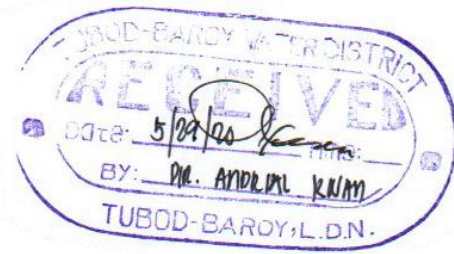




Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Serina Street, Carmen, Cagayan de Oro City

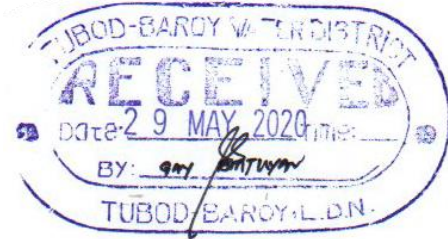


OFFICE OF THE REGIONAL DIRECTOR

February 21, 2020

Mr. ANDRIAL C. KWAN
Chairperson, Board of Directors
Tubod-Baroy Water District
Tubod, Lanao del Norte

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



Dear Chairperson A. Kwan and Manager G. Hera:

We are pleased to transmit the Annual Audit Report on the audit of **Tubod-Baroy Water District (TBWD)**, Tubod, Lanao del Norte as of December 31, 2019, pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445 otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with law, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audits recommendations.

The audit report consists of Part I- Audited Financial Statements, Part II-Observations and Recommendations and Part III- Status of Implementation of Prior Years' Audit Recommendations, which were discussed with the officials and staff concerned.

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

A Modified-Qualified Opinion was rendered on the Financial Position of the Tubod-Baroy Water District as of December 31, 2019, and the results of operations and cash flows for the year then ended, as presented in the financial statements accompanying this report.

We expressed Modified-Qualified Opinion on the fairness of the presentation of the financial statements of Tubod-Baroy Water District for the year 2019 due to the following exceptions :

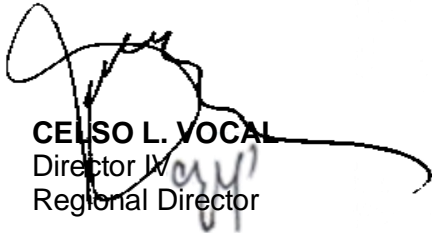
1. Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as mandated by Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱ 23,219,239.90 in of doubtful validity.

2. Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 4,875,514.26.
3. Water sales for the month of December 2019 amounting to P74,181.97 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

The above and other observations, together with the recommended courses of action which were conferred by the Audit Team with you and other officials of the agency and are discussed in detail on Part II of the Report.

We appreciate the invaluable support and cooperation extended by the officials of that Agency to the Audit Team which facilitated the completion of the report.

Very truly yours,



CELSO L. VOCAL
Director IV
Regional Director

Copy furnished

*The President of the Philippines
Malacañang Palace, Manila*

*The Vice-President of the Philippines
Coconut Palace, F. Maria Guerrero St.
CCP Complex, Pasay City*

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

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

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

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

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

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

File



Republic of the Philippines
COMMISSION ON AUDIT
 Provincial Satellite Auditing Office
 Iligan City
 R10-05, Water Districts

TUBOD-BAROY WATER DISTRICT
 For Calendar Year 2019
 Agency Action Plan and Status of Implementation
 (AAPSI)

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
AOM No. 2020-001 (TBWD)	The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to ₱919,407.18 contravenes Sec. 7 of the District's Water District Water Service Contract and unfavorably affects the Water District operations.	We recommend that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents.							
AOM No. 2020-002 (TBWD)	Water sales for the month of December 2019 amounting to P74,181.97 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.	We recommend that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.							
AOM No. 2020-003 (TBWD)	Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept	We recommend that reconciliation of Report on the Physical Count of Property Plant and							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
	by the Supply Unit and Accounting Unit as mandated by Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of Php 23,219,239.90 in of doubtful validity.	Equipment (RPCPPE) to the Accounting unit's Property Plant and Equipment Ledger Card (PPELC) and the Property and Supply unit's Property Card (PC) be conducted and its results be submitted to be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual. Property Accountability Receipt for these assets should be renewed every three (3) years.							
AOM No. 2020-004 (TBWD)	Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 4,875,514.26.	We recommend the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
		Accounting Manual, Volume II.							
AOM No. 2020-005 (TBWD)	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value ₱ 26,908,581.93 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.	We recommend that adherence to Section 5 of RA 656 to protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30 th day of April.							

Note: Status of Implementation may either be (a) Fully Implemented, (b) On-going, (c) Not Implemented, (d) Partially implemented or (e) Delayed

Prepared by:

Mr. GEOVANNI A. HERA
General Manager



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

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

February 21, 2020

ATTY.CELSO L. VOCAL

Regional Director
COA - Regional Office No. X
Cagayan de Oro City

Sir:

We are submitting the Annual Audit Report on the Tubod-Baroy Water District for the year ended December 31, 2018 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445.


The audit was conducted to (a) verify the level of assurance 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 years' audit recommendations.

The audit report consists of three parts, namely: Part I - Audited Financial Statements; Part II – Observations and Recommendations and Part III - Status of Implementation of Prior Years' Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) and we believe these standards provide reasonable basis for the results of the audit.

Very truly yours,


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor



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

OFFICE OF THE AUDIT TEAM LEADER

R10-05, CGS – Water Districts and Other CGS Stand-Alone Agencies

February 21, 2020

Ms.CECILIA A. PONTILLAS

Supervising Auditor
CGS – Water Districts and Other CGS Stand-Alone Agencies
COA - Regional Office No. X
Cagayan de Oro City

Ma'am:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we conducted a financial & compliance audit of **Tubod-Baroy Water District**, Tubod, Lanao del Norte, as of December 31, 2019.

The audit was conducted to ascertain the propriety of the financial transactions and determine the extent of compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of the financial records and reports, as well as the fairness of the presentations of the financial statements.

The audit report consists of three parts, Part I - Audited Financial Statements, Part II - details of our significant Observations and Recommendations, and Part III - Status of Implementation of Prior Year's Audit Recommendations.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) and we believe these standards provide reasonable basis for the results of the audit.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Amado Peter A. Garbanzos'.

AMADO PETER A. GARBANZOS
State Auditor IV
Audit Team Leader



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

ANNUAL AUDIT REPORT

ON THE

TUBOD-BAROY WATER DISTRICT Tubod, Lanao del Norte

For the Year Ended December 31, 2019

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, 2018.

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: Andrial C. Kwan
Members: Aurora A. Zorilla
Evangeline M. Codilla
Demosthenes G. Secuya
Roldan Jonathan R. Gayta

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.

A financial and compliance audit was conducted on the accounts and operations of Tubod-Baroy Water District, Tubod, Lanao del Norte, for the Calendar Year 2019.

