



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VIII
Candahug, Palo, Leyte

ANNUAL AUDIT REPORT

on the

**CALBAYOG CITY
WATER DISTRICT**
Calbayog City, Samar

For the Year Ended December 31, 2016



**Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VIII
Candahug, Palo, Leyte**

ANNUAL AUDIT REPORT

on the

**CALBAYOG CITY
WATER DISTRICT
Calbayog City, Samar**

For the Year Ended December 31, 2016



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VIII
Candahug, Palo, Leyte

RECEIVED
MA. CRISPINA Y. SAPINT
Date June 1, 2017
for Mrs

April 27, 2017

The Board of Directors
Calbayog City Water District
Calbayog City, Samar

Gentlemen/Mesdames:

RECEIVED
CALBAYOG CITY WATER DISTRICT
DATE: 06/01/17
TIME: 11:40 A.M.
SIG: *[Signature]*
BONITA C. YILGAN, MPM
CALBAYOG GENERAL MANAGER

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, otherwise known as the "Government Auditing Code of the Philippines," and in line with the Commission's continuing efforts to inform management on how fiscal responsibility has been discharged, we are pleased to transmit the report of our Audit Team on the results of the audit on the accounts and operations of the Calbayog City Water District, Calbayog City, Samar for the year ended December 31, 2016.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the Calbayog City Water District to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of presentation of the financial statements.

Accordingly, a qualified opinion was rendered on the fairness of the presentation of the financial statements due to the effects thereon of the noted deficiencies mentioned in Part II and the partially implemented as well as the unimplemented audit recommendations contained in Part III of the report which may have effects on certain accounts in the financial statements, specifically, the non-determination of the existence, condition and reliability of the Property, Plant and Equipment with a net book balance of P300,908,473.86 as presented in the financial statements as of December 31, 2016, because the physical count of properties was not completely undertaken and the corresponding report of the physical count of property, plant and equipment did not provide sufficient data and information. In addition the absence of property and accounting records do not permit the application of alternative procedures to determine the validity of this account.

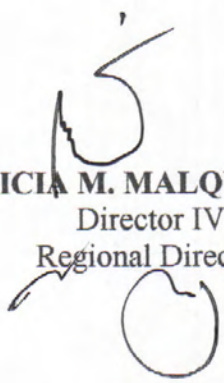
In our transmittal letter of even date to the General Manager of Calbayog City Water District, we requested her to act on the audit recommendations contained in the report and to inform this Commission through our Auditor, of the action(s) taken thereon within sixty (60) days from receipt hereof.

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

Very truly yours,

FOR THE COMMISSION ON AUDIT:

By:



ALICIA M. MALQUISTO
Director IV
Regional Director

EXECUTIVE SUMMARY

A. Introduction

1. Agency Background/Profile

The formation of the Calbayog City Water District (CCWD) began in 1986 when the Sangguniang Panglungsod of the Calbayog City passed City Resolution No. 169 dated July 22, 1986. It was on March 4, 1987, when the Local Water Utilities Administration (LWUA) issued a "Conditional Certificate of Conformance No. 284", signaling the formal creation of CCWD by authority of Presidential Decree No. 198, as amended. As of December 31, 2016, the District had a total service connections of 15,572 with active connections of 13,021, serving the different barangays of Calbayog City and five (5) barangays in nearby Municipality of Sta. Margarita. The Calbayog City Water District has three (3) main water sources, namely; Pan-as Falls, Harmonini River and Pasungon and four (4) pumping stations.

The CCWD was categorized as Category C effective March 2012 and it was re-categorized as Category B on October, 2014 and employs in its operation 51 regular employees and 51 casual employees. The District's primary office is located at J.D. Avelino St., Calbayog City, Samar.

Vision

Calbayog City Water District (CCWD) envision itself as: The Leading Water Utility in Samar by 2025.

Mission

The Calbayog City Water District (CCWD) is committed to provide safe, potable and adequate water, ensuring environmental protection, and providing technical as well as professional advancement to its employees, thus, promoting consumers' satisfaction even to the less privileged.

2. Scope of Audit and Audit Methodology

A financial and compliance audit was conducted on the accounts and operation of the agency for the year ended December 31, 2016. The audit consisted of review of operating procedures and such other procedures considered necessary to ascertain the fairness of presentation of the financial statements.

B. Financial Highlights

1. The following is the District's comparative financial conditions and results operations for calendar years 2016 and 2015:

| | 2016 | 2015 | Increase (Decrease) | % Increase (Decrease) |
|--------------------------------|----------------|----------------|------------------------|-----------------------------|
| Total Assets | 354,928,059.23 | 344,058,838.31 | 10,869,220.92 | 3.16% |
| Total Liabilities | 307,035,269.56 | 326,755,740.19 | (19,720,470.63) | (6.04%) |
| Total Equity | 47,892,789.67 | 17,303,098.12 | 30,589,691.55 | 176.79% |
| Total Income | 117,636,778.54 | 108,571,828.13 | 9,064,950.41 | 8.35% |
| Total Expenses | 86,694,495.93 | 90,695,571.85 | (4,001,075.92) | (4.41%) |
| Comprehensive Income (Loss) | 30,942,282.61 | 17,876,256.28 | 13,066,026.33 | 73.09% |

2. The following are the District's comparative budget and actual expenditures:

a. Comparative Budget -

| Particulars | 2016 | 2015 | Increase (Decrease) | % Increase (Decrease) |
|--|----------------|----------------|------------------------|-----------------------------|
| Personal Services | 25,839,020.24 | 20,651,679.09 | 5,187,341.15 | 25.12% |
| Maintenance & Other Operating Expenses | 26,120,444.15 | 30,589,765.53 | (4,469,321.38) | (14.61%) |
| Financial Expenses | 46,596,497.90 | 40,712,232.00 | 5,884,265.90 | 14.45% |
| Capital Outlay | 12,559,911.71 | 9,461,312.66 | 3,098,599.05 | 32.75% |
| Total | 111,115,874.00 | 101,414,989.28 | 9,700,884.72 | 9.57% |

b. Comparative Actual Expenditures -

| Particulars | 2016 | 2015 | Increase (Decrease) | % Increase (Decrease) |
|--|---------------|---------------|------------------------|-----------------------------|
| Personal Services | 22,007,450.80 | 22,486,898.55 | (479,447.75) | (2.13%) |
| Maintenance & Other Operating Expenses | 33,912,091.57 | 28,832,928.46 | 5,079,163.11 | 17.62% |
| Financial Expenses | 17,268,785.19 | 26,060,967.74 | (8,792,182.55) | (33.74%) |

| | | | | |
|---------------------|---------------|---------------|----------------|---------|
| Non-Cash Expenses | 13,325,853.75 | 13,129,553.60 | 196,300.15 | 1.50% |
| Discounts & Rebates | 180,314.62 | 185,223.50 | (4,908.88) | (2.65%) |
| Total | 86,694,495.93 | 90,695,571.85 | (4,001,075.92) | (4.41%) |

