\pm 5\%$

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

6.4 Review of the District’s operations for CY 2025 showed that of the total 10,599,317 cubic meters (cu.m.) of water produced and available for distribution, only 8,548,088 cu.m. was billed to concessionaires, which resulted in water losses of 2,051,229 cu. m., or an average NRW rate of 19.35%, which is within the 20% allowable NRW benchmark prescribed by the LWUA. The details are as follows:

Month	Water Produced (in cu. m.)	Water Billed (in cu. m.)	Difference (in cu. m.)	% of NRW/Loss	Peso equivalent of NRW/Loss
	A	B	(A)-(B)=C	(C)/(A)	C*P200 rate/10 cu. m.
January	872,951	704,317	168,634	19.32%	₱ 3,372,680
February	874,367	705,247	169,120	19.34%	3,382,400
March	808,985	654,636	154,349	19.08%	3,086,980
April	919,069	745,629	173,440	18.87%	3,468,800
May	890,478	738,997	151,481	17.01%	3,029,620
June	919,299	752,031	167,268	18.20%	3,345,360
July	890,271	718,525	171,746	19.29%	3,434,920

Month	Water Produced (in cu. m.)	Water Billed (in cu. m.)	Difference (in cu. m.)	% of NRW/Loss	Peso equivalent of NRW/Loss
	A	B	(A)-(B)=C	(C)/(A)	C*P200 rate/10 cu. m.
August	913,000	736,768	176,232	19.30%	3,524,640
September	902,401	730,114	172,287	19.09%	3,445,740
October	890,957	679,294	211,663	23.76%	4,233,260
November	870,205	701,429	168,776	19.39%	3,375,520
December	847,334	681,101	166,233	19.62%	3,324,660
<b>Total</b>	<b>10,599,317</b>	<b>8,548,088</b>	<b>2,051,229</b>	<b>19.35%</b>	<b>₱41,024,580</b>

6.5 An increase of 2.59% was noted in the CY 2025 NRW level as compared to CY 2024, as shown below:

Particulars/Period	% of NRW
Average rate of NRW CY 2025	19.35%
Average rate of NRW CY 2024	16.76%
<b>Increase in NRW %</b>	<b>2.59%</b>

6.6 Based on the analysis of collected operational data and a review of relevant technical and administrative documents, the following factors were identified by the District as the primary contributors to the observed increase in average NRW for CY 2025:

- Three undetected mainline leaks located at Ford 888 (Tangos), Silverdale Subdivision, and Vergel de Dios Compound (Makinabang) discharged directly into adjacent drainage canals. The leaks at Ford 888 and Silverdale Subdivision are estimated to have persisted from August 2025 to January 2026, while the mainline leak at Vergel de Dios Compound remained active for approximately one month prior to detection, reporting, and subsequent repair.
- An estimated unknown loss of 75.96% of the NRW volume, which is attributable to the combination of apparent and real losses, including undetected physical leakage within the distribution network, unauthorized or illegal connections, water and flow meter inaccuracy, and other commercial and operational inefficiencies.

6.7 On the contrary, the following are the programs and activities implemented by the District to maintain the acceptable level of NRW in CY 2025, among others:

- Revised Water Balance Framework

The International Water Association (IWA) Water Balance is a detailed framework used to quantify the water supply components, identify where losses occur, and assist utilities in implementing strategies for reducing water losses.

- Improved Monitoring of System Input Volume

Regularly monitored the accuracy of the electromagnetic flow meter of all pumping stations, including the purchased water supply.

- Constantly monitored accounts for corporate social responsibilities, office use and MOAs
- Used flow meter in maintenance activities, such as flushing and air scouring activities
- Inspected permanently disconnected accounts, blow-offs and fire hydrants, and use of valve keys to prevent unauthorized use
- Regularly inspected concessionaires' water meters with zero and below average readings
- Implemented Water Meter Replacement Program
- Checked the accuracy of old water meters (five years above) using on site portable accuracy tester
- Isolated areas with leakages through valve adjustments
- Ensured the application of the 24/7 Quick Response Plan on repairing leakages
- Geo-tagged all mainline leak details on the Geographic Information System (GIS) as a basis for the Pipeline Replacement Program.

6.8 Maintenance of NRW within the acceptable level somehow contributed to the overall efficiency and sustainability of the District's water supply system.

**6.9 We recommended and Management agreed, through the AGM-Operations and Technical Services Group (OTSG), to (a) continuously maintain an average NRW rate within the 20% acceptable rate set by the LWUA; and (b) closely monitor water consumption and undertake measures to further reduce the NRW rate at the District's level.**

*Compliance with Fire Hydrant Maintenance and Safety Requirements*

**7. The District has an existing MOA with the Bureau of Fire Protection (BFP) that clearly establishes their respective roles and accountabilities in case of fire, as prescribed under Section 32 of PD No. 198, as amended, and Section 7.0.2.2 (A) of the Revised IRR of RA No. 9514. Moreover, the District formulated a Fire Hydrant Maintenance Program (FHMP) and conducted the required routine maintenance of its fire hydrants (FHs), in compliance with the requirements of LWUA MC No. 004.97 dated May 05, 1997 and Item 7.5.3.4 of the LWUA Operations and**

***Maintenance Manual, respectively, thus, ensuring the overall safety and well-being of the residents of Baliwag and their properties in the event of fire or conflagration.***

7.1 Inventory of the District’s FHs showed a total of 126 existing FHs strategically located in 22 Barangays within the City of Baliwag, Bulacan, as of December 31, 2025, as shown in the table below:

<b>No.</b>	<b>Barangay</b>	<b>No. of Hydrants Installed</b>
1	Bagong Nayon	2
2	Barangca	1
3	Calantipay	1
4	Concepcion	1
5	Hinukay	2
6	Makinabang	15
7	Matangtubig	1
8	Pagala	25
9	Paitan	1
10	Piel	1
11	Pinagbarilan	13
12	Poblacion	2
13	Sabang	14
14	San Jose	2
15	San Roque	3
16	Sta. Barbara	22
17	Sto. Cristo	1
18	Sto. Niño	4
19	Sullivan	1
20	Tangos	11
21	Tarcan	1
22	Tibag	2
<b>Total</b>		<b>126</b>

7.2 A walkthrough of the District’s operations for CY 2025 revealed the following:

(a) *Existing MOA with BFP*

7.3 On July 10, 2023, the District entered into a MOA with the BFP represented by the General Manager and the City Fire Marshall of BFP Baliwag City, respectively, pursuant to Section 32 of PD No. 198, as amended, and Section 7.0.2.2(A) of the Revised IRR of RA No. 9514.

7.4 Chapter VII, Section 32 of PD No. 198, as amended, specifically states the powers of the District on Fire Protection Capacity which provides that *[t]he district may install and maintain pipeline capacity and additional hydrants for fire protection purposes: Provided, That prior agreement has been executed with the public entity having principal fire protection responsibility within the district whereby the district will be reimbursed over the reasonable life of said facilities for the cost of installation and operation of such fire protection capacity and facilities.*

7.5 Section 7.0.2.2(A) of the Revised IRR of RA No. 9514 authorizes the BFP to enter into MOAs with the national and local waterworks, for providing a sufficient source of water, especially in times of fire or conflagration and for the establishment of fire hydrants in strategic areas, as well as to define areas of cooperation and coordination, and delineate responsibility on fire prevention education, fire safety, fire suppression, and other matters of common concern.

7.6 Through this MOA, both parties acknowledged the necessity of their joint efforts in providing services to achieve their respective visions and objectives. Specifically, the MOA outlined the accountabilities and responsibilities of each party concerning fire protection.

*(b) Formulation of FHMP and Conduct of Required Routine Maintenance of FHs*

7.7 The District has formulated a FHMP for the FHs installed around the City of Baliwag, Bulacan, pursuant to LWUA MC No. 004.97 dated May 05, 1997, which directed all WDs to establish an FHMP, create a contingency plan and standard operating procedures, which include the identification of FHs and valves, and coordinate with the Local Government Unit (LGU) and fire department about the locations and operations of these hydrants in case of emergency.

7.8 This FHMP provides a structured approach to the ongoing care and management of FHs. It details the specific activities, including scheduled inspections, testing, and preventive maintenance, to address issues before they become critical. Hence, the District enhances its overall fire protection capabilities and ensures compliance with regulatory standards.