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

Financial Condition

As of December 31, 2019, TBWD has assets totalling Php 38.4 million, total liabilities of Php13.5 million and Equities that amounted to Php 24.9 million:

	2019	2018	2019 vs. 2018 Increase (Decrease)	
			Amount	Percentage
Assets	₱ 38,458,172.92	₱ 33,844,417.61	₱ 4,613,755.31	11.99 %
Liabilities	₱ 13,522,701.99	₱ 15,029,898.18	₱ (1,507,196.19)	(11.15)%
Equities	₱ 24,935,470.93	₱ 18,814,519.43	₱ 6,120,951.50	24.55%

Results of Operation

The operation of TBWD for CY2019 yielded to overall net income of Php7.02 million pesos as a net of sales revenue of Php27.9 million and expenses of Php20.9 million pesos.

	2019	2018	2019 vs. 2018 Increase (Decrease)	
			Amount	Percentage
Sales	₱ 27,970,216.80	₱ 25,824,997.82	₱ 2,145,218.98	7.68%
Expenses	₱ 20,949,643.15	₱ 21,107,427.60	₱ (157,784.45)	(0.75)%
Net Income	₱ 7,020,573.65	₱ 4,717,570.22	₱ 2,303,003.43	32.80%

C. Independent Auditor's Report on the Financial Statements

A Modified-Qualified Opinion was rendered on the fairness of presentation of the financial statements due to:

- a) Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as mandated by Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of Php 23,219,239.90 in of doubtful validity.
- b) Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 4,875,514.26.
- c) Water sales for the month of December 2019 amounting to P74,181.97 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

D. Summary of Significant Observations and Recommendations

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

1. **The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value ₱ 26,908,581.93 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.**

We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.

2. **The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to ₱919,407.18 contravenes Sec. 7 of the District's Water District Water Service Contract and unfavorably affects the Water District operations.**

We recommended that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents.

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

Particulars	Balance, 12/31/2018	CY 2019 Issuances	Settlement	Balance, 12/31/2019
Suspensions	₱ 30,752.00			
Disallowances	₱ 316,478.40			
Charges	-	-	-	-

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

Of the 14 audit recommendations presented in prior year's Annual Audit Report, 9 were fully implemented, 4 were partially implemented and 1 remained unimplemented.

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**PART I –
AUDITED FINANCIAL STATEMENTS**



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

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

INDEPENDENT AUDITOR'S REPORT

Mr. ANDRIAL C. KWAN

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

Mr. GEOVANNI A. HERA

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

Modified-Qualified Opinion

We have audited the financial statements of the **Tubod-Baroy Water District**, Tubod Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2019 and the related Statements of Comprehensive Income, Cash Flows and Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Modified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Tubod-Baroy Water District as at December 31, 2018 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards. (IFRS).

Bases for Modified-Qualified Opinion

As discussed in Part II- Observations and Recommendations of this report, a modified opinion was rendered due to the following:

1. Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as mandated by Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account

balances reflected in the financial statements in the amount of Php 23,219,239.90 in of doubtful validity.

2. Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 4,875,514.26.
3. Water sales for the month of December 2019 amounting to P74,181.97 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

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

Key Audit Matters

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

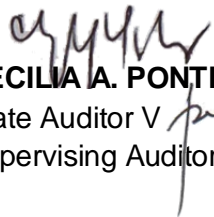
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of the financial statements.

COMMISSION ON AUDIT

BY:


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor

February 21, 2020



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, Kolambugan, Lanao del Norte** is responsible for the preparation of the financial statements as at December 31, 2018, 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.

ANDRIAL C. KWAN
Chairman of the Board
Date: February 7, 2020

GAY L. BONTUYAN
Accounting Processor A
Date: February 7, 2020

GEOVANNI A. HERA
General Manager
Date: February 7, 2020



**TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

ASSETS

	<u>NOTE</u>	<u>2019</u>	<u>2018</u>
Current Assets			
Cash and Cash Equivalents	1	₱ 8,055,359.91	₱ 7,423,306.65
Receivables	2	1,300,988.87	1,129,238.54
Inventories	3	4,875,514.26	1,640,410.55
Total Current Assets		₱ 14,231,863.04	₱ 10,192,955.74
Non-Current Assets			
Receivables		₱ 898,084.40	898,084.40
Property, Plant and Equipment	4	23,167,475.01	22,579,331.64
Other Non-Current Assets		70,105.58	79,312.50
Intangible Assets		90,644.89	94,733.33
Total Non-Current Assets		₱ 24,226,309.88	₱ 23,651,461.87
TOTAL ASSETS		₱ 38,458,172.92	₱ 33,844,417.61

LIABILITIES

Current Liabilities			
Financial Liabilities	5	₱ 1,488,693.98	₱ 1,972,554.57
Inter-Agency Payables	6	605,821.70	557,587.87
Total Current Liabilities		₱ 2,094,515.68	₱ 2,530,142.44
Non-Current Liabilities			
Financial Liabilities	7	₱ 9,680,499.39	₱ 10,797,561.39
Provisions	8	1,747,686.92	1,702,194.35
Total Non-Current Liabilities		₱ 11,428,186.31	₱ 12,499,755.74
TOTAL LIABILITIES		₱ 13,522,701.99	₱ 15,029,898.18

EQUITY

Government Equity			
Government Equity		₱ 0.00	₱ 0.00
Retained Earnings/(Deficit)		24,935,470.93	18,814,519.43
TOTAL EQUITY		₱ 24,935,470.93	₱ 18,814,519.43
TOTAL LIABILITIES AND EQUITY		₱ 38,458,172.92	₱ 33,844,417.61

(See Accompanying Notes to Financial Statements)



**TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>NOT E</u>	<u>2019</u>	<u>2018</u>
Income			
Service and Business Income	9	₱ 29,682,739.1 8	₱ 25,824,997.8 2
Other Non-Operating Income		0.00	0.00
Total Income		₱ 29,682,739.1 8	₱ 25,824,997.8 2
Expenses			
Personnel Services	10	₱ 10,051,008.7 5	₱ 8,794,157.77
Maintenance and Other Operating Expenses	11	8,984,215.85	9,467,180.79
Financial Expenses	12	665,327.79	653,148.56
Direct Costs		1,712,522.38	1,101,034.93
Non-Cash Expenses	13	1,249,090.76	1,091,905.55
Total Expenses		₱ 22,662,165.5 3	₱ 21,107,427.6 0
Profit/(Loss) Before Tax		₱ 7,020,573.65	₱ 4,717,570.22
Income Tax Expense/(Benefit)		0.00	0.00
Profit/(Loss) After Tax		₱ 7,020,573.65	₱ 4,717,570.22
Net Assistance/Subsidy/ (Financial Assistance/Subsidy /Contribution)		₱ 0.00	₱ 0.00
Net Income/(Loss)		₱ 7,020,573.65	₱ 4,717,570.22
Other Comprehensive Income/(Loss) for the Period		₱ 0.00	₱ 0.00
Comprehensive Income/(Loss)		₱ 7,020,573.65	₱ 4,717,570.22