C. State Auditor's Opinion on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements due to the effects thereon of the noted deficiencies mentioned in Part II and the partially implemented as well as the unimplemented audit recommendations contained in Part III of the report which may have effects on certain accounts in the financial statements, specifically, the non-determination of the existence, condition and reliability of the Property, Plant and Equipment with a net book balance of P300,908,473.86 as presented in the financial statements as of December 31, 2016, because the physical count of properties was not completely undertaken and the corresponding report of the physical count of property, plant and equipment did not provide sufficient data and information. In addition the absence of property and accounting records do not permit the application of alternative procedures to determine the validity of this account.

D. Summary of Significant Observations and Recommendations

This year's audit disclosed the following significant observations and the corresponding recommendations:

1. The Report of the Physical Count of Property, Plant and Equipment (RPCPPE) did not provide sufficient and important data and information because the actual inventory of properties was not completely undertaken by the inventory team, hence existence and condition of PPE cannot be ascertained nor its balance as reflected in the financial statement ending December 31, 2016 in the total amount of P300,908,473.86 is accurate and reliable.

We recommend that the physical count of PPE must be exhaustively and completely undertaken by the inventory committee taking into consideration the sufficient time to be allotted and with the coordination, assistance and full support of the management. We further recommend that the accounting and supply sections be strictly required to maintain appropriate and complete records of all the properties. Property Acknowledgement Receipt of Equipment (PARE) must be issued to end-users whenever property and equipment is purchased or acquired by the agency. Likewise, previous issued PAREs must be renewed accordingly, and updated every three years thereafter in order that existence and condition of the properties under the custody of the end-users shall be regularly monitored and determined.

2. Rice allowance, financial assistance and medical allowance totaling P420,000.00, P320,000.00, and P215,000.00, respectively, covering the months of January to August 2016 were granted to the agency personnel. The payment of these allowances and benefits are without legal basis, thus disallowable in audit.

We recommend that the granting of rice allowance, financial assistance and medical allowance to the district's personnel should be stopped pending the outcome of COA resolution or decision to the Appeal filed by the aggrieved party on previously disallowed similar transactions. This recommendation is without prejudice to the issuance of Notice of Disallowance on the above transactions, if warranted.

3. Management failed to strictly implement existing rules and regulations pertaining to the grant and liquidation of cash advances of officials and employees of the District resulting in unliquidated balance of cash advances at year-end amounting to P334,555.50.

We recommend that management should serve a written notice of demand to the accountable officers and employees concerned for the immediate settlement and/or liquidation of their respective outstanding cash advances, and withhold the salaries of the accountable personnel concerned who continuously ignore to settle their obligations. We further recommend to stop the grant of additional cash advance to any official or employee unless the previous cash advance granted to him is first settled or a proper accounting thereof is made in accordance with Section 4.1.2 of COA Circular 97-002. Henceforth, strictly observed and comply the prescribed period of liquidation of cash advance for travel which must be within 30 days after the date of return to official station and within 20 days from the date the activity or undertaking is accomplish for special and time bound cash advance.

4. The District's average level of non-revenue water (NRW) in CY 2016 of 27.71 per cent was beyond the maximum acceptable NRW level of 20 per cent prescribed by the Local Water Utilities Administration (LWUA) because NRW reduction efforts may not have been sufficient, hence resulting in estimated annual revenue loss of P8,902,510.40.

We recommend that management enhance the District's NRW measures and programs in order to reduce the NRW level to the maximum acceptance level of 20 percent, hence generate additional revenue for the agency.

E. Summary of Total Suspensions, Disallowances and Charges as of Year-End

As of December 31, 2016, the Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed balances of P-0-, P1,792,100.00 and P-0-, respectively. Post audit of transactions for calendar year 2016 yielded results that require the issuance of pertinent Audit Decisions.

F. Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Out of the thirty two (32) audit recommendations contained in the previous year's Annual Audit Reports, twenty seven (27) were fully implemented, three (3) were partially implemented, and two (2) were not implemented.

TABLE OF CONTENTS

| | Page No. |
|--|----------|
| PART I - Audited Financial Statements | |
| Independent Auditor's Report | 1 |
| Statement of Management's Responsibility For Financial Statements | 3 |
| Financial Statements | |
| Statement of Financial Position | 4 |
| Statement of Comprehensive Income | 5 |
| Statement of Changes in Equity | 6 |
| Statement of Cash Flows | 7 |
| Notes to Financial Statements | 8 |
| PART II - Audit Observations and Recommendations | 27 |
| PART III - Status of Implementation of Prior Years' Unimplemented Audit Recommendations | 38 |
| PART IV - Annex | |

PART I – AUDITED FINANCIAL STATEMENTS

Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VIII
Corporate Government Sector-Water Districts
Candahug, Palo, Leyte

INDEPENDENT AUDITOR'S REPORT

The General Manager
The Board of Directors
Calbayog City Water District
Calbayog City, Samar

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, we have audited the accompanying combined financial statement of Calbayog City Water District, Calbayog City, Samar, which comprise the Statement of Financial Position as of December 31, 2016, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Comparative Budget and Actual and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An 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 judgement, 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 of 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 a basis for our qualified audit opinion.

Basis for Qualified Opinion

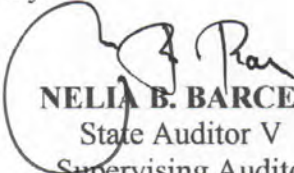
We rendered a qualified opinion on the fairness of the presentation of the financial statements due to the effects thereon of the noted deficiencies mentioned in Part II and the partially implemented as well as the unimplemented audit recommendations contained in Part III of the report which may have effects on certain accounts in the financial statements, specifically, the non-determination of the existence, condition and reliability of the Property, Plant and Equipment with a net book balance of P300,908,473.86 as presented in the financial statements as of December 31, 2016, because the physical count of properties was not completely undertaken and the corresponding report of the physical count of property, plant and equipment did not provide sufficient data and information. In addition the absence of property and accounting records do not permit the application of alternative procedures to determine the validity of this account.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, there is reasonable assurance that the financial statements referred to above present fairly in all material respects, the financial position of the Calbayog City Water District as of December 31, 2016, the results of its operations, its cash flows and changes in equity for the year then ended, in conformity with generally accepted state accounting principles.