7.9 Verification of the Fire Hydrant Record Cards (FHRCs) submitted by the District revealed that the required routine maintenance of FHs was conducted on various dates in CY 2025. The FHs were checked to ensure that they were active and in good working condition, in compliance with Section 7.5.3.4 of the LWUA Operations and Maintenance Manual on Distribution System Maintenance, which provides:

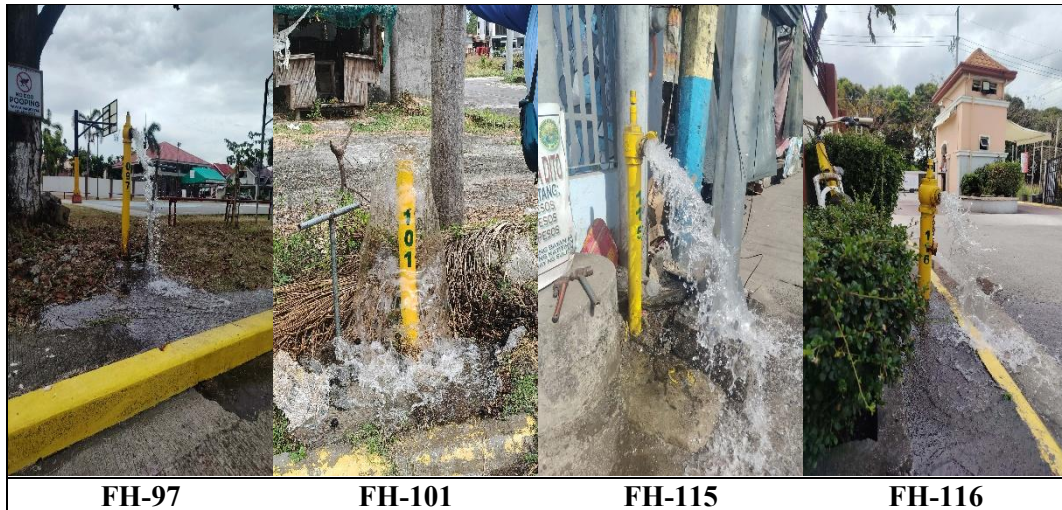
*Fire Hydrants. Establish a routine maintenance schedule so that every hydrant is operated and inspected at least once every six months.*

- (a) Check for leaks below ground with a sounding bar.*
- (b) Open and close, noting any difficulty of operation, and checking for watertight closure.*
- (c) Check the condition of the turning nut, cap, chain, and outlet threads. Repair or replace as required.*
- (d) If the paint is maintained by the utility, touch up or repaint.*
- (e) Clear off any weeds or high grass around the hydrant, that may hide it when there is fire.*
- (f) Note the date of inspection and repairs, if any, on the Hydrant Record Card*

7.10 In CY 2025, the District also performed flushing activities to ensure that the FHs are active and in good working condition. The Audit Team witnessed the actual

inspection and testing of the 16 FHs on February 20, 2026. Photographs and observations therefrom are as follows:





1. Two fire hydrants do not have caps installed (FH 43 and FH 54);
2. FH 51 needs to be repainted;
3. Two FHs do not have hydrant heads installed (FH 26 and FH 101);
4. FH 35 was observed to have overgrown grass around it, which may obstruct visibility and accessibility during fire emergencies;
5. FH 39 needs to be replaced and relocated due to a tight gate valve and the absence of a hydrant head, and its current placement within the lot premises.
6. FH 101 took a long time to dispense clear water during flushing; and
7. Upon inspection, two FH's gate valves were open, making it prone to unlawful water use or theft (FH 68 and FH 115).

7.11 The Audit Team also noticed the presence of FHs in various subdivisions, which, according to the Officer-In-Charge-Pipelines and Appurtenances Maintenance Department, were installed by the subdivisions themselves and turned over to the District for upkeep. All of these FHs have been inspected in line with the District's Standard Design, and those that did not meet the standard were replaced before acceptance.

7.12 The conduct of preventive maintenance of FHs is a proactive approach to safeguarding communities from the devastating effects of fires. It guarantees the reliability and functionality of the hydrants, ensuring the overall safety and well-being of people and their properties in the event of fire or conflagration.

**7.13 We recommended and the General Manager agreed, through the AGM-OTSG, to direct the Division Manager-Pipelines and Leakage Control, to (a) continuously conduct routine maintenance of FHs at least once every six months to ensure that every hydrant is highly visible, operational and in good working condition; and (b) update and continue to implement the District's FHMP, in accordance with LWUA MC No. 004.97.**

*Compliance with Philippine National Standards for Drinking Water (PNSDW) of 2017*

**8. The District substantially complied with LWUA MC No. 003-18 dated January 22, 2018, which requires all local water districts (LWDs) to observe the**

***provisions and requirements of Department of Health (DOH) Administrative Order (AO) No. 2017-0010 dated June 23, 2017, or the PNSDW of 2017, thus, ensuring its capability to continuously provide clean and safe drinking water to its concessionaires.***

8.1 DOH AO No. 2017-0010 dated June 23, 2017, or the PNSDW of 2017, was issued to update the standards and procedures on drinking water quality to protect consumers' health. The PNSDW of 2017 applies to all drinking water service providers, which include WDs. Item VII(D)(b-f) of the same AO states the roles and responsibilities of a drinking water service provider, which are as follows:

*XXXX*

- b. Develop and implement Water Safety Plan [(WSP)]*
- c. Institute corrective actions for any unsatisfactory results of water sampling.*
- d. Submit to the accredited laboratories water samples for examination in a manner and at such intervals prescribed under this Order.*
- e. Submit results of water quality testing to the local health authority.*
- f. Educate consumers on how to keep drinking-water safe at all times.*

8.2 Furthermore, LWUA MC No. 003-18 dated January 22, 2018, requires all WDs to comply with the provisions and requirements of the PNSDW of 2017. To monitor the compliance of WDs with the PNSDW of 2017 and standardize the reporting system, the LWUA advised all WDs to use the standard formats of reporting the monthly microbial results of Total Coliform, Thermotolerant Coliform/E.coli, and Heterotrophic Plate Count (HPC), as well as the results of the annual physical and chemical tests conducted.

8.3 The District's Certificate of WSP Acceptance bearing Control No. 2022-002WD was officially issued on September 26, 2022, in Manila and was valid until September 25, 2025. In preparation for its renewal, the District submitted its updated WSP to the LWUA on June 20, 2025, for review and approval. On July 2, 2025, the Technical Assistance Department (TAD) of the Water Quality Laboratory Division of the LWUA informed Management that the updated WSP was for endorsement to the WSP Inter-Agency Review Committee. According to the Assistant Team Leader of the WSP Team, the TAD of the LWUA subsequently requested, through a phone call, the submission of the District's Standard Operating Procedures (SOPs) related to the WSP, which was complied with by Management on September 26, 2025. However, as of the audit date, no further communication or official update has been received from the LWUA regarding the status of the District's application for re-certification.

8.4 A review of related records disclosed that duly certified sampling personnel of the District were able to collect and submit water samples from its 30 pumping stations and other water sources, for physical and chemical analysis and microbiological tests to Ameer Analytical Laboratory, a DOH-Accredited Water Testing Laboratory with Accreditation No. DOH054473. Verification of the results of the tests conducted in CY 2025 showed that these were within the standard values prescribed under the PNSDW of 2017.

8.5 Aside from the aforementioned mandatory tests, the District also monitors daily the disinfectant residual by testing water samples from its pumping stations and other sources as required by the LWUA. A review of disinfectant residual monitoring reports disclosed that the results are also within the standards set by the DOH.

8.6 The District was also able to submit its reports on the annual physical and chemical analysis, monthly microbiological tests, and daily monitoring of disinfectant residual for CY 2025 to the LWUA. The laboratory results for physical, chemical and microbiological examinations were also submitted to the Local Health Authority of Baliwag City, Bulacan, in compliance with Item VII (D)(e) of DOH AO No. 2017-0010.

8.7 To educate its concessionaires on keeping drinking water safe at all times, the District implemented the following Corporate Social Responsibility (CSR) programs in CY 2025, among others:

- **World Water Day Celebration (March 2025)**

The District spearheaded a clean-up drive and tree-planting activity along the riverbank of Barangay Poblacion in the City of Baliwag as part of the World Water Day celebration. One of the objectives of the Project is to encourage community members to actively participate in water protection and conservation efforts while also addressing climate-related challenges.

- **Turnover of Eco-Handwashing Facilities**

Management turned over four newly constructed Eco-Handwashing Facilities to selected school beneficiaries in support of their Water, Sanitation, and Hygiene (WASH) advocacy. This initiative promotes proper handwashing practices, raises awareness on environmental conservation, and highlights the importance of proper waste management.

- **Public Information Campaign on Responsible Water Consumption**

The District conducted a Public Information Campaign to promote proper and responsible water consumption. The campaign aimed to help ensure a stable and reliable water supply while encouraging sustainable consumption practices among concessionaires.