(See Accompanying Notes to Financial Statements)



**TUBOD-BAROY WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
Balance at January 1, 2018	₱ 14,313,811.11	₱ 236,659.00	₱ 14,550,470.11
ADJUSTMENTS:			
Add/(Deduct):			
Prior Period Errors	₱ 0.00	₱ 0.00	₱ 0.00
Other Adjustments	(453,520.90)	0.00	(453,520.90)
RESTATED BAL. AT JANUARY 31, 2018	₱ 13,860,290.21	₱ 236,659.00	₱ 14,096,949.21
CHANGES IN EQUITY FOR 2018			
Add/(Deduct):			
Comprehensive Income for the year	₱ 4,717,570.22	₱ 0.00	₱ 4,717,570.22
BALANCE AT DECEMBER 31, 2018	₱ 18,577,860.43	₱ 236,659.00	₱ 18,814,519.43
CHANGES IN EQUITY FOR 2019			
Add/(Deduct):			
Donated Income	₱ 0.00	₱ 0.00	₱ 0.00
Comprehensive Income for the year	7,020,573.65	0.00	7,020,573.65
Other Adjustments	(899,622.15)	0.00	(899,622.15)
BALANCE AT DECEMBER 31, 2019	₱ 24,698,811.93	₱ 236,659.00	₱ 24,935,470.93



**TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services	₱ 27,646,708.52	₱ 24,362,937.20
Collection of Income/Revenue	1,610,582.71	1,100,404.11
Collection of Receivables	51,877.81	38,261.00
Other Receipts	138,205.24	3,901,151.68
Total Cash Inflows	₱ 29,447,374.28	₱ 29,402,753.99
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 29,447,374.28	₱ 29,402,753.99
Cash Outflows		
Payment of Expenses	₱ 19,035,224.60	₱ 19,054,609.09
Purchase of Inventories	3,901,277.99	586,684.86
Payments of Accounts Payable	922,212.63	2,037,232.82
Other Disbursements	142,085.84	1,467,651.48
Total Cash Outflows	₱ 24,000,801.06	₱ 23,146,178.25
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 24,000,801.06	₱ 23,146,178.25
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	₱ 5,446,573.22	₱ 6,256,575.74
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	₱ 8,456.82	₱ 5,327.22
Total Cash Inflows	₱ 8,456.82	₱ 5,327.22
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 8,456.82	₱ 5,327.22
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	₱ 3,042,325.99	₱ 2,713,813.15
Total Cash Outflows	₱ 3,042,325.99	₱ 2,713,813.15
Adjustments	₱ 0.00	₱ 0.00
Adjusted Cash Outflows	₱ 3,042,325.99	₱ 2,713,813.15
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	₱ (3,033,869.17)	₱ (2,708,485.93)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Financing Activities	₱ 0.00	₱ 0.00
Total Cash Inflows	₱ 0.00	₱ 0.00
Adjustments	₱ 0.00	₱ 0.00
Adjusted Cash Inflows	₱ 0.00	₱ 0.00

Cash Outflows		
Payment of Long-Term Liabilities	₱ 1,117,694.00	₱ 1,018,953.00
Payment of Interest on Loans and Other Financial Charges	662,956.79	651,853.56
Total Cash Outflows	₱ 1,780,650.79	₱ 1,670,806.56
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 1,780,650.79	₱ 1,670,806.56
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	₱ (1,780,650.79)	₱ (1,670,806.56)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	₱ 632,053.26	₱ 1,877,283.25
Effects of Exchange Rate Changes on Cash and Cash Equivalents	₱ 0.00	₱ 0.00
CASH AND CASH EQUIVALENTS, JANUARY 1	₱ 7,423,306.65	₱ 5,546,023.40
CASH AND CASH EQUIVALENTS, DECEMBER 31	₱ 8,055,359.91	₱ 7,423,306.65



TUBOD-BAROY WATER DISTRICT NOTES TO FINANCIAL STATEMENTS

I. Brief Historical Background:

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

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

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

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

TBWD primarily provides adequate, safe, potable and affordable water to its concessionaires within Tubod and Baroy, LDN area with a total of 4,501 households served as of December 31, 2019.

The District has the following Objectives:

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

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

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

Chairman	- Mr. Andrial C. Kwan
Vice-Chairman	- Ms. Aurora A. Zorilla
Secretary	- Ms. Evangeline M. Codilla
Member	- Mr. Roldan Jonathan R. Gayta
Member	- Mr. Demothenes G. Secuya

Financial and Operational & Highlights for CY 2019

As of December 31, 2019, TBWD has reached Php 38.4 million, total liabilities of Php13.5 million and Equities that amounted to Php 24.9 million:

	2019	2018	2019 vs. 2018 Increase (Decrease)	
			Amount	Percentage
Assets	₱ 38,458,172.92	₱ 33,844,417.61	₱ 4,613,755.31	11.99%
Liabilities	₱ 13,522,701.99	₱ 15,029,898.18	₱ (1,507,196.19)	(11.15)%
Equities	₱ 24,935,470.93	₱ 18,814,519.43	₱ 6,120,951.50	24.55%

Results of Operation

The operation of TBWD for CY2019 yielded to overall net income of Php7.02 million pesos as a net of sales revenue of Php27.9 million and expenses of Php20.9 million pesos.

	2019	2018	2019 vs. 2018 Increase (Decrease)	
			Amount	Percentage
Sales	₱ 27,970,216.80	₱ 25,824,997.82	₱ 2,145,218.98	7.68%
Expenses	₱ 20,949,643.15	₱ 21,107,427.60	₱ (157,784.45)	(0.75)%
Net Income	₱ 7,020,573.65	₱ 4,717,570.22	₱ 2,303,003.43	32.80%

Cash Flows

Comparative **net cash outflow** of the District for CY2019 amounted to **Php632,053,26**. With the cash beginning of Php7,423,303.65 the 2019 year-end cash in bank resulted to a net balance of Php8,055,359.91.

Summary of Cash in Bank:

Cash –C.O.	₱ 16,242.01
Cash in Bank – 0802-1185-62(Project Fund)	398,644.98
Cash in Bank - 0802-1037-86(General Fund)	5,579,091.94
Cash in Bank - 0801-0300-41(JSA)	1,311,940.49
Cash in Bank - 0801-1157-21(Trust fund)	749,440.49
TOTAL	₱ 8,055,359.91

II. Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and the revised Chart of Accounts (RCA)

for Government Corporations (GCs) classified as Government Business Entities (GBEs) prescribed under COA Circular No. 2015-010.

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

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

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to Maintenance and Other Operating Expenses (MOOE) in the period in which the costs are incurred.

Other Non-current assets are Malingao Cooperative (MAWASCO) receivables that remained uncollected for years.