COMMISSION ON AUDIT

By:


NELIA B. BARCENA
State Auditor V
Supervising Auditor


April 27, 2017

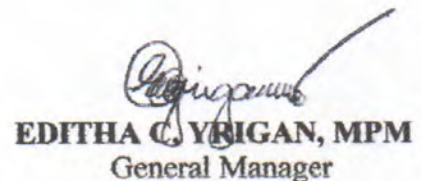
CALBAYOG CITY WATER DISTRICT
J.D Avelino St., Calabayog City Samar

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

The management of Calbayog City Water District is responsible for all information and representations contained in the accompanying Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement as of December 31, 2016 in conformity with the Philippine Financial Reporting Standard and generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure the transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.


NICANDRO B. COQUILLA
OIC - Finance Services Department


EDITHA C. YRIGAN, MPM
General Manager

CALBAYOG CITY WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
ALL FUNDS
AS AT DECEMBER 31, 2016

| Account Title | Note | 2016 | 2015 | 1-Jan-15 |
|--------------------------------------|------|-----------------------|-----------------------|-----------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash & Cash Equivalents | 2 | 30,732,439.38 | 18,227,774.20 | 15,368,263.07 |
| Accounts Receivables - Net | 3 | 14,223,842.18 | 14,274,919.95 | 15,082,033.81 |
| Inventories | 4 | 5,109,121.39 | 5,468,017.22 | 4,597,823.02 |
| Total Current Assets | | 50,065,402.95 | 37,970,711.37 | 35,048,119.90 |
| Non-Current Assets | | | | |
| Investments | 5 | - | - | - |
| Property Plant & Equipment | 6 | 300,908,473.86 | 305,916,782.87 | 304,038,262.67 |
| Intangible Assets | 7 | 340,516.00 | 28,375.40 | 38,029.52 |
| Other Assets | 8 | 3,613,666.42 | 142,968.67 | 331,365.17 |
| Total Non-Current Assets | | 304,862,656.28 | 306,088,126.94 | 304,407,657.36 |
| TOTAL ASSETS | | 354,928,059.23 | 344,058,838.31 | 339,455,777.26 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Financial Liabilities | 9 | 1,597,593.41 | 1,893,299.73 | 13,199,078.14 |
| Inter-Agency Payables | 10 | 710,073.58 | 7,104.75 | 1,814.88 |
| Trust Liabilities | 11 | 6,322,171.91 | 5,501,061.75 | 4,709,345.17 |
| Other Payables | 12 | 227,962.85 | 400.00 | 395,328.01 |
| Deferred Credits | 13 | 336,382.37 | 339,355.28 | 221,118.89 |
| Total Current Liabilities | | 9,194,184.12 | 7,741,221.51 | 18,526,685.09 |
| Non-Current Liabilities | | | | |
| Financial Liabilities | 14 | 297,841,085.44 | 319,014,518.68 | 258,216,303.43 |
| Total Non-Current Liabilities | | 297,841,085.44 | 319,014,518.68 | 258,216,303.43 |
| TOTAL LIABILITIES | | 307,035,269.56 | 326,755,740.19 | 276,742,988.52 |
| EQUITY | | | | |
| Government Equity | 15 | 10,135,866.56 | 10,135,866.56 | 10,135,866.56 |
| Retained Earnings | 16 | 37,756,923.11 | 7,167,231.56 | 52,576,922.18 |
| TOTAL EQUITY | | 47,892,789.67 | 17,303,098.12 | 62,712,788.74 |
| TOTAL LIABILITIES AND EQUITY | | 354,928,059.23 | 344,058,838.31 | 339,455,777.26 |

CALBAYOG CITY WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

| Account Title | Note | 2016 | 2015 |
|---|------|-----------------------|-----------------------|
| INCOME | | | |
| Service & Business Income | 17 | 117,253,248.75 | 103,923,051.37 |
| Shares, Grants & Donations | 17 | | 3,541,846.00 |
| Other Non-Operating Income | 17 | 383,529.79 | 1,106,930.76 |
| Total Income | | 117,636,778.54 | 108,571,828.13 |
| EXPENSES | | | |
| Personnel Services | 18 | 22,007,450.80 | 22,486,898.55 |
| Maintenance & Other Operating Expenses | 19 | 33,307,098.55 | 28,452,451.25 |
| Other Maintenance and Operating Expenses | 20 | 604,993.02 | 380,477.21 |
| Financial Expenses | 21 | 17,268,785.19 | 26,060,967.74 |
| Non-Cash Expenses | 22 | 13,325,853.75 | 13,129,553.60 |
| Discounts and Rebates | 23 | 180,314.62 | 185,223.50 |
| Total Expenses | | 86,694,495.93 | 90,695,571.85 |
| Profit/(Loss) Before Tax | | 30,942,282.61 | 17,876,256.28 |
| Income Tax Expense | | - | - |
| Net Income/(Loss) | | 30,942,282.61 | 17,876,256.28 |
| Other Comprehensive Income/(Loss) for the Period | | - | - |
| Comprehensive Income/(Loss) | | 30,942,282.61 | 17,876,256.28 |

CALBAYOG CITY WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Contributed Capital | Retained Earnings/ (Deficit) | TOTAL |
|---|------------------------|---------------------------------|----------------------|
| BALANCE AT JANUARY 1, 2015 | 10,178,366.56 | 52,576,922.18 | 62,755,288.74 |
| ADJUSTMENTS: | | | |
| Add/(Deduct): | | | |
| Changes in Accounting Policy | | | - |
| Prior Period Errors | | | - |
| Other Adjustments | (42,500.00) | (63,285,946.90) | (63,328,446.90) |
| RESTATED BALANCE AT JANUARY 1, 2015 | <u>10,135,866.56</u> | <u>(10,709,024.72)</u> | <u>(573,158.16)</u> |
| CHANGES IN EQUITY FOR 2015 | | | |
| Add/(Deduct): | | | |
| Issuance of Share Capital | | | - |
| Additional Capital from National Government | | | - |
| Members Contribution | | | - |
| Comprehensive Income for the year | | 17,876,256.28 | 17,876,256.28 |
| Dividends | | | - |
| Other Adjustment | | | - |
| BALANCE AT DECEMBER 31, 2015 | <u>10,135,866.56</u> | <u>7,167,231.56</u> | <u>17,303,098.12</u> |
| CHANGES IN EQUITY FOR 2016 | | | |
| Add/(Deduct): | | | |
| Issuance of Share Capital | | | - |
| Additional Capital from National Government | | | - |
| Members Contribution | | | - |
| Comprehensive Income for the year | | 30,942,282.61 | 30,942,282.61 |
| Dividends | | | - |
| Other Adjustment | | (352,591.06) | (352,591.06) |
| BALANCE AT DECEMBER 31, 2016 | <u>10,135,866.56</u> | <u>37,756,923.11</u> | <u>47,892,789.67</u> |