**8.8 We recommended and the General Manager agreed to follow up with the LWUA on the status of the District's application for re-certification of its WSP.**

**8.9 We also recommended and Management agreed to continuously (a) implement the guidelines, procedures and methodologies outlined in its WSP; (b) submit the water samples to a DOH-accredited laboratory for examination; (c) institute corrective actions for any unsatisfactory results of water sampling; (d) submit the results of examinations to the LWUA and the City Health Office regularly to uphold regulatory compliance and promote transparency; and (e) educate its consumers on keeping drinking water safe at all times.**

*Partial Compliance with Gender and Development Requirements*

**9. The District allocated ₱21,466,175, or 5.98% of its approved Corporate Operating Budget (COB), to Gender and Development (GAD), in compliance with Section 32 of the General Provisions of the Fiscal Year (FY) 2025 General Appropriations Act (GAA). However, only ₱14,726,592, or 68.60% of the budget for GAD Programs, Activities and Projects (PAPs), was utilized; thus, GAD-related issues were not completely addressed, to the disadvantage of the intended beneficiaries. In addition, Management collected and generated sex-disaggregated data and performed gender analysis using Harmonized Gender and Development Guidelines (HGDG) to determine the gender responsiveness and amount of budget and expenditure to be attributed to the identified GAD PAPs, in consonance with Philippine Commission on Women (PCW) MC No. 2014-05 dated November 28, 2014, and Joint Memorandum Circular (JMC) No. 2022-01 dated December 28, 2022, of the PCW, the Department of Budget and Management (DBM) and the National Economic and Development Authority (NEDA).**

*(a) GAD Budget at least 5% of the Approved COB but Underutilized*

9.1 PCW MC No. 2024-03 dated August 27, 2024, pertains to the preparation and online submission of the FY 2025 GAD Plan and Budget (GPB). Item 1.2.3.3 thereof states that *[a]s provided under PCW MC No. 2016-06, LWDs shall prepare their FY 2025 GPB following the parameters set under PCW MC No. 2015-03, and the guidelines provided under this [MC] on the identification of gender issues, mandates, and corresponding PAPs, as well as the costing and attribution of the GAD Budget. All LWD GPBs shall be submitted to the LWUA for monitoring purposes.*

9.2 In compliance with the abovementioned MC, the District's GPB for CY 2025 was prepared and submitted to the LWUA for review on February 11, 2025. Consequently, the corresponding GAD Accomplishment Report was also prepared and submitted to the LWUA on February 11, 2026, which was within the set deadline of submission, as provided under PCW MC No. 2025-09 dated December 02, 2025.

9.3 Section 32 of the General Provisions of the FY 2025 GAA provides that *[t]he GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfilment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.*

9.4 Review of the GPB disclosed that the allocation for GAD PAPs for CY 2025 was ₱21,466,175, representing 5.98% of the District's COB of ₱359,171,542, in conformity with Section 32 of the FY 2025 GAA.

9.5 Further verification revealed, however, that only ₱14,726,592, or 68.60% of the CY 2025 GPB and 4.10% of the COB, was utilized. The details are presented on the next page.

<b>Table 17: GAD Fund Utilization for CY 2025</b>				
<b>PAPs</b>		<b>Approved</b>	<b>Actual Cost/</b>	<b>Under/(Over)</b>
		<b>Budget</b>	<b>Expenditure</b>	<b>Utilization</b>
<b><i>Client-Focused</i></b>				
A	Provision of Desludging Services	₱14,104,175	₱13,561,707	₱ 542,468
B	Printing of Information, Education and Communication (IEC) Materials	10,000	0	10,000
<b><i>Organizational-Focused</i></b>				
C	Capacity Building of GAD Focal Point System (GFPS) members through training and benchmarking	33,000	48,777	(15,777)
D	Workplace Wellness Flu Vaccination Program.	140,000	123,425	16,575
E	Awarding of Employees and Manager of the Year	217,500	154,590	62,910
F	Creation of GAD Corner	10,000	0	10,000
<b><i>Attributed Programs</i></b>				
G	World Water Day	50,000	14,502	35,498
H	Global Handwashing Day	100,000	27,127	72,873
I	Brigada Eskwela	100,000	11,696	88,304
J	Water Source Development at Sta. Barbara Homes, Phase 2	4,610,000	0	4,610,000
K	Pipeline Expansion Project-San Jose	265,000	121,059	143,941
L	Pipeline Expansion Project-Makinabang	175,000	59,558	115,442
M	Pipeline Expansion Project-Catulinan	157,500	71,309	86,191
N	Pipeline Expansion Project-Barangca	357,000	0	357,000
O	Pipeline Replacement Project in front of Waterwood along DRT Hiway, Barangay Pagala, Baliwag City	1,137,000	532,842	604,158
	<b>Subtotal</b>	<b>21,466,175</b>	<b>14,726,592</b>	<b>6,739,583</b>
	<b>% of Accomplishment based on GPB</b>		<b>68.60%</b>	
<b><i>Client-Focused</i></b>				
P	Disinfection through Ultra Violet Hydro Optic System and Chlorination and Water Quality Testing	0	19,971,378	(19,971,378)
	<b>Subtotal</b>	<b>0</b>	<b>19,971,378</b>	<b>(19,971,378)</b>
	<b>Total</b>	<b>₱21,466,175</b>	<b>₱34,697,970</b>	<b>(₱13,231,795)</b>

9.6 The information gathered revealed the following reasons for the over- or under-utilization of the GAD Fund:

- **Activity B – Printing of IEC Materials:**

The GFPS was not able to produce materials for printing during the year. The activity has been deferred to CY 2026 with the same budget allocation.

- **Activity C – Capacity Building of GFPS members through training and benchmarking:**

The registration fees and other related expenses were higher than anticipated, resulting in excess utilization of the allocated budget.

- **Activity F – Creation of GAD Corner:**

The activity was implemented; however, the allocated budget was not utilized

since only minimal expenses were incurred. These expenses were charged to another expense account.

- **Activity J – Water Source Development at Sta. Barbara Homes, Phase 2:**

The project was not implemented to prioritize a more strategic initiative, the construction of water source development at BS Aquino.

- **Activity N – Pipeline Expansion Project at Barangay Barangca:**

The project did not proceed as the Barangay Officials requested the construction of a well in their area as a prerequisite.

Furthermore, the Chairperson of the GFPS – Technical Working Group (TWG) admitted that he inadvertently failed to include a budget allocation for Client-Focused Activity P in the District’s GPB. This oversight resulted in the over-utilization of the GAD Fund as reflected in Table 17 above. Consequently, certain GAD-related issues were not fully addressed, to the disadvantage of the intended beneficiaries.

9.7 Due to the District’s underutilization of its GAD budget, the policies of promoting gender-responsive governance, protecting and upholding women’s rights, and promoting women’s economic empowerment and gender equality may not have been fully achieved.

*(b) Collection of Sex-Disaggregated Data and Conduct of Gender Analysis Using the HGDG Tool*

9.8 RA No. 9710, or the Magna Carta of Women (MCW), seeks to eliminate discrimination against women. To facilitate the monitoring of the said RA, the PCW developed Women's Empowerment (WE) indicators and Gender Mainstreaming (GM) indicators, one of which, as prescribed by the law, is the development and maintenance of a GAD database containing gender statistics and sex-disaggregated data. Paragraph 4(1) of PCW MC No. 2014-05 dated November 28, 2014, requires all government agencies mandated to implement the provisions of the MCW and its IRR to *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 GPBs and accomplishment reports.*

9.9 Pertinent provisions of PCW-DBM-NEDA JMC No. 2022-01 dated December 28, 2022, provide that:

*5.4 Agencies shall administer the enhanced Gender Mainstreaming Evaluation Framework (GMEF) tool to periodically assess the level of their gender mainstreaming efforts. The agency shall also assess the gender responsiveness of their major programs and projects using the Harmonized Gender and Development Guidelines (HGDG) tool. The results of the GMEF and the HGDG assessment will guide the agency in identifying areas for continued improvement and for*

*attributing a portion of or the whole budget of the program or project to GAD.*

*XXXX*

*6.3.2 An agency may attribute a portion or the whole budget for the year of major programs/project during the GAD planning and budgeting phase, by subjecting the program documents to gender analysis using the appropriate HGDG project identification and design checklist (HGDG boxes 9-15, 18-23), the funding facilities checklist (HGDG Box F1) or the generic checklist (HGDG box 7a). The results of the HGDG assessment together with the supporting documents (e.g., project proposal/brief) shall be attached to the GPB submission. If the agency is not yet trained on the use of the tool, it may include said training in its GPB and may seek the assistance of an expert on gender analysis using the HGDG.*

*XXXX*

*6.3.4 During the preparation of its GAD [Accomplishment Report], the agency will administer the HGDG using the Project Implementation and Management, and Monitoring and Evaluation (PIMME) checklist (HGDG Boxes 16 and 17) or the Facility Implementation, Management, and Monitoring and Evaluation (FIMME) checklist (HGDG Box F2) based on the project's annual accomplishment report to determine the extent that the targeted HGDG score is attained. This score will be the basis in determining actual expenditure that can be attributed to GAD xxx.*

9.10 Item 1.2.2.2.1 of PCW MC No. 2024-03, states that:

*Aside from implementing direct GAD PAPs to address organization- or client-focused gender issues or GAD mandates, agencies may attribute a portion or the whole budget of the agency's major program/s or project/s to the GAD budget using the HGDG tool. Assessing a major program/project using the HGDG tool enables the agency to identify strengths and areas for improvement to gradually increase the gender-responsiveness of the program/project. Major programs/projects subjected to the HGDG assessment shall be reflected under the GPB section on "Attributed Programs. (Underscoring supplied)*

9.11 In addition, the PCW issued MC No. 2020-03 dated April 27, 2020. To ensure the gender-responsiveness of PAPs and comply with the minimum 5% GAD budget provision, agencies are highly encouraged to use the HGDG tool. The score of the program or project in the HGDG PIMME checklist (HGDG Boxes 16 & 17) or the Facility Implementation, Management, and Monitoring and Evaluation checklist (HGDG Box F2) shall be the basis for attributing a portion of or the whole expense of the program project in the GAD Accomplishment Report, following the table on the next page.

