



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

ANNUAL AUDIT REPORT

ON THE

TUBOD-BAROY WATER DISTRICT Tubod, Lanao del Norte

For the Year Ended December 31, 2017

EXECUTIVE SUMMARY

A. Introduction

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

The TBWD is presently categorized as "Category D" Water District with 3,931 total service connections as of December 31, 2017.

The governing board is composed of directors representing the different sectors and organizations within the municipality of Tubod-Baroy who were appointed by the Provincial Chief Executive. They exercise corporate powers and determine policies for the operations of the District. They are as follows:

Chairperson: Aurora A. Zorilla
Members: Demosthenes G. Secuya
Victoria O. Gorecho
Evangeline M. Codilla
Andrial C. Kwan

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

An audit was conducted on the accounts and operations of Tubod-Baroy Water District, Tubod, Lanao del Norte, for the Calendar Year 2017.

The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances.

It was also made to determine whether the district's financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed. Further, it was also conducted to determine whether the agency managed and utilized its resources economically, efficiently and effectively in the implementation of its programs, projects and activities.

B. Financial Highlights

As of December 31, 2017, there was an increase of 12.77% in assets, increase of 6.61% in liabilities and increase of 17.9% in government equity, summarized as follows:

Financial Condition

	2017	2016	Increase/(Decrease)
Assets	P 25,496,147.75	P 22,609,103.73	P 2,887,044.02
Liabilities	10,950,336.64	10,271,223.82	679,112.82
Government Equity	P 14,545,811.11	P 12,337,879.91	P 2,207,931.20

Results of Operations

	2017	2016	Increase/(Decrease)
Income	P 23,134,211.06	21,641,286.82	P1,492,924.24
Expenditures	19,308,663.82	16,743,904.21	2,564,759.61
Net Operating Income	P 3,825,547.24	4,897,382.61	P (1,071,835.37)

Results of Operations

The district has total service connections of 3,951 which are all billed. Total water sales billed for the year amounted to P21,436,402.82 and collected a total of P21,403,190.87 which includes collections for the current account, arrears-current year, arrears-previous years, water maintenance fees and surcharges.

For the year 2017, total water production of the district has reached 1,227,862 cubic meters, of which the total accounted water was only 859,130 cubic meters or 70% leaving an unaccounted balance of 368,732 cubic meters or 30%.

C. Independent Auditor's Report on the Financial Statements

A Qualified Opinion was rendered on the fairness of the presentation of the Financial Statements due to the non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P17,414,429.63 and P696,678.94 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.

D. Summary of Significant Observations and Recommendations

Other than the basis for the modified opinion, the following are the other significant observations with the corresponding recommendations, which need immediate action:

- 1. The Agency did not prepare its Corporate Operating Budget as in accordance with the provisions of DBM Corporate Budget No. 22 dated December 1, 2016 and submit it to the Department of Budget and Management within the prescribed deadline.**

We recommended that the Management prepare its Corporate Operating Budget embodying estimates of revenues and expenditures that would serve as a guide in its operations.

- 2. Payments for withholding tax, franchise tax and other fees to the Bureau of Internal Revenue (BIR) amounting to Php 683,802.52 were made without the covering voucher in violation of Section 91 of PD 1445.**

We recommended to the Management to:

1. Refrain from disbursing funds without the necessary covering disbursement voucher showing that said disbursement is legal, necessary, has fund allocation and duly approved by the Agency Head; and
2. Produce the Disbursement Vouchers covering BIR payments for the period of January to June 2017.

- 3. Payments for Board of Directors Honoraria/Per Diems amounting to Php 73, 440.00 were without supporting documents contrary to Section 4 (6) of PD 1445 – State Audit Code of the Philippines and COA Circular 2012-001 dated June 14, 2012.**

We recommended to the management to:

1. Attach the required supporting documents as provided for by COA Circular 2012-001 date June 14, 2012 namely: (a) Appointment/designation as member of the Board, (b) Certification that the claimant is not an appointee to a regular position in the governing board of the collegial body who receives salaries, regular allowances and other benefits, (c) Minutes of meeting and Attendance Sheet as certified by the Board Secretary; and
 2. Revise TBWD BOD Resolution No. 21, S. of 2017 to make it compatible with COA Circular 2012-001 dated June 14, 2012, otherwise payment of BOD Honorarium/Per Diems will be suspended each time. Notice of Disallowance will be issued if the required supporting documents will not be presented within 90 days as provided for in the 2009 Revised Rules of Procedure of the Commission on Audit.
- 4. Travel of the Board of Directors and General Manager to attend the 38th Philippine Association of Water Districts (PAWD), Inc. Convention and Awarding Ceremonies held at Davao City amounting to Php 40,628.00 was not in accordance with Executive Order No. 248 (as amended by EO 248-A and 298) thus incurring unnecessary and excessive expenses.**

We recommended the suspension of payments for seminar fees to PAWD Convention and its accompanying travel expenses pending submission of reasonable and convincing justification, accomplishment reports and other pertinent documents from each individual delegates, which we will evaluate. Prudence should be exercised in the utilization of the agency's resources.

- 5. Reimbursable Expenses for Transportation amounting to Php 13,539.70 involves fuel for private vehicles in violation of Section 4(6) of PD 1445 and COA Circular No, 96-004 dated April 19, 1996.**

We recommended that the amount of reimbursement of transportation expenses should be limited to the prevailing fare within the general area of the district where the board meeting was held and that only ordinary public conveyance or customary modes of transportation shall be used except in meritorious cases and justified by prevailing circumstances. Management should discontinue reimbursing for the cost of fuel used on the private vehicles of the Board of Directors.

6. Payments of annual dues to non-government/private organizations amounting to Php 8,316.00 have no legal basis in violation of Section 4 of PD 1445.

We recommended the suspension of payments of annual dues to the associations pending submission of legal basis or specific authority from the Government of the Philippines allowing PAWD and its sub-organizations to collect annual dues from water districts.

7. Reimbursement for Communication Expenses amounting to Php 2,924.00 lacks adequate supporting documents in violation of Section 4(6) of PD 1445 and COA Circular No. 2012-001 dated June 1, 2012.

We recommended the submission of documents supporting these disbursements to verify that these are wholly official and not personal in nature. It is also recommended that the BOD issue a resolution with regards to reimbursement of communication expenses to be approved by LWUA, in case none was yet in effect. Said Resolution should take into consideration the day-to-day activities of a board member, the existence of text, calls, and data promos of telecommunications networks, and the prevention of incurrence of irregular and excessive expenditures.

8. The Agency did not procure common-use supplies and materials from the Procurement Service (PS), which is not in compliance with the provisions of Administrative Order No. 17.

We recommended that Management start procuring common-use supplies and materials from the Procurement Service pursuant to the provisions of Administrative Order No. 17. In cases that these items are not available from the PS, the management must secure a certification that said supplies and materials are not available before procuring the same from other suppliers. The procurement of supplies regularly needed by the Agency should be done on a quarterly basis.

9. The estimated 368,732.00 cu.m. of unaccounted water incurred by the District for CY 2017 is 10.03% more than the maximum acceptable level of NRW of 20% prescribed by LWUA through Resolution No. 443, series of 2009.

We recommended to the District to improve its efficiency level by significantly reducing water loss to the allowable level of 20% through formulation of a more effective and intensive NRW Reduction Plan and Budget.

10. The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2017 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.

We recommended that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2017 General Appropriations Act.

E. Summary of Total Suspension, Disallowance and Charges as of Year-End

Particulars	Balance, 12/31/2016	CY 2017 Issuances	Settlement	Balance, 12/31/2017
Suspensions	P0.00	76,880.00	P46,128.00	P30,572.00
Disallowances	226,693.70	88,184.70	0.00	314,878.40
Charges	0.00	0.00	0.00	0.00

F. Status of Implementation of Prior Year's Audit Recommendations

Of the ten audit recommendations presented in prior year's Annual Audit Report, eight were fully implemented, one was partially implemented and the remaining one remained unimplemented.