CALBAYOG CITY WATER DISTRICT
Cash Flow Statement
For the Year Ended December 31, 2016
(Amounts in Philippine Peso)

| <u>Cash Flows from Operating Activities</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------------|-----------------------|
| Cash Inflows: | | |
| Collection of Water Bills | 112,103,321.70 | 99,678,244.80 |
| Collection of Other Water Revenues | 4,243,505.60 | 4,698,855.20 |
| Collection of Customer's Deposit | 925,888.83 | 888,061.84 |
| Settlement Account Receivable - Illegal Fees | 418,346.08 | 455,908.96 |
| Refund of overpayment of expenses and Cash Advances | 13,603.29 | 42,667.49 |
| Sale of tapping materials | 1,601,006.02 | 1,413,735.66 |
| Settlement of Account Receivable - Materials | 3,325.66 | 13,482.68 |
| Settlement of Other Receivable - Miscellaneous Fees | 125.00 | 2,285.00 |
| Settlement of Other Receivable/ Advance payment (water sales) | 163,604.48 | 237,381.32 |
| Settlement Account Receivable - Meter Maintenance | 115,809.89 | 250,773.62 |
| Other Receipts/Scrap/Bidding fees/INLIP/ cash bond/LWUA :PAN-AS | 25,500.69 | 6,849,737.00 |
| Liquidation of payroll fund/Working Fund/Cash Fund | 72,810.31 | 29,966.74 |
| Total Cash Inflows | 119,686,847.55 | 114,561,100.31 |
| Cash Outflows: | | |
| Payment of Operating Expenses: | | |
| Salaries | 6,359,795.28 | 6,491,844.57 |
| Wages | 4,962,642.42 | 4,875,390.84 |
| Benefits and Allowances | 8,452,531.29 | 6,781,238.86 |
| Fuel and Lubricants | 1,873,399.02 | 3,949,676.27 |
| Power/Electricity | 13,917,365.32 | 10,831,393.82 |
| Chemicals | 2,215,595.21 | 1,304,272.67 |
| Other Operation and Maint. Expenses | 14,509,527.11 | 27,094,526.24 |
| CAPEX | 1,456,166.12 | 1,815,940.19 |
| Remittance of Withholding Taxes | 4,401,534.68 | 5,512,192.82 |
| Remittance of CRIS/PAG-IBIG/Philhealth & other loans of employees | 9,765,271.30 | 7,536,530.44 |
| Total Cash Outflows | 67,913,827.75 | 76,193,006.72 |
| Total Cash Provided (used) by Operating Activities | 51,773,019.80 | 38,368,093.59 |
| Cash Flows from Investing Activities: | | |
| Cash Inflows: | | |
| Deposit for reserved funds | 6,308,379.00 | 3,414,553.56 |
| Fund transfer to current account | 0.00 | 0.00 |
| Interest Earned from deposits | 5,124.10 | 51,925.01 |
| Total Cash Inflows | 6,313,503.10 | 3,466,478.57 |
| Cash Outflows: | | |
| Fund transfer to/from time deposit accounts | 6,308,379.00 | |
| Total Cash Outflows | 6,308,379.00 | 3,414,553.56 |
| Total Cash Provided (Used) by Investing Activities | 5,124.10 | 3,414,553.56 |
| Cash Flows from Financing Activities | | |
| Cash Inflows: | | |
| Proceeds from Borrowing (Loans Payable) | | |
| Cash Outflows: | | |
| Cash payment of interest on loans payable and other fin. Charges | 18,380,098.59 | 29,581,968.01 |
| Payments of Principal loans(DBP) | 20,062,119.84 | 10,499,775.77 |
| Total Cash Outflows | 38,442,218.43 | 40,081,743.78 |
| Total Cash Provided (used) by Financing Activities | 38,442,218.43 | 40,081,743.78 |
| Cash Provided by Operating, Investing and Financing Activities | 13,335,925.47 | (1,661,725.18) |
| Add: Cash and Cash Equivalents-Beginning | 18,233,795.61 | 15,492,112.44 |
| Add/Less :Adjustment(Add/and unliquidated payroll/Charge to Retained Earning | (837,281.70) | 4,397,386.94 |
| Cash and Cash Equivalents, Ending | 30,732,439.38 | 18,227,774.20 |

**CALBAYOG CITY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Company Profile

The formation of the Calbayog City Water District (CCWD) begun in 1986 when the Sanguniang Panglunsod of the Calbayog City passed City Resolution No. 169 dated July 22, 1986, in accordance with Presidential Decree No. 198, as amended by the Presidential Decree No. 769, known as the Provincial Water Utilities Act of 1978, declaring a national policy favoring local operation and control of water system; authorizing the formulation of local water district. The purpose is to improve the entire water system and to provide safe, potable, reliable and sufficient water supply to the constituent of the city.

On March 4, 1987, a Conditional Certificate of Conformance No. 284 was issued to newly formed water district by the Local Water Utilities Administration (LWUA) and operate as a quasi-public entity.

On September 13, 1991, a decision/resolution was rendered by the Supreme Court declaring all local water districts as government-owned and controlled corporation (G.R. No. 95237-38). The CCWD is located within the city proper and has been operational 29 years. Its primary objective is to install, improve, maintain, and operate the water supply and distribution system and provide safe, potable, and sustainable water supply for residential, commercial, and industrial consumers with commitment of efficient service and ensuring the protection and preservation of our natural resources in the watershed area.