<b>HGDG Score</b>	<b>Description</b>	<b>Corresponding percentage of the program/project expenditure that may be attributed to GAD in the Accomplishment Report</b>
Below 4.0	GAD is invisible	0%
4.0-7.9	Promising GAD prospect	Percentage score in HGDG
8.0-14.9	Gender-sensitive	Percentage score in HGDG
15.0-20	Gender-responsive	Percentage score in HGDG

9.12 Review of records disclosed that Management has already collected and generated sex-disaggregated data that could be used to address gender issues in the preparation of the GPB and Accomplishment Report. Moreover, the District was able to conduct gender analysis using the HGDG tool in the preparation of its Accomplishment Report; thus, the majority of the implemented GAD PAPs for CY 2025 may be gender-responsive enough to the District’s identified gender issues. Based on the results of analysis, all of the attributed programs implemented garnered HGDG scores of 9.42, which means said programs and activities were found to be gender-sensitive. The details are shown below:

<b>Attributed Programs</b>	<b>Total Program Costs/ Expenditures</b>	<b>HGDG Score</b>	<b>Actual GAD Attributed Program Costs/ Expenditures</b>
	<b>(A)</b>	<b>(B)</b>	<b>(C) = (B/20*A)</b>
World Water Day	₱ 30,789	9.42	₱ 14,502
Global Handwashing Day	57,595	9.42	27,127
Brigada Eskwela	24,832	9.42	11,696
Water Source Development at Sta. Barbara Homes, Phase 2	0	Not Implemented	0
Pipeline Expansion Project-San Jose	257,025	9.42	121,059
Pipeline Expansion Project-Makinabang	126,450	9.42	59,558
Pipeline Expansion Project-Catulinan	151,400	9.42	71,309
Pipeline Expansion Project-Barangca	0	Not Implemented	0
Pipeline Replacement Project in front of Waterwood along DRT Hiway, Barangay Pagala, Baliwag City	1,131,300	9.42	532,842
<b>Total</b>	<b>₱1,779,391</b>		<b>₱838,093</b>

9.13 We recommended and the General Manager agreed, through the GFPS, to continuously (a) allocate or attribute at least 5% of the total approved COB to GAD PAPs to ensure the adequacy of resources for addressing GAD-related issues within the District; (b) collect and generate sex-disaggregated data that could help address gender issues; and (c) perform gender analysis using HGDG to ensure that the different concerns of women and men are addressed equally and equitably in the District’s PAPs.

9.14 We also recommended and Management agreed to (a) optimize the utilization of GAD funds through the implementation of GAD-related PAPs as planned to maximize the impact and effectiveness of GAD initiatives, and ensure that the intended beneficiaries receive the full benefits of the allocated resources;

**and (b) monitor GAD utilization and consider realignment of funds to prevent incurrence of expenditures in excess of the approved budget.**

*Implementation of Disaster Risk Reduction and Management Plan*

**10. The District prepared an Emergency Response Plan (ERP) in lieu of a Disaster Risk Reduction and Management Plan (DRRMP) and provided budgetary allocations in furtherance of Disaster Risk Reduction and Management (DRRM), in consonance with RA No. 10121 and Section 37 of the General Provisions of the FY 2025 GAA; thus, the objective of the program was accomplished, making the District ready prior, during, and after disasters.**

10.1 Rule 1, Section 4 of the IRR of RA No. 10121, or the Philippine Disaster Risk Reduction and Management Act, states that the IRR 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 and early warning, knowledge building and awareness-raising, reducing underlying risk factors, and preparedness for effective response and early recovery.* The IRR shall apply to all levels of government, civil societies, private sectors, and all other DRRM stakeholders.

10.2 Rule 19, Section 5 of the same IRR states that *[a]ll departments, bureaus, offices and agencies of the government are authorized to use a portion of their appropriations 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).*

10.3 Moreover, Section 37 of the FY 2025 GAA on Disaster Risk Reduction and Climate Change Adaptation and Mitigation Measures Incorporated in All Agencies Projects provides that *[a]ll agencies of the government should implement projects incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation.*

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

*Agencies shall likewise integrate energy-saving solutions and consider climate resilience in the planning and implementation of all infrastructure projects, office programs, and activities, as well as assess their organizational carbon footprint and pursue appropriate emission reduction measure, to mitigate and adapt to the effects of climate change pursuant to the provisions of R.A. No. 9729, as amended.*

10.4 Water is indispensable for human survival. To support government efforts in strengthening the country’s DRRM System, the District developed an ERP in lieu of a DRRM Plan that would help them ensure that the appropriate courses of action and measures are undertaken to continuously supply water that is safe for use and consumption to concessionaires, even in cases of disasters or calamities. The said ERP includes a Communication Campaign Plan (CCP) to ensure effective dissemination of critical information to all stakeholders before, during, and after an emergency. The primary objective of the CCP is to promote awareness, preparedness, and coordinated actions among internal personnel and external partners, including consumers, city government, media, and supporting agencies.

10.5 Review of the COB for CY 2025 disclosed that the District allocated funds for DRRM; thus, it was able to conduct programs and activities related to DRRM that would help mitigate risks. A few of the disbursements made by the District are as follows:

<b>No.</b>	<b>Particulars</b>	<b>Budget</b>	<b>Disbursement</b>
1	Payment for 20 boxes of surgical gloves for stock	₱ 43,013	₱ 5,600
2	Payment for supply and labor for preventive maintenance of fire detection and alarm system- For District's office building	243,000	20,000
3	Payment for the supply and installation of fire detection and alarm system at BWD main office building		220,644
4	Payment for 19 pieces (pcs) dry chemical-10 pounds (lbs) refill, (2 pcs) dry chemical-15 lbs (refill) and 1 pc Hydrochlorofluorocarbons (HCFCs)-10 lbs (refill)- For recharging of all extinguishers	25,800	11,650
5	Payment for 27 pcs dry chemical 10 lbs refill- For District's pumping stations		12,150
<b>Total</b>		<b>₱311,813</b>	<b>₱270,044</b>

10.6 Moreover, verification revealed that Management was able to develop its Public Service Continuity Plan (PSCP). This is in response to the call for Philippine Government agencies and instrumentalities to continue the internal capacities, recovery requirements and strategies of an agency or institution to continuously function during emergency or disaster incidents. This PSCP aims to provide operational actions and protocols that will be undertaken by the District in response to natural or man-made calamities or disasters or any related incident, and to ensure continuity of operations and the provision of water and sanitation services through the restoration of mission essential functions.

10.7 Further, the District displayed posters within its premises containing procedures and necessary information, such as emergency response contact numbers and *alerto* tips. Further, the District established a clinic within its office to promptly give emergency health assistance if needed. In addition, Management conducted an earthquake drill on November 06, 2025, and provided safety briefings to employees and

other participants before commencing activities, such as seminars and workshops. It also prioritized the maintenance of essential fire safety equipment to further safeguard its facilities and personnel.

10.8 The implementation of the District's DRRMP in CY 2025 provides significant benefits to both personnel and concessionaires by strengthening disaster awareness, preparedness, and response capabilities. Through well-structured DRRM programs and activities, the District ensures that all stakeholders are equipped with the knowledge, skills, and resources necessary to effectively respond to emergencies and minimize potential risks.

**10.9 We recommended and Management agreed to continue to annually allocate a budget and implement programs and activities for DRRM to increase awareness and preparedness of its personnel and concessionaires in times of disasters and calamities.**

#### *Implementation of Septage Management Plan*

***11. The District has consistently implemented its Septage Management Plan (SMP); thus, the objective of RA No. 9275 and the writ of mandamus issued by the Supreme Court (SC) in 2008 to prevent water contamination that could lead to unsafe drinking water and the spread of various diseases has been achieved. Moreover, the income from septage fees, which is used to recover its operating expenses, strengthened the program's sustainability.***

11.1 Pursuant to RA No. 9275, otherwise known as the Clean Water Act of 2004 and the SC writ of mandamus issued in 2008, the LWUA, through the LWDs, in coordination with the Department of Environment and Natural Resources (DENR), was ordered to *provide, install, and maintain sewerage and sanitation facilities and the efficient and safe collection, treatment and disposal of sewerage* in the provinces of Laguna, Cavite, Bulacan, Pampanga, and Bataan at the earliest possible time. Furthermore, the LWUA ordered the LWDs through MC No. 008.16 to *submit a 5-year plan (2016-2020) to comply with the said mandamus and that sanitation programs and facilities should be fully operational by December 31, 2020 to monitor the compliance on the SC Mandamus.*

11.2 Evaluation of the District's operations relative to the implementation of the SMP disclosed the following:

(a) *Compliance with the Wastewater Discharge Permit (WDP) Conditions*

11.3 On August 29, 2025, the District applied for the renewal of its WDP. Thereafter, the permit, bearing Permit No. DP-RO3-25-10534, was granted by the DENR-Environmental Management Bureau (EMB) Region III on September 28, 2025, which is valid until September 28, 2026, unless expressly revoked or suspended in writing by the aforementioned office.