Liabilities are only recognized when goods are delivered and/or services rendered together with the supplier's invoice.

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

Note 1. Cash and Cash Equivalents

Cash and cash equivalents include cash in bank deposits to be used in the operation of the water district, Trust Fund created for the employees' Retirement Benefits, Reserve fund of TBWD & LWUA as per MOU for loans availed and cash on hand in the possession of the district Collecting Officer was due to closed Petty cash revolving fund and liquidation of Cashier that were issued official receipts on January 2019.

Bank balance as of December 31, 2019 was verified per bank statements and the cashaccounts consist of the following:

Particulars	2019	2018
Cash- Collecting Officer	₱ 16,242.01	₱ 754.43
Cash in Bank- (Project Fund)	398,644.98	1,863,829.99
Cash in Bank - LCCA	5,579,091.94	3,739,622.46
Cash in Bank –LCSA (Trust Fund)	749,440.49	578,683.70
Cash in Bank - LCSA (JSA)	1,311,940.49	1,240,416.07
TOTAL	₱ 8,055,359.91	₱ 7,423,306.65

Note 2. Receivables

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

As of December 31, 2019, this account is composed of receivables from customers as listed below.

Particulars	2019	2018
Accounts Receivable- Customer	₱ 1,512,180.30	₱ 1,442,976.16
Accounts Receivable- WMF	212,538.05	158,489.36
Receivables- Disallowances	276,689.70	280,189.70
Accounts Receivable –Others	269,230.91	188,082.00
Due from Officers and Employees	36,937.50	200.00
Total Current Receivable	₱ 2,307,576.46	₱ 2,069,937.22
Less: Allow. for impairment- A/R	(1,006,587.59)	(940,698.68)
Net Accounts Receivable	₱ 1,300,988.87	₱ 1,129,238.54

Note 3. Inventories

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

Particulars	2019	2018
Merchandise Inventory	₱ 2,375,402.16	₱ 626,945.97
Accountable Forms Inventory	27,625.00	9,317.00
Office Supplies Inventory	60,337.97	41,188.57
Fuel, Oil &Lub. Inventory	0.00	108,021.84
Chemical & Filtering Supply Inv.	118,132.04	41,419.53
Plant Inventory	2,294,017.09	813,517.64
TOTAL	₱ 4,875,514.26	₱ 1,640,410.55

Note 4. Property, Plant and Equipment

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

Property, Plant and Equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of

the properties pursuant to Commission on Audit Circular No. 2003-007 dated December 11, 2003.

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

Summary of Property, Plant and Equipment

As of December 31, 2019

	Particulars		Cost	Accumulated Depreciation	Balance
1 06	Property, Plant and Equipment		₱38,770,600.28	₱15,551,420.38	₱23,219,239.90
	1 06 01	Land	536,659.00		536,659.00
	1 06 02	Land Improvement	-		-
	1 06 03	Infrastructure Assets	-		-
	1 06 04	Building and Other Structures	-		-
	1 06 05	Machinery and Equipment	-		-
	1 06 06	Transportation Equipment	813,498.13	275,620.39	537,877.74
	1 06 07	Furniture, Fixtures and Books	1,224,392.14	638,644.26	585,747.88
	1 06 08	Leased Assets	-		-
	1 06 09	Leased Assets Improvements	-		-
	1 06 10	Heritage Assets	-		-
	1 06 11	Service Concession-Tangible Assets	-		-
	1 06 12	Exploration and Evaluation Assets	-		-
	1 06 13	Bearer Trees, Plants and Crops	-		-
	1 06 98	Other Property, Plant and Equipment	-		-
	1 06 99	Construction in Progress	1,020,990.60		1,020,990.60
	1 08 01	Computer Software	110,000.00	55,733.39	54,266.61
	1 08 01	Websites	38,500.00	2,121.72	36,378.28

Note 5. Current Financial Liabilities

The Accounts Payable consists of TBWD's liabilities to suppliers in the amount of Php1,488,693.98

Name	Date Granted	Particulars	Reference Number	Amount	Amount Due (In Pesos)				Remarks
					Less than 30 days	31-60 days	61-365 days	Over 1 year	
COA	6/30/2017			209,438.80	-	-		209,438.80	
Summit Deep Well	12/28/2018			648,000.00	-	-		648,000.00	
COA	10/17/2019			408,947.98	-	-	408,947.98		
Jhaycor Industries	12/03/2019			106,907.20	106,907.20	-			
Mindanao Laboratories	12/09/2019			111,000.00	111,000.00	-			
Fmv Drilling	12/17/2019			3,500.00	3,500.00	-			
Virgen Grace Eng'g Svcs & Gen. Merchandise	12/27/2019			900.00	900.00	-			
TOTALS				1,488,693.98	222,307.20	-	408,947.98	857,438.80	

Note 6. Current Inter-Agency Payables

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

Particulars	2019	2018
Due to BIR	₱ 311,874.46	₱ 294,969.22
Due to GSIS	246,105.44	217,642.02
Due to Pag-ibig	23,490.98	33,444.45
Due to Philhealth	12,444.81	11,532.08
Due to SSS	11,906.01	0.00
Total	₱ 605,821.70	₱ 557,587.87

Note 7. Non-current Financial Liabilities

The District availed a long term loan with LWUA. The principal and interest of the regular loan portion have monthly amortization of ₱158,845.00. Loan Account No. 3-305 RL will end amortization on December 2023, LA#3-305 SL will be amortized until December 2023, LA#3-732 RL will be amortized until September 2025, LA#4-2374 RL will end amortization on April 2024 and LA#4-2723 RL will end on December 2038, LA#4-2723 RL will end on November 2039. As of December 31, 2019, the outstanding LWUA loan balance is ₱9,680,499.39 with a difference of 226,414.00 compared to LWUA amortization schedules due to Engineering studies which was automatically deducted by LWUA from the net proceeds upon the release of loan account # LA 4-273RL. The loan was paid in accordance with the amortization schedule, thus, no penalties were imposed for delayed or non-payment.