The Calbayog City Water District has three (3) sources, namely Pan-As, Pasungon, and Hamonini River. The District has total service connections of 15,572, active connections 13,021 as of December 31, 2016. Calbayog City Water District is a non-profit oriented and receives no subsidy from the national government. The revenue raised is solely from the concessionaire's monthly payments of water bills other installation costs.

VISION

Calbayog City Water District (CCWD) envisioned itself as: The Leading Water Utility in Samar by 2025.

MISSION

The Calbayog City Water District (CCWD) is committed to provide safe, potable and adequate, water, ensuring environmental protection, and providing

technical as well as professional advancement to its employees, thus, promoting consumers' satisfaction even to the less privileged.

GOALS

- a. Increase service coverage
- b. Increase active service connection to 15,000 by year 2018
- c. Improve water supply and customer service
- d. Reduce Non-Revenue-Water (NRW)
- e. Improve financial viability
- f. Environmental Protection and Rehabilitation in Watershed area
- g. Improve Organizational Efficiency and Productivity

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statement of the CCWD are presented in accordance with the Philippine Financial Reporting Standards (PFRS) which are adopted by the Commission on Audit. Accounting Policies applied by the District are set out below.

Statement of Compliance

The Financial Statement of the District has been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) as per COA Circular No. 2015-010 dated December 01, 2015.

Basis of Measurement

These Financial Statements are prepared in accordance with the Historical Cost Convention.

Functional and Presentation Currency

The Districts Financial Statement are presented in Philippine Peso (Php) which is the CCWD functional currency.

Current vs Noncurrent Classification

The District presents Assets and Liabilities in the Statement of Financial Position in liquidation based on current/non-current classification. Assets are current when it is: Expected to be realized or intended to be sold or consumed in the normal operating cycle held primarily for the purpose of trading expected to be realized within 12 months after the end of the reporting period, or

Cash on hand and cash in banks unless restricted from being exchanged or used to settle a liability for at least 12 months after the end of the reporting period. All other assets are classified as non-current. A liability is current when it is: Expected to be settled in normal operating cycle Held primarily for the purpose of trading due to be settled within 12 months after the end of the reporting period, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period. The District classifies all other liabilities as non-current.

Cash

Cash includes cash on hand and deposits held by banks. Cash is carried in the Statement of Financial Position at face value or nominal amount. Cash in banks earn interest at the respective bank deposit.

Receivables

Receivables are recognized initially at the transaction price. A provision for impairment of receivables is established when there is objective evidence that CCWD will not be able to collect all amounts due according to the original terms of the receivables. Receivables that are classified as current assets in the statement of financial position are measured at the undiscounted amount of the cash or other consideration expected to be received.

Property Plant and Equipment

Items of Property Plant and Equipment (PPE) are initially recognized at cost less any subsequent accumulated depreciation and any impairment in value. Initial cost includes the purchase price and other directly attributable cost of bringing the asset to its working condition for intended use. Subsequent cost are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that an increase of future economic benefits in excess of the originally assessed standard performance of the existing assets will flow to the District and the cost of the item can be measured reliably. Expenditures for repairs and maintenance are charged to profit and loss during the financial period in which they are incurred. Depreciation is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method. The following estimated useful lives are used for the depreciation of PPE:

| Category | Estimated Useful Life |
|------------------|-----------------------|
| Building | 10 years |
| Office equipment | 2 - 3 years |

| | |
|----------------------------|-------------|
| Transportation equipment | 2 - 3 years |
| Machinery and equipments | 2 - 3 years |
| Tools and other equipments | 3 years |

The asset's estimated useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of significant changes since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount. An item of PPE is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit or loss in the year the asset is derecognized. Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge to depreciation is made with respect to those assets.

Payables

Payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Payables that are classified as current liabilities in the statement of financial position are measured at the undiscounted amount of the cash and other consideration expected to be paid.

Government Equity

Government equity pertains to the monetary contributions made by the National Government, Local Government Unit and other related parties. The contribution is not available for distribution since the primary purpose of such is to be used in the District's operation.

Retained Earnings includes all current period results as disclosed in the Income Statement and prior period adjustments.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the District and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of the business.

Metered Sales (Water Sales) - revenue is recognized when water consumptions for a particular period are billed to the concessionaires.

Other Business Income - revenue is recognized when other service fees are charged and paid by the concessionaires for availing of other services.

Service Income - revenue is recognized when interest/surcharges are charged and paid by the concessionaires for overdue accounts and illegal fees imposed.

Miscellaneous Income - are recognized upon delivery of other services or goods not in the ordinary course of the District's operation.

Expense Recognition

The District adopts the accrual basis of accounting for expense recognition. Under this method, all expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate.

2. CASH EQUIVALENTS

Cash on Hand is composed of the following:

Cash Collecting Officer - represents the undeposited collections on the last working day of the year, which were deposited on the first working day of the following year.

Petty Cash Fund - composes the working fund and cash fund of the District for emergency and petty expenses.

| | 2016 | 2015 |
|---------------------------------------|----------------------|----------------------|
| Cash & Cash Equivalentents | 30,732,439.38 | 18,227,774.20 |
| Cash on Hand | | |
| Cash Collecting Officer | 688,835.89 | 596,352.22 |
| Petty Cash | 5,000.00 | 5,000.00 |
| Total | 693,835.89 | 601,352.22 |

Cash in Bank - represents the actual cash deposits from various bank in the City of Calbayog and Catbalogan in the province of Samar.

| Cash in Banks - Local Currency | Account No. | 2016 | 2015 |
|--|-----------------|----------------------|---------------------|
| Cash in Banks - Local Currency, Current Account | | | |
| PNB Current Account | 341666000010 | 566,542.77 | 683,062.95 |
| LBP Current Account | 2172103823 | 9,097,974.74 | 3,585,965.01 |
| | | 1,948,164.65 | 2,133,335.50 |
| LBP Current Acct (Pan-as) | 2172106849 | | |
| DBP Current Account | 0730-038232-030 | 1,000,000.00 | 1,000,000.00 |
| Sub-total | | 12,612,682.16 | 7,402,363.46 |
| Cash in Banks - Local Currency, Savings Account | | | |
| PNB Savings Account | 342136900017 | 1,056,734.76 | 223,760.46 |
| PNB Waterbill Payment | 341666000028 | 253,155.07 | 197,769.66 |
| Sub-total | | 1,309,889.83 | 421,530.12 |
| Total | | 13,922,571.99 | 7,823,893.58 |

Cash Equivalents - represents short-term investments which are highly liquid in the form of Time Deposits.