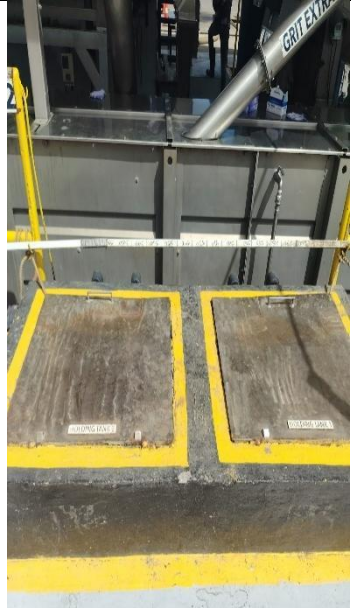
11.4 The WDP stated eight conditions to be complied with by the District. Validation and thorough review of documents submitted, and actual inspection conducted on February 20, 2026, showed the following:

<b>Table 21: Permit Conditions and Result of Validation</b>		
<b>Permit Conditions</b>	<b>Result of Validation</b>	<b>Remarks</b>
1. The permit holder shall discharge to a drainage canal through San Roque Creek leading to Pampanga River for a period of one year, with an effluent wastewater flow not exceeding 120 cu.m. per day in conformity with the DENR Department AO Nos. 2016-08 and 2021-19 and shall comply with the standards for significant parameters.	Compliant	Review of Daily Effluent Record  Test Report of Echem Environmental Testing Laboratory Corporation dated January 30, 2025, April 21, 2025, July 22, 2025 and October 21, 2025
2. The permit holder shall submit quarterly Self-Monitoring Reports (SMR) to this Office (through <a href="https://iis.emb.gov.ph/crs">iis.emb.gov.ph/crs</a> ) in accordance with DENR AO No. 27 (series of 2003). The deadline for submission shall be 15 days after the end of each quarter. Further, sampling and analysis of effluent on the significant parameters conducted by a Third-Party Laboratory duly recognized by DENR-EMB shall form part of the quarterly submitted SMR.	Compliant	EMB Online Services, submitted as follows: 1 <sup>st</sup> Qtr – April 11, 2025 2 <sup>nd</sup> Qtr – July 15, 2025 3 <sup>rd</sup> Qtr – October 14, 2025 4 <sup>th</sup> Qtr – January 16, 2026*  Echem Environmental Testing Laboratory Corporation is duly recognized by EMB, verified by the Audit Team through <a href="https://emb.gov.ph/denr-recognized-environmental-laboratory/">https://emb.gov.ph/denr-recognized-environmental-laboratory/</a>
3. The permit holder shall provide and maintain an accessible pathway for its existing Wastewater Treatment Facility (WTF) and effluent outfall.	Compliant	Ocular inspection dated February 20, 2026 (See Table 22)
4. The permit holder shall properly maintain and operate the existing WTF consisting of one unit bar screen, one unit two holding tanks, one unit oil and water separator, one unit activated sludge digester, one unit equalization tank, one unit sequence batch reactor, one unit chlorine dioxide contact tank, one unit effluent contact tank and one unit dewatering unit with a design capacity of 120 cu.m. per day.	Compliant	Ocular inspection dated February 20, 2026 (See Table 22)

<b>Table 21: Permit Conditions and Result of Validation</b>		
<b>Permit Conditions</b>	<b>Result of Validation</b>	<b>Remarks</b>
5. The permit holder shall allow the entry of authorized personnel to conduct an inspection and other related activities for compliance monitoring of the subject Septage Treatment Facility.	Compliant	As per interview with the Principal Engineer D-Sanitation Division, compliance monitoring was done by the representatives of the EMB on various dates, the latest one prior to the renewal of the WDP, was conducted on February 07, 2025, which was substantiated by the photos presented by the former.
6. The permit holder shall properly maintain and operate the installed flow metering device.	Compliant	Ocular inspection dated February 20, 2026 (See Table 22)
7. An application for renewal of permit shall be filed not less than 30 days prior to the expiry date indicated.	Compliant	The application for renewal was filed on August 29, 2025, which is not less than 30 days prior to the expiry date of the last renewal of permit (October 04, 2025).
8. The permit shall be properly posted in a conspicuous location at the premises and shall be adequately framed or otherwise protected against damage.	Compliant	Ocular inspection dated February 20, 2026 (See Table 22) Posted at the Administrative Building of the Septage Treatment Plant/Facility

\* With Online Service Interruption Advisory from the EMB

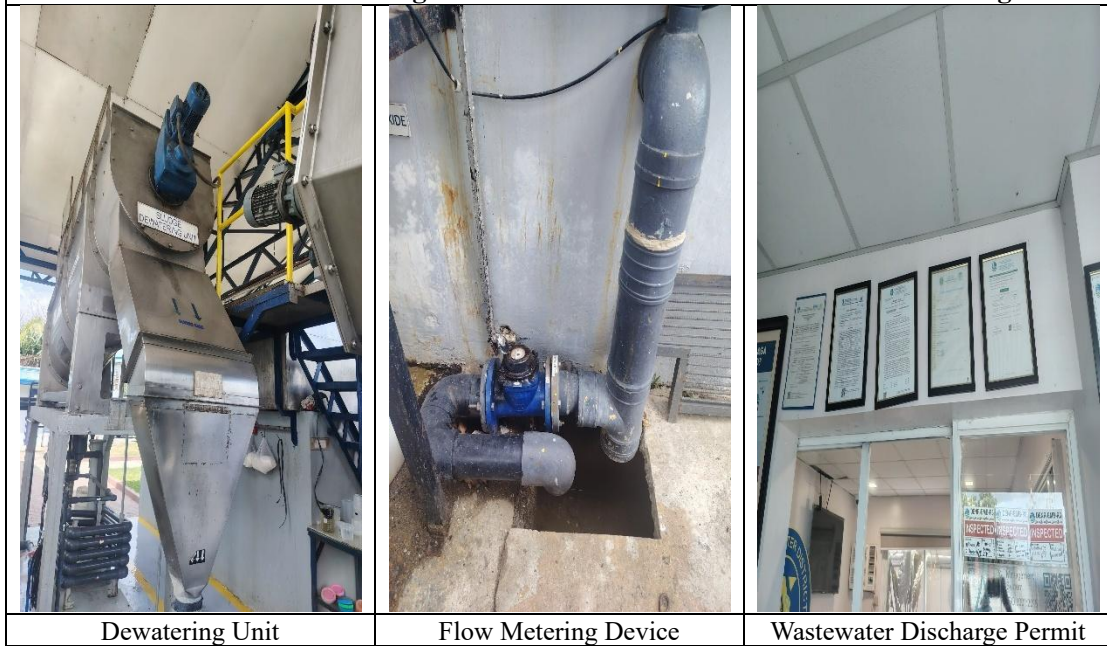
11.5 Photographs of the Septage Treatment Plant/Facility are as follows:

<b>Table 22: Photographs of Pathway, Components of Septage Treatment Plant/Facility and Wastewater Discharge Permit Posted at the Administrative Building</b>		
		
Pathway	Bar Screen	Two Holding Tanks

**Table 22: Photographs of Pathway, Components of Septage Treatment Plant/Facility and Wastewater Discharge Permit Posted at the Administrative Building**

		
<p>Oil and Water Separator</p>	<p>Activated Sludge Digester</p>	<p>Equalization Tank</p>
		
<p>Sequence Batch Reactor</p>	<p>Chlorine Dioxide Contact Tank</p>	<p>Effluent Contact Tank</p>

**Table 22: Photographs of Pathway, Components of Septage Treatment Plant/Facility and Wastewater Discharge Permit Posted at the Administrative Building**



Dewatering Unit

Flow Metering Device

Wastewater Discharge Permit

11.6 As a result of compliance with the aforementioned conditions, the District did not receive any Notice of Violation from the DENR-EMB, nor had penalties been imposed upon it.

*(b) Continuous Implementation of SMP*

11.7 The District implemented its SMP with its own septage treatment facility. It also invested in procuring septic collecting trucks. Collection data are presented below:

<b>Table 23: Desludging Accomplishments with BWD Concessionaires</b>		
<b>CY 2025</b>	<b>Concessionaires Served</b>	<b>Septage Collected (cu.m.)</b>
January	323	855
February	366	897
March	363	882
April	366	936
May	317	810
June	348	949
July	313	865
August	364	1038
September	338	934
October	292	889
November	297	801
December	297	806
<b>Total</b>	<b>3,984</b>	<b>10,662</b>

11.8 Further, the District entered into agreements with nearby LWDs that are not yet capable of providing the necessary septage desludging services to their concessionaires. Information on such desludging services is shown on the next page.