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OFFICE OF THE ACTING SUPERVISING AUDITOR
Audit Group CGS - Water Districts and Other CGS Stand-Alone Agencies

INDEPENDENT AUDITOR'S REPORT

Ms. AURORA A. ZORILLA

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

We have audited the accompanying financial statements of Tubod-Baroy Water District which comprise the Statement of Financial Position as of December 31, 2017, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis of our audit opinion.

Basis for Qualified Audit Opinion

As discussed in detail in Part II of this report:

- The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P17,414,429.63 and P696,678.94 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.

Qualified Opinion

In our opinion, except for the effects on the matters described in the Basis for Qualified Opinion, the financial statements present fairly in all material respects, the financial position of the Tubod-Baroy Water District as of December 31, 2017 and of its financial performance, changes in equity its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matters

The exit conference for the results of the financial and compliance audit of the calendar year 2017 operations was conducted on February 21, 2018.

COMMISSION ON AUDIT

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CECILIA A. PONTILLAS
State Auditor IV
Acting Supervising Auditor

February 23, 2018



Republic of the Philippines
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OFFICE OF THE ACTING SUPERVISING AUDITOR
Audit Group CGS - Water Districts and Other CGS Stand-Alone Agencies

INDEPENDENT AUDITOR'S REPORT

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

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COMMISSION ON AUDIT


CECILIA A. PONTILLAS
State Auditor IV
Acting Supervising Auditor

February 23, 2018



Republic of the Philippines
TUBOD-BAROY WATER DISTRICT
Tubod, Lanao del Norte

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of the **Tubod-Baroy Water District, Tubod, Lanao del Norte** is responsible for the preparation of the financial statements as at December 31, 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstance.

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

The Commission on Audit had audited the financial statements of the Tubod-Baroy Water District in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

AURORA A. ZORILLA
Chairman of the Board

February 27, 2018

ANNA LYCEL Y. GALDA
Accounting Processor A

February 27, 2018

GIOVANNI A. HERA
General Manager

February 27, 2018



TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	<u>NOTE</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	1	5,546,023.40	5,942,925.41
Receivables	2	887,135.88	774,775.10
Inventories	3	696,678.94	622,143.84
Total Current Assets		<u>7,129,838.22</u>	<u>7,339,844.35</u>
Non-Current Assets			
Receivables	2	898,084.40	898,084.40
Property, Plant and Equipment	4	17,414,429.63	14,371,174.98
Other Non-Current Assets		53,795.50	0.00
Total Non-Current Assets		<u>18,366,309.53</u>	<u>15,269,259.38</u>
Total Assets		<u>25,496,147.75</u>	<u>22,609,103.73</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	5	804,444.07	638,019.22
Inter-Agency Payables	6	346,524.76	221,987.24
Total Current Liabilities		<u>1,150,968.83</u>	<u>860,006.46</u>
Non-Current Liabilities			
Financial Liabilities	7	8,042,164.89	8,980,442.89
Provisions	8	1,757,202.92	430,774.47
Total Non-Current Liabilities		<u>9,799,367.81</u>	<u>9,411,217.36</u>
Total Liabilities		<u>10,950,336.64</u>	<u>10,271,223.82</u>
EQUITY			
Government Equity			
Government Equity		0.00	232,000.00
Retained Earnings/(Deficit)		14,545,811.11	12,105,879.91
Total Equity		<u>14,545,811.11</u>	<u>12,337,879.91</u>
Total Liabilities and Equity		<u>25,496,147.75</u>	<u>22,609,103.73</u>

(See Accompanying Notes to Financial Statements)



TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>NOTE</u>	<u>2017</u>	<u>2016</u>
Income			
Service and Business Income	9	23,097,521.06	21,641,286.82
Other Non-Operating Income		36,690.00	0.00
Total Income		<u>23,134,211.06</u>	<u>21,641,286.82</u>
Expenses			
Personnel Services	10	8,136,851.88	7,327,589.75
Maintenance and Other Operating Expenses	11	8,885,932.50	7,743,065.61
Financial Expenses	12	702,434.00	776,395.00
Direct Costs		670,050.46	0.00
Non-Cash Expenses	13	913,394.98	896,853.85
Total Expenses		<u>19,308,663.82</u>	<u>16,743,904.21</u>
Profit/(Loss) Before Tax		3,825,547.24	4,897,382.61
Income Tax Expense/(Benefit)		0.00	0.00
Profit/(Loss) After Tax		<u>3,825,547.24</u>	<u>4,897,382.61</u>
Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)		0.00	0.00
Net Income/(Loss)		<u>3,825,547.24</u>	<u>4,897,382.61</u>
Other Comprehensive Income/(Loss) for the Period		0.00	0.00
Comprehensive Income/(Loss)		<u><u>3,825,547.24</u></u>	<u><u>4,897,382.61</u></u>