| Cash Equivalents | 2016 | 2015 |
|--------------------------------|----------------------|---------------------|
| Time Deposits - Local Currency | | |
| <i>DBP Time Deposit</i> | 5,474,739.96 | 5,474,739.96 |
| <i>DBP Time Deposit (7%)</i> | 8,808,379.00 | 2,500,000.00 |
| <i>PNB Time Deposit (3%)</i> | 1,832,912.54 | 1,827,788.44 |
| Total | 16,116,031.50 | 9,802,528.40 |

3. Receivables

This account represents the unpaid water sales for the given period which remains Outstanding.

| | 2016 | 2015 |
|---------------------------------------|----------------------|----------------------|
| Receivables | 14,223,842.18 | 14,274,919.95 |
| Accounts Receivable | | |
| Customers - Regular | 9,676,498.57 | 9,726,172.11 |
| Illegal Fees | 637,610.11 | 629,193.69 |
| sub-total | 10,314,108.68 | 10,355,365.80 |
| Allowance for Doubtful Accounts | (2,222,764.84) | (2,222,764.84) |
| Accounts Receivable - Net | 8,091,343.84 | 8,132,600.96 |
| Inter-Agency Receivables | | |
| Due from National Government Agencies | | |

| | | |
|--------------------------------|---------------------|---------------------|
| Non LWUA Initiated Fund (NILF) | 4,537,938.72 | 4,537,938.72 |
| Cash Bond - DPWH | 141,584.56 | 141,584.56 |
| Total | 4,679,523.28 | 4,679,523.28 |

| | | |
|-------------------------------|---------------------|---------------------|
| Other Receivables | | |
| Disallowance/Charges | 1,092,877.83 | 1,092,877.83 |
| Due from Officers & Employees | | |
| Rosemay Felices | 16,972.72 | 16,972.72 |
| Allan Pelotos | 3,166.65 | 3,166.65 |
| Nerissa Uy | 11,222.52 | 11,222.52 |
| Jessel Biliran | (1,693.56) | 373.82 |
| Ma. Teresa G. Ygrubay | 41,916.15 | 41,916.15 |
| Erwin Rojas (200)/ Saturnino | 5,179.14 | 200.00 |
| Other Receivables | | |
| Materials | 46,598.03 | 48,572.85 |
| Meter Maintenance | 234,920.30 | 245,552.89 |
| Miscellaneous Fees | 1,815.28 | 1,940.28 |
| Total | 1,452,975.06 | 1,462,795.71 |

4. Inventory

This consists of various materials and supplies intended for the concessionaires and for future use of the District.

| | | |
|---|--------------|--------------|
| | 2016 | 2015 |
| Other Supplies & Materials for Distribution | 5,109,121.39 | 5,468,017.22 |

5. Investments

The District has no investment in any money markets or financial institution this period.

6. Property, Plant and Equipment (PPE)

| | | |
|---|-----------------------|-----------------------|
| | 2016 | 2017 |
| Property, Plant & Equipments | 300,908,473.86 | 305,916,782.87 |
| Land | 8,725,312.11 | 6,955,362.11 |
| Land Improvements | | |
| Other Land Improvements | - | - |

| | | |
|--|-----------------------|-----------------------|
| Infrastructure Assets | | |
| Water Supply System | | |
| Plant (UPIS) | | |
| <i>Springs and Tunnels</i> | - | - |
| <i>Other Pumping Plant</i> | 644,010.63 | 644,010.63 |
| <i>Transmission and Distribution Mains</i> | 342,303,756.85 | 341,656,146.85 |
| <i>Meters</i> | 13,193,655.48 | 10,754,392.40 |
| <i>Meter Installation</i> | 243,945.75 | 227,999.54 |
| <i>Hydrants</i> | - | - |
| Less: Accumulated Depreciation - Plant (UPIS) | 93,194,336.65 | 81,333,506.49 |
| Net | 263,191,032.06 | 271,949,042.93 |
| Building and Other Structures | | |
| <i>Building</i> | 1,468,290.50 | 1,281,053.00 |
| <i>Water Plant, Structures & Improvements</i> | | |
| <i>Pumping Plant Structures and Improvements</i> | 610,651.25 | 607,753.52 |
| <i>Water Treatment Structures and Improvements</i> | 717,268.00 | 717,268.00 |
| Transmission & Dist. Struct. Equity | 824,812.07 | 10,950.00 |
| sub-total | 3,621,021.82 | 2,617,024.52 |
| Less: Accumulated Depreciation -Buildings and Other Structures | 2,218,658.45 | 2,135,695.77 |
| Net | 1,402,363.37 | 481,328.75 |
| Machinery & Equipment | | |
| Office Equipment | 3,174,914.83 | 2,866,056.20 |
| Less: Accumulated Depreciation -Office Equipment | 2,059,641.81 | 1,696,600.42 |
| Net | 1,115,273.02 | 1,169,455.78 |
| Technical & Scientific Equipment | | |
| Laboratory Equipments | 1,324,073.44 | 1,324,073.44 |
| Less: Accumulated Depreciation -Laboratory Equipment | 848,044.61 | 720,491.57 |
| Net | 476,028.83 | 603,581.87 |
| Other Machinery and Equipment | | |
| <i>Pumping Equipment</i> | 4,519,388.00 | 4,376,416.00 |
| <i>Water Treatment Equipment/Other Machinery</i> | 440,830.00 | 440,830.00 |
| <i>Communication Equipment</i> | 916,377.53 | 913,237.53 |
| <i>Electrical Equipment</i> | 1,582,879.75 | 1,582,879.75 |
| <i>Tools, Shop and Garage Equipment</i> | 229,639.50 | 227,541.50 |
| sub-total | 7,689,114.78 | 7,540,904.78 |
| Less: Accumulated Depreciation -Other Machinery and Equipment | 2,971,339.50 | 2,397,488.11 |

| | | |
|---|---------------------|---------------------|
| Net | 4,717,775.28 | 5,143,416.67 |
| Transportation Equipment | | |
| Motor Vehicles | 3,959,481.34 | 3,052,433.34 |
| Less: Accumulated Depreciation -Land Transport Equipment | 2,191,716.93 | 1,946,382.81 |
| Net | 1,767,764.41 | 1,106,050.53 |
| Furniture, Fixtures & Books | | |
| Furniture's & Fixtures | 776,273.06 | 615,251.12 |
| Less: Accumulated Depreciation-Furniture and Fixtures | 492,224.97 | 427,793.40 |
| Books | - | - |
| Less: Accumulated Depreciation-Books | - | - |
| Net | 284,048.09 | 187,457.72 |

CCWD management believes that there is no indication of impairment on the District's property and equipment and that its carrying amount can be recovered through use in operation.