Loan ID	Interest Rates		New Mo. Amortization	Outstanding Balance per LWUA	
	Old	New		2019	2018
3-732 RL	10.50%	8.20%	₱ 15,970.00	₱ 876,275.99	₱ 990,905.99
3-305 SL	10.50%	8.20%	38,149.00	1,556,716.92	1,872,646.92
3-305 RL	10.50%	8.20%	40,921.00	1,669,777.37	2,008,667.37
4-2374 RL	12.50%	8.20%	41,621.00	1,816,335.61	2,151,763.61
4-2723 RL	3%		22,184.00	3,987,807.50	3,773,577.50
Non-current financial liabilities			₱ 158,845.00	₱ 9,906,913.39	₱ 10,797,561.39

Note 8. Provisions

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

Particulars	2019	2018
Leave Benefits Payable	₱ 1,747,686.92	₱ 1,702,194.35

Total Provisions	₱ 1,747,686.92	₱ 1,702,194.35
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Note 9. Service and Business Income

BUSINESS INCOME	2019	2018
Registration Fees	₱ 729,634.95	₱447,880.35
Water works system fees	26,536,976.65	23,728,034.91
Income from Printing & Pub	30,000.00	20,000.00
Sales Revenue	1,750,964.50	1,161,773.26
Fines and Penalties	550,934.14	496,196.44
Interest Income	8,456.82	5,327.22
Other Business Income	113,445.50	18,347.79
Less: <i>Sales Discounts</i>	(37,673.38)	(52,562.15)
TOTAL INCOME	₱ 29,682,739.18	₱ 25,824,997.82

Note 10. Personnel Services

Particulars	2019	2018
Salaries & Wages- Regular	₱ 5,237,923.58	₱ 4,610,191.19
Sal & Wages-Casual	951,416.28	999,841.82
Personnel Econ. Relief Allow.	621,000.00	593,363.64
Representation Allowance	90,000.00	60,000.00
Transportation Allowance TA	102,830.00	60,000.00
Clothing Allowance	168,000.00	1,680,000.00
Overtime & Night Pay	432,008.29	365,338.41
Year End Bonus	1,001,961.33	907,399.80
Cash Gift	181,035.57	136,000.00
Retirement and Life Insurance	702,279.29	644,413.46
Pag-ibig Contributions	30,700.00	28,673.15
Philhealth Contributions	70,754.41	64,836.30
Emp. Compensation Insurance Cont.	31,100.00	31,100.00
Other Bonuses and Allowances	430,000.00	125,000.00
Total Personnel Services	₱ 10,051,008.75	₱ 8,794,157.77

Note 11. Maintenance and Other Operating Expenses

Particulars	2019	2018
Travelling Expenses-Local	₱ 431,863.86	₱ 358,221.20
Training Expenses	94,800.00	291,100.00
Office Supplies Expense	121,186.04	121,013.97
Accountable Forms Exp	103,017.00	101,442.00

Particulars	2019	2018
Fuel, Oil, and Lubricants	210,608.23	60,367.03
Chemicals & Filtering	317,815.89	108,760.93
Electricity Expenses	5,974,217.00	6,792,984.84
Other Utility Expense	3,957.27	4,469.25
Postage and courier Services	8,313.63	10,091.50
Telephone Expense	₱ 23,117.69	₱ 22,993.08
Internet Expense	10,990.96	12,010.12
Cable, Satt., Tele & Radio Expense	3,990.00	4,788.00
Survey Expense	17,684.21	17,000.00
Gen Trans & Dist Expenses	156,442.75	433,136.16
Extraordinary & Misc. Expenses	18,043.40	15,075.70
Legal Expense	6,006.65	6,950.00
Auditing Services	100,225.15	13,300.00
Other General Services	500.00	3,141.86
Rep & Maint- Infra Asset	127,977.24	8,984.20
Rep & Maint- Bldg & Other Struc	31,501.20	35,436.15
Rep & Maint- Transpo Eqpt.	16,792.60	15,028.01
Rep & Maint- Furniture & Fix	24,320.00	4,421.90
Rep & Maint- Other PPE	2,530.50	24,382.00
Taxes, Duties & Licenses Exp	487,007.93	500,973.93
Fidelity Bond Premiums	17,625.00	21,000.00
Insurance Expense	10,015.40	6,870.36
Labor & Wages	40,805.00	4,000.00
Advertising, Promo & Mktg Expense	6,500.00	2,000.00
Printing & Pub. Expense	4,832.00	2,000.00
Representation Expense	314,632.21	204,133.60
Transportation & Delivery Expenses	8,614.29	1,300.00
Rent/Lease Expense	74,720.00	50,090.00
Membership Dues & Cont to Org	9,357.75	8,838.80
Subscriptions Expense	715.00	750.00
Directors & Comm. Member's Fee	196,808.00	194,127.00
Donations	6,682.00	6,000.00
TOTAL MOOE	₱ 8,984,215.85	₱ 9,467,180.79

Note 12. Financial Expenses

Particulars	2019	2018
Interest Expenses	₱ 664,727.79	₱ 652,628.56
Bank charges	600.00	520.00
TOTAL FINANCIAL EXP	₱ 665,327.79	₱ 653,148.56

Note 13. Non-cash Expenses

Particulars	2019	2018
Depreciation –Infra Asset	₱ 984,621.68	₱ 834,750.70
Depreciation –Transpoeqpt	79,659.06	51,092.96
Depreciation - F/F, books	105,732.32	146,578.59

Depreciation - Other PPE	4,100.35	1,748.60
Amortization-Intangible Asset	9,088.44	-
Impairment Loss- Loans & Rec.	65,888.91	57,734.70
Total NON-CASH EXPENSES	₱ 1,249,090.76	₱ 1,091,905.55

Events after Balance Sheet Date

Any post year-end events that provide additional information about the District's position at Balance Sheet date (adjusting events) are reflected in the financial statements. Any post year end event that is not adjusting event is disclosed in the notes to financial statements, when material.

**PART II –
OBSERVATIONS AND
RECOMMENDATIONS**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

1. Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as mandated by Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of Php 23,219,239.90 in of doubtful validity.

Section 38 of Volume 1 of the General Accounting Manual (GAM) provides:

Sec. 38. Physical Count of Property, Plant and Equipment (PPE). The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 71) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.

In addition, Section 42, Volume 1 of the GAM provides:

Sec. 42. Accounting and Property Records to be maintained for Property Plant and Equipment (PPE). The Chief Accountant shall maintain the Property Plant and Equipment Ledger Cards (PPELC) for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain Property Card (PC) for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.

As of December 31, 2020, the balance of Property, Plant and Equipment (PPE) amounted to Php 23,219,239.90 as shown below:

Particular	Gross Amount	Accumulated Depreciation	Net Amount
Land	₱ 536,659.00	₱ 0.00	₱ 536,659.00
Infrastructure Assets	35,026,620.41	14,579,300.62	20,447,319.79
Transportation Equipments	813,498.13	275,620.39	537,877.74
Furniture, Fixtures and Books	1,224,392.14	638,644.26	585,747.88
Computer Software	110,000.00	55,733.39	54,226.61
Websites	38,500.00	2,121.72	36,378.28
Construction Work in Progress	1,020,990.60		1,020,990.60

Particular	Gross Amount	Accumulated Depreciation	Net Amount
Total	₱ 38,770,660.28	₱ 15,551,420.38	₱ 23,219,239.90

Verification and analysis of the accounts as to ownership, valuation and propriety of items composing the respective asset accounts cannot be undertaken as no RPCPPE with corresponding analysis of changes as compared with the individual Property Plant and Equipment Ledger Cards (PPELC) kept by the Accounting unit and Property Cards (PC) kept by the Property and Supply unit, was not submitted to this office.