(See Accompanying Notes to Financial Statements)



**TUBOD-BAROY WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
BALANCE AT JANUARY 1, 2016	7,921,515.34	32,000.00	7,953,515.34
ADJUSTMENTS:			
Add/(Deduct):			
Prior Period Errors	0.00	200,000.00	200,000.00
Other Adjustments	(713,018.04)	0.00	(713,018.04)
RESTATED BALANCE AT JANUARY 1, 2016	7,208,497.30	232,000.00	7,440,497.30
CHANGES IN EQUITY FOR 2016			
Add/(Deduct):			
Comprehensive Income for the year	4,897,382.61	0.00	4,897,382.61
BALANCE AT DECEMBER 31, 2016	12,105,879.91	232,000.00	12,337,879.91
CHANGES IN EQUITY FOR 2017			
Add/(Deduct):			
Comprehensive Income for the year	3,825,547.24	0.00	3,825,547.24
Other Adjustments	(1,617,616.04)	0.00	(1,617,616.04)
BALANCE AT DECEMBER 31, 2017	14,313,811.11	232,000.00	14,545,811.11



**TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services	21,409,857.11	20,097,233.46
Collection of Income/Revenue	1,393,334.14	1,883,734.27
Collection of Receivables	430,669.73	439,274.45
Other Receipts	27,868.68	0.00
Total Cash Inflows	23,261,729.66	22,420,242.18
Adjustments	0.00	0.00
Adjusted Cash Inflows	23,261,729.66	22,420,242.18
Cash Outflows		
Payment of Expenses	17,022,784.38	10,699,983.34
Purchase of Inventories	524,967.52	222,596.96
Payments of Accounts Payable	483,745.94	20,567.22
Other Disbursements	1,528,326.57	4,865,583.38
Total Cash Outflows	19,559,824.41	15,808,730.90
Adjustments	0.00	0.00
Adjusted Cash Outflows	19,559,824.41	15,808,730.90
Net Cash Provided by/(Used in) Operating Activities	3,701,905.25	6,611,511.28
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	12,035.56	17,304.94
Total Cash Inflows	12,035.56	17,304.94
Adjustments	0.00	0.00
Adjusted Cash Inflows	12,035.56	17,304.94
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	2,470,910.82	2,463,221.94
Total Cash Outflows	2,470,910.82	2,463,221.94
Adjustments	0.00	0.00
Adjusted Cash Outflows	2,470,910.82	2,463,221.94
Net Cash Provided By/(Used In) Investing Activities	(2,458,875.26)	(2,445,917.00)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Inflows		
Total Cash Inflows	<u>0.00</u>	<u>0.00</u>
Adjustments	0.00	0.00
Adjusted Cash Inflows	<u>0.00</u>	<u>0.00</u>
Cash Outflows		
Payment of Long-Term Liabilities	938,278.00	864,647.00
Payment of Interest on Loans and Other Financial Charges	<u>701,654.00</u>	<u>776,395.00</u>
Total Cash Outflows	<u>1,639,932.00</u>	<u>1,641,042.00</u>
Adjustments	0.00	0.00
Adjusted Cash Outflows	<u>1,639,932.00</u>	<u>1,641,042.00</u>
Net Cash Provided By/(Used In) Financing Activities	<u>(1,639,932.00)</u>	<u>(1,641,042.00)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(396,902.01)	2,524,552.28
Effects of Exchange Rate Changes on Cash and Cash Equivalents	0.00	0.00
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>5,942,925.41</u>	<u>3,418,373.13</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>5,546,023.40</u>	<u>5,942,925.41</u>