<b>CY 2025</b>	<b>Angat WD</b>	<b>Bustos WD</b>	<b>Calumpit WD</b>	<b>Guiguinto WD</b>	<b>Norzagaray WD</b>	<b>Pandi WD</b>	<b>Plaridel WD</b>	<b>Pulilan, Bulacan (BEST)</b>	<b>San Miguel WD</b>	<b>Total</b>
January	110	110	110	110	110	*	110	125	110	895
February	110	110	110	110	110	110	110	189	110	1,069
March	110	110	110	110	110	110	110	204	110	1,084
April	110	110	110	110	110	110	110	173	110	1,053
May	110	110	110	110	110	110	110	142	110	1,022
June	110	110	110	110	110	110	110	213	110	1,093
July	110	110	95	110	60	115	110	203	110	1,023
August	110	110	125	110	61	*	110	209	110	945
September	60	110	110	110	61	*	110	228	110	899
October	60	110	110	115	62	*	110	236	110	913
November	60	110	110	111	60	*	110	229	110	900
December	60	110	110	111	60	*	110	215	110	886
<b>Total</b>	<b>1,120</b>	<b>1,320</b>	<b>1,320</b>	<b>1,327</b>	<b>1,024</b>	<b>665</b>	<b>1,320</b>	<b>2,366</b>	<b>1,320</b>	<b>11,782</b>

\* Operation was suspended as per request of Pandi WD

11.9 The District regularly collects septage from concessionaires' septic tanks based on a predetermined schedule or upon request. The collected septage, together with the wastewater, is then processed through the septage treatment facility, where the wastewater is separated from the solid particles. Once the water is separated, it undergoes treatment and the treated water is then sent to the District's own laboratory, where a chemist monitors and examines water samples for pathogens and bacteria. After the examined water is found to be safe, it is then released into a natural body of water; thus protecting our river system from contamination.

11.10 Likewise, verification disclosed that the District's income from septage fees and expenses charged to septage operations for CY 2025 amounted to ₱49,296,460 and ₱37,512,059, respectively, resulting in a net income of ₱11,784,401. Details of which are presented below:

<b>Month</b>	<b>Income from Septage Operation</b>	<b>Expenses charged to Septage Operation</b>	<b>Net Income from Septage Operation</b>
January	₱3,923,628	₱3,112,472	₱811,156
February	3,946,097	2,914,429	1,031,668
March	4,153,718	3,232,861	920,857
April	4,448,842	3,231,026	1,217,816
May	4,403,650	3,345,666	1,057,984
June	4,401,428	3,127,915	1,273,513
July	4,397,802	3,196,851	1,200,951
August	4,357,837	3,104,005	1,253,832
September	4,280,869	3,110,517	1,170,352
October	3,699,326	2,759,386	939,940
November	3,907,790	3,109,018	798,772
December	3,375,473	3,267,913	107,560
<b>Total</b>	<b>₱49,296,460</b>	<b>₱37,512,059</b>	<b>₱11,784,401</b>

11.11 The income from septage fees, which is used to recover its operating expenses, strengthened the program's sustainability.

11.12 Further, implementing a comprehensive SMP is essential for promoting public health, protecting the environment, and ensuring the sustainable and efficient

management of wastewater from septic systems. The continuous implementation thereof prevented water contamination in the areas covered by the desludging activities.

**11.13 We recommended and the General Manager agreed, through the AGM-OTSG, to (a) continue its current implementation of the District’s SMP; and (b) strictly comply with the conditions of the permit to avoid the penalty of ₱10,000.00 to ₱200,000.00 for non-compliance thereof.**

*Compliance with BIR Regulations*

**12. The District complied with the provisions of Bureau of Internal Revenue (BIR) Revenue Memorandum Circular (RMC) No. 23-2012 dated February 14, 2012, on the withholding of taxes from salaries of officials and employees, and from payments to suppliers and dealers, and the remittance thereof within the prescribed period. Moreover, the provisions of Section 128 of the National Internal Revenue Code (NIRC) of 1997, as amended by RA No. 10963, on the withholding and quarterly remittance of percentage taxes, were also complied with.**

*(a) Compensation and Other Withholding Taxes*

12.1 Audit of the Due to BIR account on the amount of taxes withheld and remitted for CY 2025 revealed that the District complied with RMC No. 23-2012 dated February 14, 2012, which requires all government agencies, as tax withholding agents, to remit all taxes withheld by them within the prescribed period.

12.2 The details of the withholding of applicable taxes for each month from the employees’ compensation, directors’ and committee members’ fees, and from payments for goods and services, along with their respective monthly remittances, are shown below:

Month	Beginning Balance	Taxes Withheld			Taxes Remitted	Ending Balance	*Under/(Over) Remittance
		Compensation	VAT and Creditable Withholding Tax	Total			
January	₱ 932,202	₱282,467	₱ 723,946	₱1,006,413	₱ 932,202	₱1,006,413	₱ 0
February	1,006,413	283,178	682,089	965,267	1,006,413	965,267	0
March	965,267	366,189	595,785	961,974	965,267	961,974	0
April	961,974	313,967	869,986	1,183,953	961,974	1,183,953	0
May	1,183,953	436,743	551,227	987,970	1,183,953	987,970	0
June	987,970	314,219	1,004,634	1,318,853	987,970	1,318,853	0
July	1,318,853	315,681	701,443	1,017,124	1,319,358	1,016,619	(505)
August	1,016,619	316,085	658,778	974,863	1,016,619	974,863	0
September	974,863	317,279	765,573	1,082,852	974,863	1,082,852	0
October	1,082,852	318,420	1,005,401	1,323,821	1,082,852	1,323,821	0
November	1,323,821	544,783	676,424	1,221,207	1,323,821	1,221,207	0
December	1,221,207	314,530	615,780	930,310	1,221,207	930,310	0

*\*Beginning Balance less Taxes Remitted*

12.3 As presented in Table 26, the District complied with BIR regulations by promptly remitting taxes withheld monthly within the prescribed period. The over-

remittance of ₱505 in July 2025, which represents withholding tax on compensation of Mr. Pascual, was offset against the remittance in August 2025.

12.4 The total year-end balance of ₱930,310 was remitted to the BIR in January 2026. The details are shown below:

<b>Particulars</b>	<b>Date</b>	<b>Reference No.</b>	<b>Amount</b>
1600-VT	January 08, 2026	512600069981655	₱441,338
1600-PT	January 08, 2026	502600069981866	2,823
1601-EQ	January 12, 2026	402600069982347	171,619
1601-C	January 12, 2026	12600070052446	314,530
<b>Total</b>			<b>₱930,310</b>

(b) *Franchise Taxes*

12.5 Section 128 of the NIRC of 1997, as amended by RA No. 10963, was also complied with by the remittance of franchise taxes based on gross receipts within 25 days after the end of each taxable quarter.

12.6 The details of percentage or franchise taxes withheld and remitted are presented below:

<b>Month</b>	<b>Beginning Balance</b>	<b>Amount Withheld</b>	<b>Amount Paid/Remitted</b>	<b>Ending Balance</b>
January	₱1,069,322	₱390,383	₱1,069,322	₱ 390,383
February	390,383	362,356		752,739
March	752,739	345,989		1,098,728
April	1,098,728	372,352	1,098,728	372,352
May	372,352	399,067		771,419
June	771,419	381,369		1,152,788
July	1,152,788	380,515	1,152,788	380,515
August	380,515	376,339		756,854
September	756,854	375,142		1,131,996
October	1,131,996	369,400	1,131,996	369,400
November	369,400	358,753		728,153
December	728,153	345,848		1,074,001

12.7 The withheld franchise taxes for the fourth quarter ending December 31, 2025, amounting to ₱1,074,001, were remitted on January 15, 2026, with Reference No. 112600070225920.

12.8 Prompt remittance of taxes not only prevents the imposition of penalties and interest charges but also plays a role in supporting government programs that benefit the general public.

**12.9 We recommended and the General Manager agreed, through the AGM-AFG, to (a) continuously and correctly withhold taxes and remit the same to the**

**BIR promptly and regularly, in compliance with relevant BIR laws, rules, and regulations; and (b) exercise due diligence in preparing the monthly schedule of withholding and remittances of taxes to avoid under- and over-remittances.**

*Compliance with GSIS Regulations*

**13. The District complied with the provisions of Sections 5 and 6(b) of RA No. 8291, on the monthly deduction of employees' GSIS contributions and loan amortizations, and their remittance, together with the employer's share, within the first 10 days of the calendar month following the month to which the contributions apply, thus, ensuring that eligible members can access their benefits in the future without delays or complications.**

13.1 Analysis of the Due to GSIS account for CY 2025 disclosed that premiums and loan amortizations were withheld pursuant to Section 5 of RA No. 8291, the Revised GSIS Act of 1997, which states that the mandatory contributions of each employee and employer is 9% and 12%, respectively, of the basic monthly salaries of officials and employees. A summary of employees' and employer's GSIS contributions and loan amortizations, as well as the corresponding remittances for CY 2025, is shown below:

Particulars	2025
Beginning Balance, January 1	₱ 1,659,800
Add: Amount withheld from employees and total employer's share	20,482,353
Total	22,142,153
Less: Remittances from January to December	20,386,653
<b>Unremitted as of December 31</b>	<b>₱ 1,755,500</b>

13.2 In addition, remittances of the amount withheld were made pursuant to Section 6(b) of the same Act, which states that *[e]ach employer shall remit directly to the GSIS the employees' and employer's 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 obligations, except salaries and wages of its employees.*

13.3 Audit of disbursement vouchers and the related supporting documents revealed that the District complied with the applicable GSIS regulations, as presented below:

Month	Beginning Balance	Total Deductions	Remittance	Ending Balance	*Under/(Over) Remittance
January	₱1,659,800	₱1,646,687	₱1,659,800	₱1,646,687	₱0
February	1,646,687	1,642,632	1,646,687	1,642,632	0
March	1,642,632	1,805,323	1,642,632	1,805,323	0
April	1,805,323	1,685,578	1,805,323	1,685,578	0
May	1,685,578	1,670,543	1,685,539	1,670,582	39
June	1,670,582	1,691,671	1,670,582	1,691,671	0
July	1,691,671	1,712,207	1,691,671	1,712,207	0

<b>Month</b>	<b>Beginning Balance</b>	<b>Total Deductions</b>	<b>Remittance</b>	<b>Ending Balance</b>	<b>*Under/(Over) Remittance</b>
August	1,712,207	1,707,446	1,712,207	1,707,446	0
September	1,707,446	1,706,548	1,707,446	1,706,548	0
October	1,706,548	1,733,364	1,706,548	1,733,364	0
November	1,733,364	1,724,854	1,733,364	1,724,854	0
December	1,724,854	1,755,500	1,724,854	1,755,500	0

*\*Beginning Balance less Remittance*

13.4 The District usually remits employees' mandatory deductions and loan repayments, as well as the employer's share, in the month they were withheld. However, an under-remittance amounting to ₱39 was noted in May 2025, representing the unremitted employee's and employer's contributions due to the step-increment of Mr. Torres. The said amount was remitted only in June 2025 due to the delayed updating of the salary adjustment in the GSIS System.

13.5 The year-end balance of the account amounting to ₱1,755,500 was duly remitted on January 08, 2026, with Collection Receipt No. 7100360660.

13.6 The remittance of premium contributions within the prescribed timeframe ensures that eligible members can access their benefits in the future without experiencing delays or complications.

**13.7 We recommended and the General Manager agreed, through the AGM-AFG, to (a) continue to withhold employees' contributions and loan amortizations, and fully remit the amount withheld, including the employer's contributions, to the GSIS, in compliance with the provisions of Sections 5 and 6(b) of RA No. 8291; and (b) closely coordinate with the GSIS to ensure the timely updating of salary adjustments, such as step increments and promotions, in the GSIS system.**

*Compliance with Home Development Mutual Fund or Pag-IBIG Regulations*

**14. The District complied with its obligation to withhold and remit employees' mandatory deductions and loan repayments, as well as the employer's share for CY 2025, to the Home Development Mutual Fund (HDMF) or Pag-IBIG Fund, pursuant to Rule VI, Section 1 and Rule VII, Sections 2 and 3 of the IRR of RA No. 9679, the HDMF Law of 2009. Moreover, Pag-IBIG Fund Circular No. 460 dated January 15, 2024, pertaining to the implementation of the increase in the Maximum Fund Salary (MFS) was complied with, thereby facilitating employee savings and access to various loans and retirement benefits, and enhancing the overall financial security of employees.**

14.1 Rule VI, Section 1 of the IRR of RA No. 9679, the HDMF Law of 2009, states:

*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.

The maximum monthly compensation to be used in computing employee and employer contributions shall not be more than Five thousand pesos (P5,000.00): xxx.

14.2 Pag-IBIG Fund Circular No. 460, dated January 15, 2024, pertains to the guidelines on the implementation of the increase in the MFS effective February 2024. The new MFS to be used in computing the employee and employer savings has been increased from Five Thousand Pesos (P5,000) to Ten Thousand Pesos (P10,000).

14.3 Review of the payroll submitted by Management showed that the maximum monthly compensation used by the District in computing the 2% employees' and employer's contribution is currently set at P10,000, which means that the maximum members' contribution and employer's counterpart are pegged at P200 per month per employee.

14.4 Rule VII, Sections 2 and 3 of the abovementioned RA state that the [m]onthly 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

14.5 Analysis of the Due to Pag-IBIG account disclosed that the contributions and loan amortizations withheld for CY 2025 were regularly remitted to the Pag-IBIG Fund, in compliance with the abovementioned regulations, as presented below:

Month	Beginning Balance	Total Deductions	Remittance	Ending Balance	*Under/(Over) Remittance
January	P164,723	P297,681	P293,323	P169,081	(P128,600)
February	169,081	294,226	295,881	167,426	(126,800)
March	167,426	281,266	295,226	153,466	(127,800)
April	153,466	256,962	264,766	145,662	(111,300)
May	145,662	276,835	256,962	165,535	(111,300)
June	165,535	277,924	274,835	168,624	(109,300)
July	168,624	286,666	288,924	166,366	(120,300)
August	166,366	292,963	287,666	171,663	(121,300)
September	171,663	279,111	280,963	169,811	(109,300)
October	169,811	287,731	295,611	161,931	(125,800)
November	161,931	277,346	280,731	158,546	(118,800)
December	158,546	266,185	275,346	149,385	(116,800)

\*Beginning Balance less Remittance

14.6 The District usually remits employees' mandatory deductions and loan repayments, as well as the employer's share, in the month in which they fall due. The over-remittances for CY 2025 were due to the remittance within the month of deductions for Modified Pag-IBIG 2 (MP2) savings.

14.7 An audit of disbursement vouchers and other supporting documents revealed that the balance of the Due to Pag-IBIG account as of December 31, 2025, amounting to ₱149,385, was remitted on January 07, 2026. The details are shown below:

<b>Particulars</b>	<b>Reference No.</b>	<b>Amount</b>
Employees' Contribution-Calamity Loans	264-010-260106-25379	₱ 15,060
Employees' and Employer's Contributions	264-010-260106-25400	69,300
Employees' Contribution-Multi-Purpose Loans	264-010-260106-25403	65,025
<b>Total</b>		<b>₱149,385</b>

14.8 Timely remittance of Pag-IBIG contributions and loan amortizations facilitates employees' savings and access to various loans and retirement benefits, thereby enhancing their overall financial security.

**14.9 We recommended and the General Manager agreed, through the AGM-AFG, to continuously withhold and remit employees' premiums and loan amortizations, including the employer's share, to the Pag-IBIG Fund within the prescribed period, in accordance with the IRR of RA No. 9679, or the HDMF Law of 2009.**

*Compliance with Philippine Health Insurance Corporation Regulations*

**15. The District complied with its obligation to withhold and remit employees' mandatory deductions, together with the employer's share, to the Philippine Health Insurance Corporation (PHIC or PhilHealth), in compliance with Section 18 (a), (b) and (c) of the Revised IRR of RA No. 7875, as amended by RA No. 9241 and RA No. 10606, or the National Health Insurance Act of 2013, thus, ensuring members' active PhilHealth coverage that provides access to a range of health services, including hospitalization, outpatient care and preventive healthcare.**

15.1 Sections 18 (a), (b) and (c) of the Revised IRR of RA No. 7875, as amended by RA No. 9241 and RA No. 10606, state that:

- a) *The member's monthly contribution shall be deducted and withheld automatically by the employer from the former's salary, wage or earnings. The premium contributed shall be divided equally between the employer and the employee. The employer's counterpart shall not, in any manner, be charged to the employees.*
- b) *The monthly premium contribution of the employed members shall be remitted by the employer on or before the date prescribed by the Corporation.*

- c) *The remittance of the premium contribution of the employer shall be supported by a Remittance List to be submitted regularly to the Corporation.*

15.2 Likewise, PhilHealth Circular No. 0001, s. 2014, prescribes a new payment schedule for premium contributions to provide a longer payment window, and sets new payment schedules for the Formal Sector, particularly private and government employers. The new payment schedule for employers with PhilHealth Employer Numbers (PENs) ending in 0-4 is every 11th-15th day of the month following the applicable period, and for employers with PENs ending 5-9, every 16th-20th day of the month following the applicable period.

15.3 An audit of the Due to PhilHealth account for CY 2025 showed that the District was able to withhold employees' contributions, which were regularly remitted, including the employer's share, to the PhilHealth. Below are the recorded monthly contributions and remittances to the PhilHealth for CY 2025.

Month	Beginning Balance	Total Deductions	Remittance	Ending Balance	*Under/(Over) Remittance
January	₱229,959	₱232,016	₱229,959	₱232,016	₱ 0
February	232,016	232,029	232,016	232,029	0
March	232,029	263,404	232,029	263,404	0
April	263,404	245,489	263,404	245,489	0
May	245,489	245,489	245,489	245,489	0
June	245,489	245,188	245,489	245,188	0
July	245,188	244,183	245,188	244,183	0
August	244,183	245,039	244,183	245,039	0
September	245,039	243,894	245,039	243,894	0
October	243,894	246,162	243,894	246,162	0
November	246,162	245,636	246,190	245,608	(28)
December	245,608	246,448	245,608	246,448	0

\*Beginning Balance less Remittance

15.4 As can be gleaned from the above table, the District correctly remitted the employer's share and the employees' contributions within the prescribed period. The over-remittance of ₱28 in November 2025 refers to the error in deducting and recording employee's and employer's contribution of Mr. Gonzales (deceased) due to the failure of Management to consider in the computation of premium contributions the minimum salary floor of ₱10,000. The 50% personal share was deducted in Terminal Leave Benefit of the said employee as reflected in Journal Entry Voucher (JEV) No. 2511-176 dated November 14, 2025, while the 50% government share was adjusted on November 27, 2025, under JEV No. 2511-376.