The District maintained that they have indeed undertaken physical inventory of their PPE but because of intervening events or activities, they have not reconciled it to the individual PPELC and PC and therefore did not submit it to the Office of the Auditor. It was also revealed that Property Acknowledgement Receipt (PAR) or Memorandum Receipt (MR) for fixed assets was not renewed every three (3) years as provided by Section V, paragraph 3 of COA Circular 80-124 dated January 18, 1980.

The actual physical count of assets and its corresponding reconciliation with the accounting records is of paramount importance not only to comply with laws, rules and regulations, ensuring that they are utilized and maintained properly, but also to determine that assets recorded in the books actually exist. As inventory taking is an indispensable procedure for checking the integrity of property and custodianship, reconciliation of said RPCPPE with the Property and Supply unit's PC and the Accounting Units PPELC is indispensable to prove the accuracy of the said account, serving as check and balance or its internal control. Considering the materiality of the amount of the PPE Accounts in the financial statements and the risk of misstatement attached thereto, reconciliation of the PPE Accounts should be given utmost importance in addition to its inventory taking.

Recommendation:

We recommended that reconciliation of Report on the Physical Count of Property Plant and Equipment (RPCPPE) to the Accounting unit's Property Plant and Equipment Ledger Card (PPELC) and the Property and Supply unit's Property Card (PC) be conducted and its results be submitted to be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual. Property Accountability Receipt for these assets should be renewed every three (3) years.

Management Comments:

During the transition of responsibilities of the retiring employee, Ms. Tamboboy, to the newly designated Prop. Custodian, Ms. Galda, documentations was gradually wrapped up also as the listing handed to her from Tamboboy is incomplete in details/location/amount which makes both accounting and property supply custodia to reconcile such inventories impossible. Also, it is not made known to the knowledge of the new property custodian that PAR needs to be renewed every three years as it was not informed to her by the previous

custodian. It is only during audit the Ms. Galda was notified about it. This office will adhere to COA's recommendation and will make sure that Property Supply Unit and Accounting unit will always reconcile records in order to have proper valuation of the properties of the District.

2. Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱4,875,514.26.

In filling out the Report of Physical Count of Inventory (RPCI), Section C, D and E, Appendix 66 of Volume II of the Government Accounting Manual (GAM) provides:

C. The report shall be reconciled with the Supply Ledger Cards (SLCs) and Stock Cards (SCs) maintained by the accounting Division/Unit and Proper and /or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly.

D. The reports shall be prepared in four (4) copies and certified correct by the Inventory Committee, approved by the Head of Agency or his/her authorized representative, and verified by the COA Auditor. This shall be distributed as follows:

<i>Original</i>	-	<i>COA Auditor, through the Accounting Division/Unit</i>
<i>Copy 2</i>	-	<i>Supply and/or Property Division/Unit</i>
<i>Copy 3</i>	-	<i>Inventory Officer/Committee</i>
<i>Copy 4</i>	-	<i>Accounting Division/Unit</i>

E. The report shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

As of December 31, 2020, the balance of Inventory as reflected in the financial statements amounted to ₱ 4,875,514.26 as shown below:

Particulars	Amount
Merchandise Inventory	₱ 2,375,402.16
Accountable Forms Inventory	27,625.00
Office Supplies Inventory	60,337.97
Fuel, Oil &Lub. Inventory	0.00
Chemical & Filtering Supply Inv.	118,132.04
Plant Inventory	2,294,017.09
TOTAL	₱ 4,875,514.26

The RPCI indicating therein the reconciliation made was not submitted to this office on the above-mentioned deadlines and therefore verification and analysis of the accounts as to valuation and propriety of items composing the respective inventory accounts cannot be undertaken.

The District maintains that they have indeed undertaken physical count of their inventory but because of intervening events or activities, they have not reconciled it to the individual SLC and PC and therefore did not submit it to the Office of the Auditor.

The actual physical count of inventory and its corresponding reconciliation with the accounting records and property/supply records is of paramount importance not only to comply with laws, rules and regulations, ensuring that they are utilized and maintained properly, but also to determine that assets recorded in the books actually exist. As inventory taking is an indispensable procedure for checking the integrity of property and supply custodianship, reconciliation of said RPCI with the Property and Supply Unit's PC and the Accounting Units SLC is equally indispensable for accuracy of the account and acts as check and balance or internal control to the said account. Considering the materiality of the amount of the inventory accounts in the financial statements and the risk of misstatement attached thereto, reconciliation of the inventory accounts should be given utmost importance in addition to its inventory taking.

Recommendation:

We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II.

Management Comment:

The Property Supply Unit is on process of trning over of responsibilities from Ms. Alicia A. Tamboboy to the currently designated Property Custodian, Ms. Anna Lysel Y. Galda during the last quarter of 2019. Ms. Galda, along with the inventory committee members was able to conduct annual physical inventory together with the actual comparison of the Accounting SL card of materials but submission of copies of inventory to Accounting unit was beyond the required period, rendering the reconciliat of the Supplies & Materials ledger card from the actual inventory list remain unadjusted. Nonetheles, this office will follow COA'S recommendation and will make sure that proper inventory taking and schedlules of submission of reports be followed.

3. The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value ₱26,908,581.93 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.

Section 5 of Republic Act 656 or the Property Insurance Law provides,

Section 5. Every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however,

shall not exceed the premiums charged by private insurance companies: Provided, however, That the System reserves the right to disapprove the whole or a portion of the amount of insurance applied for: Provided, further, That such property or part thereof as may not be insurable or acceptable for insurance may be insured with any private insurance company. A municipal government below first class may upon application insure its properties in the Fund under such rules and regulations as the System may prescribe.

As can be gleaned from above, the Government Service Insurance System (GSIS) is the official government insurer and provides insurance coverage to government assets and properties that have government insurable interests. Insurable interest, as defined in RA No. 10607 (PD No. 612, as amended), otherwise known as the Insurance Code and Administrative Order No. 33 mean every interest in property, whether real or personal, or any relation, thereto, or liability in respect thereof, of such nature that a contemplated peril might directly damnify the insured.

In this connection, COA Circular 2018-002 dated May 31, 2018 was issued by the Commission reiterating adherence to RA No. 656 and to require government agencies to submit the Property Inventory Form (PIF) to the GSIS and to the Office of the Supervising Auditor/Audit Team Leader not later than April 30 of each year (Section 5.1e).

Examination of records reveal that the District has properties that have insurable interest having a book value or replacement value in the amount of ₱ 27,446,459.67 as shown below:

Infrastructure Assets, net (Dams and Reservoirs)	₱ 21,447,319.79
Transportation Equipment, net	537,877.74
Furniture, Fixtures and Books, net	585,747.88
Inventories	4,875,514.26
Total	₱ 27,446,459.67

Of the above-mentioned properties, only the vehicles or transportation equipment was insured. The rest of the properties of the District with a book value of amounting to Php 26,908,581.93 was not covered by insurance.