Construction in Progress

Construction in-progress is stated at cost, project costs are accrued base on contractor's accomplishment reports and billings. These represent cost incurred for technical services and capital work program contracted by the District to facilitate the implementation of the project.

Construction in-progress is transferred to the related PPEs account when the construction and installation and related activities necessary to prepare the assets for their intended use have been completed and ready for service.

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Construction in Progress | 19,228,876.69 | 18,321,086.51 |
| Construction in Progress-Infrastructure Assets | | |
| <i>Construction in Progress - Pumping Vertical</i> | 85,423.50 | 85,423.50 |
| <i>Construction in Progress - Façade</i> | 86,873.90 | 86,873.90 |
| <i>Construction in Progress - China Leak Repair</i> | 67,160.00 | 67,160.00 |
| <i>Construction in Progress - Obrero</i> | 153,183.36 | 153,183.36 |
| <i>Construction in Progress - Cagbilwang</i> | 56,110.00 | 56,110.00 |
| <i>Construction in Progress - San Policarpo/Plant</i> | 70,900.00 | 70,900.00 |

| | | |
|--|----------------------|----------------------|
| <i>Construction in Progress - San Policarpo/Plant</i> | 70,900.00 | 70,900.00 |
| <i>Construction in Progress- Pan as/Pasungon Plant</i> | 4,812,848.47 | 4,812,848.47 |
| <i>Repair L-300</i> | 32,500.00 | 32,500.00 |
| | 165,000.00 | - |
| Total | 5,529,999.23 | 5,364,999.23 |
| Construction in Progress-Buildings & Structures | | |
| <i>Building-Capoocan</i> | 1,277,480.29 | 1,277,480.29 |
| <i>Warehouse/Stockyard</i> | 333,007.21 | 333,007.21 |
| <i>Labiyao Bridge</i> | 2,354,274.92 | 2,354,274.92 |
| <i>Bunkhouse- panlayahan</i> | 47,940.21 | 16,227.01 |
| <i>Bankhouse - Rawis</i> | 4,344.70 | 4,344.70 |
| <i>Pagsangjan Pipe Bridge Crossing / Support</i> | 1,176,000.00 | 1,176,000.00 |
| <i>Pan-as Rehabilitation</i> | 7,933,800.13 | 7,386,878.15 |
| <i>Expansion at San Policarpo (Caruyan)</i> | 102,280.00 | - |
| Total | 13,229,127.46 | 12,548,212.28 |
| Development in Progress | | |
| <i>Computerization System</i> | 426,000.00 | 386,000.00 |
| <i>Website</i> | 43,750.00 | 21,875.00 |
| Total | 469,750.00 | 407,875.00 |

7. Intangible Assets

Intangible Assets

Computer Software - are initially recognized at cost, purchase price (net of any discounts and rebates) and any attributable cost of preparing the asset for its intended use. Any expenditures incurred which enhances the assets is capitalized, other cost incurred for maintaining the asset are expensed in the period in which such expenditure arises.

| | 2016 | 2015 |
|--|-------------------|------------------|
| Intangible Assets | | |
| Computer Software | 708,692.70 | 388,692.70 |
| Accumulated Amortization - IT Software | (368,176.70) | (360,317.30) |
| Net | 340,516.00 | 28,375.40 |

8. Other Assets

Other assets consist of the following accounts:

Advance for Payroll - represents the amount granted to the Disbursing Officer for payments of salaries, wages, honoraria, allowances and other personnel benefits and bonuses. This account is closed upon liquidation of the payroll fund.

Advances to Officers and Employees - this represents the cash advances of officers and Employees of the District incurred during approved official travels for various purposes in connection with the Districts operation.

Other Deferred Charges - this account represents the taxes withheld by the District from Government Entities, LGU's and Government Owned or Controlled Corporations.

| | 2016 | 2015 |
|--|---------------------|-------------------|
| Other Assets | 3,613,666.42 | 142,968.67 |
| Advances | | |
| Advances for Payroll | 3,276,400.00 | 6,021.41 |
| Advances to Officers and Employees | 334,555.50 | 137,130.50 |
| Total | 3,610,955.50 | 143,151.91 |
| Other Deferred Charges | | |
| Preliminary Survey and Investigation Charges | 29,400.00 | 29,400.00 |
| Deferred Charges - Franchise Tax Withheld | (29,210.70) | (32,104.86) |
| Deferred Charges-Franchise (Senior Citizen) | 2,521.62 | 2,521.62 |
| Total | 2,710.92 | (183.24) |

Prepayments

The District has no prepaid expenses this period.

9. Financial Liabilities

This account represents the current obligation of the District which is expected to mature within a year from the balance sheet date.

Payments for expenditures and other payables are temporarily charged to Accounts Payable until actual payments are made.

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Payables | 1,597,593.41 | 1,893,299.73 |
| Accounts Payable | 1,593,276.29 | 1,888,982.61 |
| Due to Officers & Employees (SSS Refund) | 3,317.12 | 3,317.12 |
| Bond Payable | 1,000.00 | 1,000.00 |

10. Inter-Agency Payables

This account represents unremitted taxes, contributions, employee's loans and other payables to the concerned Government Agencies.

| | 2016 | 2015 |
|---|-------------------|-----------------|
| Inter-Agency Payables | 710,073.58 | 7,104.75 |
| Due to BIR | 261,029.33 | 6,021.41 |
| Withholding Tax on Compensation (Employees) | 105,542.93 | 6,021.41 |
| Expanded Withholding Tax (Suppliers) | 155,486.40 | - |
| Due to GSIS | 292,707.51 | 1,083.34 |
| <i>Life and Retirement Premium</i> | 142,735.46 | - |
| <i>UOLI Premium Payable</i> | 496.92 | - |
| <i>ECC</i> | - | - |
| <i>GSIS Salary Loans Payable</i> | 105,350.49 | - |
| <i>GSIS Policy Loan Payable</i> | 5,600.00 | 100.00 |
| <i>GSIS Emergency Loan Payable</i> | 33,533.56 | 983.34 |
| <i>GSIS Housing Loan Payable</i> | 4,651.08 | - |
| <i>GSIS - SOS Loan</i> | - | - |
| <i>GSIS Cash Advance Payable</i> | - | - |
| <i>GSIS - Educational Loan</i> | 340.00 | - |
| <i>UOLI Loans Payable</i> | - | - |
| Due to Pag-IBIG | 63,125.48 | - |
| <i>Pag-IBIG Premium</i> | 31,718.99 | - |
| <i>Pag-IBIG Multi-Purpose Loan</i> | 31,406.49 | - |
| <i>Pag-IBIG Housing Loan</i> | - | - |
| Due to PhilHealth | 17,912.50 | - |
| Due to Government Corporations | 75,298.76 | - |
| <i>DBP Loans Payable</i> | 75,298.76 | - |
| <i>Due to SSS</i> | - | - |
| Value Added Tax Payable | - | - |
| Income Tax Payable | - | - |

11. Trust Liabilities

Customer's Deposit

This account represents the advances collected from customers/concessionaires in the event that any outstanding receivables could not be collected on time.