15.5 The balance of the Due to PhilHealth account as of December 31, 2025, amounting to ₱246,448, was remitted on January 07, 2026, with Electronic PhilHealth Acknowledgement Receipt (ePAR) No. ZLN260000001684.

15.6 Compliance with the aforementioned regulations ensures members' active PhilHealth coverage that provides access to a range of health services, including hospitalization, outpatient care, and preventive healthcare.

15.7 We commended the District for the regular and full remittances of employer's and employees' monthly contributions withheld in CY 2025.

**15.8 We recommended and the General Manager agreed, through the AGM-AFG, to (a) continuously withhold and remit the employees' contributions, together with the employer's share, promptly to the PhilHealth, in compliance with the requirements of the Revised IRR of RA No. 7875, as amended by RA No. 9241 and RA No. 10606; and (b) exercise due diligence in computing the monthly premium contributions to avoid under- and over-remittances.**

*Enforcement of Audit Suspensions, Disallowances and Charges*

**16. The status of audit suspensions, disallowances, and charges have a balance of ₱31,127,110, as of December 31, 2024, which pertains to audit disallowances issued for the audit of accounts and transactions from CY 2013 to CY 2020. During CY 2025, audit settlements totaling ₱7,300 were issued, leaving an outstanding balance of ₱31,119,810 as of December 31, 2025.**

16.1 Section 5.4 of the Rules and Regulations on the Settlement of Accounts (RRSA) provides that *[a]n audit suspension, disallowance/charge shall be settled by the persons responsible or liable therefor through compliance with the requirements or payment/restitution or by any of the modes of extinguishment of the obligation provided by law, respectively.*

16.2 The details of the Status of Audit Suspensions, Disallowances, and Charges (SASDC) as of December 31, 2025, amounting to ₱31,119,810, are shown in the succeeding table:

<b>Notice of Disallowance (ND) No./Date</b>	<b>Nature</b>	<b>Balance as of December 31, 2024</b>	<b>Settlement in CY 2025</b>	<b>Balance as of December 31, 2025</b>	<b>Remarks</b>
<b>CYs 2013 - 2014 Audit</b>					
2015-08-001-BWD (2013-2014) dated August 04, 2015	Unauthorized and excessive anniversary bonus	₱3,082,518.13	₱0.00	₱3,082,518.13	In view of COA 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.
2015-08-002-BWD (2013-2014) dated August 04, 2015	Excessive productivity incentive bonus	2,750,760.40	0.00	2,750,760.40	
2015-08-003-BWD (2013-2014) dated August 04, 2015	Unauthorized rice allowance and Year End Financial Assistance	3,682,571.50	0.00	3,682,571.50	
2015-08-004-BWD (2013-2014) dated August 04, 2015	Excessive Pag-IBIG Fund Employer's share	586,201.45	0.00	586,201.45	
2015-08-005-BWD (2013-2014) dated August 04, 2015	Unauthorized Provident Fund	3,999,450.03	0.00	3,999,450.03	
2015-08-006-BWD (2013-2014) dated August 04, 2015	Excessive Extraordinary and Miscellaneous Expenses (EME)	204,400.00	0.00	204,400.00	
<b>Sub-Total</b>		<b>14,305,901.51</b>	<b>0.00</b>	<b>14,305,901.51</b>	
<b>CY 2015 Audit</b>					
2016-05-001-BWD (2015) dated May 02, 2016	Unauthorized Rice Allowance	890,000.00	0.00	890,000.00	With Petition for Review with the COA Commission Proper

<b>Table 34: Details of the Status of Audit Disallowances as of December 31, 2025</b>					
<b>Notice of Disallowance (ND) No./Date</b>	<b>Nature</b>	<b>Balance as of December 31, 2024</b>	<b>Settlement in CY 2025</b>	<b>Balance as of December 31, 2025</b>	<b>Remarks</b>
2016-05-002-BWD (2015) dated May 02, 2016	Unauthorized Anniversary Bonus	1,963,427.85	0.00	1,963,427.85	
2016-05-003-BWD (2015) dated May 02, 2016	Excessive Employer's share in Pag-IBIG Fund Contribution	213,838.08	0.00	213,838.08	
2016-05-004-BWD (2015) dated May 02, 2016	Unauthorized Employer's share in Provident Fund Contribution	2,021,005.70	0.00	2,021,005.70	
2016-05-005-BWD (2015) dated May 02, 2016	Excessive EME	98,063.33	0.00	98,063.33	
<b>Sub-Total</b>		<b>5,186,334.96</b>	<b>0.00</b>	<b>5,186,334.96</b>	
<b>CY 2017 Audit</b>					
2018-001-BWD (2017) dated November 21, 2018	Excessive Representation and Transportation Allowance (RATA)	277,836.00	0.00	277,836.00	With Petition for Review with the COA Commission Proper
2018-002-BWD (17) dated December 12, 2018	Unauthorized Employer's share in Provident Fund Contribution	2,075,303.50	0.00	2,075,303.50	
2018-003-BWD (17) dated December 12, 2018	Unauthorized Rice Allowance	797,500.00	0.00	797,500.00	
<b>Sub-Total</b>		<b>3,150,639.50</b>	<b>0.00</b>	<b>3,150,639.50</b>	
<b>CY 2018 Audit</b>					
2019-001-BWD (18) dated September 20, 2019	Excessive RATA	387,436.80	0.00	387,436.80	In view of COA RO III Decision No. 2024-107 dated September 30, 2024 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. 2024-0949 dated November 19, 2024.
2019-002-BWD (18) dated September 20, 2019	Unauthorized Employer's share in Provident Fund Contribution	1,777,824.10	0.00	1,777,824.10	
2019-003-BWD (18) dated September 23, 2019	Unauthorized Rice Allowance	767,500.00	0.00	767,500.00	
2019-004-BWD (18) dated October 02, 2019	Excessive Travelling Expenses	41,100.00	0.00	41,100.00	
<b>Sub-Total</b>		<b>2,973,860.90</b>	<b>0.00</b>	<b>2,973,860.90</b>	
<b>CY 2019 Audit</b>					
2020-01-BWD (19) dated June 13, 2020	Excessive RATA	84,952.80	0.00	84,952.80	With COA RO III Decision No. 2026-003 dated February 10, 2026 which denied the appeal for the lifting of NDs issued
2020-02-BWD (19) dated June 13, 2020	Unauthorized Rice Allowance	130,000.00	0.00	130,000.00	
2020-03-BWD (19) dated June 15, 2020	Unauthorized health care services or benefits	2,714,875.58	0.00	2,714,875.58	
2020-01-BWD (19) dated June 15, 2020	Unauthorized Employer's Share to the District's Employees Provident Fund Association, Inc.	1,124,601.00	0.00	1,124,601.00	
<b>Sub-Total</b>		<b>4,054,429.38</b>	<b>0.00</b>	<b>4,054,429.38</b>	
<b>CY 2020 Audit</b>					
2021-01-BWD(2020) dated July 06, 2021	Unauthorized health care services or benefits	1,448,643.75	0.00	1,448,643.75	In view of COA RO III Decision No. 2024-049 dated May 28, 2024 which affirmed ND issued and the liabilities of former General Manager Artemio F. Baylosis, et al., the District filed a Petition for Review with the COA Commission Proper

Table 34: Details of the Status of Audit Disallowances as of December 31, 2025					
Notice of Disallowance (ND) No./Date	Nature	Balance as of December 31, 2024	Settlement in CY 2025	Balance as of December 31, 2025	Remarks
					under COA CP Case No. 2024-0597 dated July 23, 2024.
2021-01-BWD(2020) dated July 06, 2021	Payment of Anniversary Bonus	7,300.00	7,300.00	0.00	No appeal was filed for the disallowed anniversary bonus amounting to ₱441,000.00; however, the officials and employees already refunded the total amount of ₱441,000.00, leaving an unsettled balance of ₱0.00.
<b>Sub-Total</b>		<b>1,455,943.75</b>	<b>7,300.00</b>	<b>1,448,643.75</b>	
<b>TOTAL</b>		<b>₱31,127,110.00</b>	<b>₱7,300.00</b>	<b>₱31,119,810.00</b>	

16.3 The Audit Team issued Notices of Settlement of Suspensions, Disallowances and Charges (NSSDCs), totaling ₱7,300 in CY 2025, for the settlements of audit disallowance issued under ND No. 2021-01-BWD(2020) dated July 06, 2021, as shown in the matrix below:

Table 35: Settlement of Audit Disallowance, under ND No. 2021-01-BWD(2020) dated July 06, 2021, for CY 2025		
NSSDC No.	Date	Amount Settled
2025-01-BWD	June 18, 2025	₱800
2025-02-BWD	September 18, 2025	6,500
<b>Total Settlement for CY 2025</b>		<b>₱7,300</b>

16.4 We recommended and the General Manager agreed to strictly abide by relevant laws, rules, and regulations to avoid audit suspensions, disallowances, and charges in future transactions.