Inquiry revealed that the District did not know about insuring properties with the GSIS other than the transportation equipment/vehicle as it is required when renewing the registration of the said vehicles or the submission of PIF to GSIS and COA.

In these times of uncertainty, adherence to Section 5 of RA 656 by the District is important not because it is in compliance with laws, rules and regulations and provides the GSIS additional premium income for the General Insurance Fund (GIF), but it also protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty.

Recommendation:

We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss of properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.

Management Comment:

The District is currently processing the titling of the lot where the said Properties (Reservoirs/Tanks/Pump Stations) were erected. Most of the properties were supported only by Deed of Donations. Upon visit of the GSIS personnel to conduct ocular inspection of the properties, the management was informed that one of the requirements in insuring those improvements is Title of the Lot. Once the requirements will be completed, this office will make sure to insure the properties including the inventories. The head of inventory committee was also notified on the submissions of the reports using Property Inventory Form on the specified periods.

4. The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to ₱919,407.18 contravenes Sec. 7 of the District's Water District Water Service Contract and unfavorably affects the Water District operations.

Section 7 of Tubod-Baroy Water District Water Service Contract provides:

Consumption charge is payable at the Office of the Tubod-Baroy Water District from the date of the delivery of Bill notice to the CONSUMER or his duly authorized agent and shall be declared delinquent after the due date of 15 days after the date of the delivery and receipt of bill. A penalty charge of 10 percent of the current amount billed shall be made in addition to the consumption charge if the payment of the water rate is not made on or before the due date and the water service shall be disconnected 5 days after the due date without further notice. The service shall not be reconnected or re-opened again except upon payment of all amounts due plus the reconnection fee of Two Hundred Fifty pesos (P250) for the first disconnection and Five Hundred Pesos (P500) on succeeding disconnection. The failure to receive a bill does not relieve the CONSUMER of his liability under the contract for services. Any amount due shall be deemed a failing, neglecting or refusing to pay water bills be liable in a civil action by TBWD in the court of competent jurisdiction for the amount hereof.

Review of the District's Aging of Accounts Receivables disclosed that receivables amounting to P919,407.18 is classified under the "over 1 year" column but further inquiry with the District personnel revealed that some of this amount has actually remained in the asset

account for over 10 years. The whole amount is recognized and recorded as Allowance for Impairment - Account Receivables.

It is the practice of the agency to wait for 1 to 2 months before they finally disconnect the water supply for default concessionaires. The water meters for the inactive concessionaires also remained in their households for the reason that the District cannot pull them out without confirmation and a Board resolution to set up a policy for such matter. The Management once designated one employee for the collection and confirmation of the long outstanding receivables but it was not followed by any further progress or update. The long outstanding accounts receivables remained unsettled and just increasing over the years.

The District relies on its own generated income to meet its obligations. Some of the inactive accounts have not moved for more than 10 years, thus, depriving the District of the use of needed funds. Disregarding the collection of these receivables unfavorably affects agency operations.

Recommendation:

We recommended that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents.

Management Comment:

Some of the long outstanding and inactive accounts receivables remains in the book of Water District were pilferage accounts which was not settled until date due to financial constraints of the owners of the connection. The management will enforce collection through merging those inactive accounts that were proven with an existing current account with TBWD. The District made a move in 2015 by hiring an outsource personnel who will confirm the status of the listed inactive accounts. Some gradually reactivate their accounts but some are also nowhere to be found.

5. Water sales for the month of December 2019 amounting to P104,222.64 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

Philippine Accounting Standards (PAS) 18 provided for the guidelines on measuring, recognition and disclosure requirements of revenues arising from certain types of transactions and events. Revenue is recognized when it is probable that any economic benefit will flow to the entity and measured reliably.

Further, PAS 1 enumerates the general feature and overall presentation of Financial Statements for the fair presentation and compliance with the Philippine Financial Reporting Standards (PFRS). One of its considerations is the accrual basis of accounting. Accrual basis is the method of recording accounting transactions for revenue when earned and expense when incurred.

Further, according procedures requires for accruals made at the end of the accounting period, particularly for affected real accounts such as assets and liabilities, to be reversed on the first day of the following accounting period to avoid double recording of revenues and expenses to facilitate the regular or usual entry of transactions.

Tubod-Baroy Water District provides water supply for the municipalities of Tubod and Baroy. Review of District's billing summary disclosed that water meter reading is performed until the 15th of the month but this pertains for Tubod alone. They usually start from the 16th until the next due date for Baroy. The District only has 3 employees assigned and due to the wide coverage of the District, they cannot set a cut-off for the water meter reading.

Since the last billing every month is until the 15th, it can be concluded that 16 days in a 31-month period is billed the next month which actually pertains to the water consumption of Baroy concessionaires. Using historical data to provide a more reliable basis for the water consumption of Baroy concessionaires, it was estimated that P2,112,049.05 and P2,186,231.02 out of the reported billing summary for the months of January 2019 and January 2020 respectively pertained to December 2018 and December 2019 water sales thus the recorded income for the year ended 2019 is understated by a net estimate of P74,181.97.

Using prior years' data, we computed average January water sales for the District at ₱1,681,681.71 and ₱1,883,613.06 for CY 2019 and 2020 respectively :

Year	January Water Sales	Year	January Water Sales
2019	₱ 1,935,754.25	2020	₱ 2,428,066.80
2018	1,915,994.90	2019	1,935,754.25
2017	1,733,446.70	2018	1,915,994.90
2016	1,404,802.65	2017	1,733,446.70
2015	1,418,410.05	2016	1,404,802.65
Average for CY 2019	₱ 1,681,681.71	Average for CY 2020	₱ 1,883,613.06

Accrued income for the CY 2020 is estimated at ₱104,222.64 as shown below:

<i>Billing period</i>	January 2019	January 2020	Net estimate
Average Water Sales	₱ 1,681,681.71	₱ 1,883,613.06	
Portion pertaining to previous month	16 out of 31 days	16 out of 31 days	
Average Water Sales pertaining to previous month	₱ 867,964.75*	₱ 972,187.39*	₱ 104,222.64*
	*(1,681,681.71 x 16/31 = 867,964.75)	*(1,883,613.06 x 16/31 = 972,187.39)	*(972,187.39 - 867,964.75 = 104,222.64)
Effect to 2019 Income	Overstatement	Understatement	Understatement

Inquiry revealed that it was the usual practice of the District not to accrue their income and recognize it only after the billing summary was submitted to them. To prevent errors on certain accounts, the agency needs to differentiate between the revenue that they have earned versus revenue that they have not earned yet.

The non-accrual and non-recognition of the accrued income resulted to understatement of both income from water sales and accounts receivable accounts, thereby affecting the accuracy and reliability of the reported revenues for the year ended December 31, 2019.

Recommendation:

We recommend that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.

Management Comment:

The District has been following the Commercial Practice System (CPS) installed by LWUA since day one of the operation. It has been practiced by accounting division to record water sales in Billing Register every end of reading period directly to Water Sales and credit to Accounts Receivables. Thus, accrual of income has been established prior to collection of payments. Each meter reader was given 10 working days or 14 calendar days to accomplish readings of prior month's consumption of all areas/zones assigned to them for both Tubod and Baroy(1st to 14th of each month). Water bills will due starting on the 17th and ends on the 28th of each month which means all accrued income will still be collected on the same month assuming 100% collection rate.

**PART III –
STATUS OF IMPLEMENTATION OF PRIOR
YEARS' AUDIT RECOMMENDATIONS**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We made a follow-up on the action taken by the District to implement the recommendations of CY 2018 AAR and noted the following:

<u>Status of Implementation</u>	<u>No. of Recommendations</u>
Fully Implemented	9
Partially Implemented	3
Not Implemented	1

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2019-003 (TBWD)	Guidelines in Inventory-taking as stated in COA Circular 80-124 dated January 31, 1980 was not followed thus the existence and veracity of Property, Plant and Equipment Account as of September 31, 2018 in the amount of ₱ 33,112,593.90 cannot be ascertained.	Reconciliation between accounting and property custodian should be performed to ascertain the accuracy of the District records. Management should prepare Memorandum Receipt for the personnel who receive and in possession of the said District property. Property number should be assigned to the District's PPE items. This property number should be indicated in the inventory report and Memorandum Receipt. Property tags should be used whenever possible for easy inventory-taking. An invitation to the Office of the Auditor should be sent so that he or a representative can be present during inventory-taking.	Partially Implemented District is cautiously reconciling the PPE items.
2019-002 (TBWD)	The accuracy and correctness of Inventories account amounting to ₱827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.	We recommend that (a) the Inventories be valued using the Weighted Average Method and (b) the Bookkeeper record the necessary adjustment.	Fully Implemented
2019-001(TBWD)	Procurement of Supplies and Materials for the	Management should prepare its Project Procurement	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	District's Clustering Project is not in accordance with the District's Annual Procurement Plan (APP) due to its incorrect preparation reflecting the use of Shopping when the conditions for it does not exist in violation of Section 7 and Section 10 of the Implementing Rules and Regulation (IRR) of Republic Act (RA) 9184 in the amount of ₱1,167,990.00.	Management Plan (PPMP) and Annual Procurement Plan (APP) in accordance with the Section 7 of the IRR of RA 9184 keeping in mind that the default mode of procurement is public bidding in accordance with Section 10 of the same IRR. Alternative methods of procurement should be used only when the conditions for their utilization are met.	
2018-011 (TBWD)	Fidelity Bond was not posted for Accountable officers with fund accountabilities as required by Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006.	<ol style="list-style-type: none"> 1. Require the accountable officers handling government funds and property to post bond in the amount corresponding to their total cash and property accountability to afford adequate protection to the government in case when the risk insured against actually occurs. 2. Submit a copy of the Fidelity Bonds to the Auditor's Office for information and filing 	Fully Implemented
2018-009 (TBWD)	Bank Reconciliations Statements were not regularly prepared and submitted to the COA Auditor in violation of Section 74 of PD 1445 and Section 2.1.4 of COA Circular No. 92-125a dated March 4, 1992.	Prepare regularly Bank Reconciliation Statements for all bank accounts maintained by the District and submit them to the Office of the COA Auditor fifteen (15) days after the end of each month.	Fully Implemented
2018-010 (TBWD)	Long-standing and current reconciling items in the amount of ₱15,295.38 were not taken up in the books of the agency thus affecting the accuracy of the Cash in Bank account contravening the provision of Section 111 of PD 1445.	<ol style="list-style-type: none"> 1. Prepare accounting entries to reflect income earned and expenses incurred through the maintenance of current accounts in government accredited depository banks. 	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		2. Regularly prepare the monthly Bank Reconciliation Statements (BRS) in all savings/current accounts maintained by the district in the government accredited depository banks.	
2018-003 (TBWD)	The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of ₱17,414,429.63 and ₱696,678.94 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.	We recommend that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it.	Fully Implemented
2018-004 (TBWD)	The Agency did not prepare its Corporate Operating Budget as in accordance with the provisions of DBM Corporate Budget No. 22 dated December 1, 2017 and submit it to the Department of Budget and Management within the prescribed deadline.	We recommended that Management prepare its Corporate Operating Budget embodying estimates of revenues and expenditures that would serve as a guide in its operations.	Fully Implemented
2017- 002 (TBWD)	Payments for Board of Directors Honoraria/Per Diems amounting to ₱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.	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	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>(c) Minutes of meeting and Attendance Sheet as certified by the Board Secretary.</p> <p>Revise TBWD BOD Resolution No. 21, S. of 2018 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.</p>	
2018-006 (TBWD)	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 2018 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.	We recommend 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 2018 General Appropriations Act.	Fully Implemented
TBWD 2016-07 Finding No.7	The District granted Performance-Based Incentive (PBI) amounting to ₱72,576.00 to its BODs without complying with all the requirements and conditions set forth under Local Water Utilities Administration (LWUA) Memorandum Circulars 001-2017 and 002-2017 dated January 18, 2017.	Require the BODs to refund the amount of PBI received and ensure strict compliance with existing laws, rules and regulations on the grant of PBI pursuant to LWUA Memorandum Circular Nos. 001-16 and 002-16 prior to payment to prevent incurrence of irregular expenditures.	Partially implemented.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
TBWD 2017-010 Finding No.10	The net book value of Property, Plant and Equipment and total balance of Inventory account valued at ₱14,378,885.63 and ₱784,205.29, respectively are unreliable due to (a) unreconciled balance between the accounting records and the property records (b) failure to conduct physical inventory count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1.	<p>Conduct physical inventory-taking of all properties of the District and prepare a report thereon using the prescribed format;</p> <ul style="list-style-type: none"> • Require the Property Custodian to properly fill out the Inventory Report indicating therein the complete description of the items counted i.e. serial no., brand/model, type, make, capacity, size, color, volume, etc.. Also, indicate the unit cost ; and • Require the Property Custodian and the Accounting Unit to reconcile both their records. Likewise, necessary adjustments or corrections should be effected in the Books, where appropriate. 	Partially Implemented
TBWD 2017-07 Finding No.7	The District granted Performance-Based Incentive (PBI) amounting to ₱72,576.00 to its BODs without complying with all the requirements and conditions set forth under Local Water Utilities Administration (LWUA) Memorandum Circulars 001-2017 and 002-2017 dated January 18, 2017.	<ul style="list-style-type: none"> • Require the BODs to refund the amount of PBI received and ensure strict compliance with existing laws, rules and regulations on the grant of PBI pursuant to LWUA Memorandum Circular Nos. 001-16 and 002-16 prior to payment to prevent incurrence of irregular expenditures. 	Not Implemented