The amount of advance payments is based on the initial assessment upon initial registration/ new connections equivalent in two (2) months worth of deposit.

| | 2016 | 2015 |
|-----------------------------|--------------|--------------|
| Customers' Deposits Payable | 6,322,171.91 | 5,501,061.75 |

12. Other Payables

This account represents the District liabilities which cannot be classified as current and noncurrent and other payables from non Government Entities which are short term in nature.

| | 2016 | 2015 |
|-------------------------|-------------------|---------------|
| Other Payables | | |
| CFI Loans | 63,494.43 | 250.00 |
| CCWDEA Premium | (31,100.00) | - |
| CCWDEA Loans | 19,338.11 | - |
| Provident Funds Premium | 23,250.00 | 150.00 |
| Provident Loans | 78,858.10 | - |
| OCCCI Loans | 74,122.21 | - |
| Total | 227,962.85 | 400.00 |

13. Deferred Credits

This account represents other liabilities of the District which are not classified to specific group of accounts.

| | 2016 | 2015 |
|-------------------------------|-------------------|-------------------|
| Other Deferred Credits | | |
| Advance Payment | 44,019.39 | 15,814.61 |
| Paid Materials | 237,001.30 | 240,663.02 |
| PN Materials | 59,905.76 | 58,537.51 |
| Water Sales | (9,544.08) | 19,340.14 |
| Surety bond/cash bond | 5,000.00 | 5,000.00 |
| Total | 336,382.37 | 339,355.28 |

14. Financial Liabilities - Noncurrent

This account represents the long term loans granted by Government Agencies or Government Owned or Controlled Corporations (GOCC) to the District for its operation and related projects.

| | 2016 | 2015 |
|---------------------------------|-----------------------|-----------------------|
| Loans Payable - Domestic | | |
| LWUA PAN -AS | 3,541,846.00 | 3,541,846.00 |
| DBP | 294,299,239.44 | 315,472,672.68 |
| Total | 297,841,085.44 | 319,014,518.68 |

Total loan refinanced by Development Bank of the Philippines (DBP) amounts to 317,237,125.45 last November 16, 2015. CCWD started paying the said loan last December 16, 2015, with a total principal payment of 22,937,886.01 and total interest paid amounting to 18,737,328.62 as of December 31, 2016.

No payments were made for LWUA account this year.

15. Government Equity

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Government Equity | 10,135,866.56 | 10,135,866.56 |
| Accumulated Surplus/(Deficit) | (42,500.00) | (42,500.00) |
| Contributed Capital | 10,178,366.56 | 10,178,366.56 |
| <i>Capital Contribution - National Govt.</i> | 5,760,287.56 | 5,760,287.56 |
| <i>Capital Contribution - LGU</i> | 3,418,079.00 | 3,418,079.00 |
| <i>Capital Contribution - LINGAP</i> | 1,000,000.00 | 1,000,000.00 |

16. Retained Earnings

This account represents the Districts total income/earnings as a result of past operation base on the income statement for the current period.

| | 2016 | 2015 |
|-----------------------------------|--------------|-----------------|
| Retained Earnings - Dec. 31, 2015 | 7,167,231.56 | 52,576,922.18 |
| Prior period errors/adjustments | (352,591.06) | (63,285,946.90) |

| | | |
|---|----------------------|---------------------|
| Change in Accounting Policy | | |
| Corrected Beg Balance | 6,814,640.50 | (10,709,024.72) |
| Add: Comprehensive Income | 30,942,282.61 | 17,876,256.28 |
| Dividends | - | - |
| Appropriated for Contingencies | - | - |
| Retained Earnings – Dec 31, 2016 | 37,756,923.11 | 7,167,231.56 |

17. Income

This account pertains to the charges billed to the concessionaires which amounted to 117,636,778.54 for CY 2016.

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| Income | | |
| Service and Business Income | | |
| Business Income | | |
| Waterworks System Fees | | |
| Metered Sales Regular | 110,711,931.60 | 97,605,951.05 |
| Other Waterworks System Fees | 34,248.57 | 12,490.94 |
| sub-total | 110,746,180.17 | 97,618,441.99 |
| Other Business Income | | |
| Misc. Service Revenue | 2,147,383.58 | 2,151,317.23 |
| Rent of Water Property | 2,638.78 | - |
| Meter Rental Maintenance | 1,973,086.36 | 1,668,329.31 |
| sub-total | 4,123,108.72 | 3,819,646.54 |
| Service Income | | |
| Fines/Penalties-Business Service Income | | |
| Penalty Charges-Overdue Water | | |
| Bills | 1,955,197.36 | 1,977,962.84 |
| Penalty Charges-Illegal Connections | 428,762.50 | 507,000.00 |
| sub-total | 2,383,959.86 | 2,484,962.84 |
| Total Service and Business Income | 117,253,248.75 | 103,923,051.37 |
| Grant/Donations (Pan-as) | | 3,541,846.00 |
| Other Non-Operating Income | | |
| Interest Income | | |
| Due from Other Banks | 5,124.10 | 51,925.01 |
| Miscellaneous Income | | |
| Materials | 310,291.71 | 217,259.92 |
| Bidding fees | 30,766.54 | 27,000.00 |

| | | |
|-----------------------------------|-----------------------|-----------------------|
| Scrap/ Insurance refund strada | 30,043.56 | 785,445.97 |
| OCCCI | - | 15,867.49 |
| Cfl Incentive | 7,303.88 | 9,432.37 |
| sub-total | 378,405.69 | 1,055,005.75 |
| Total Non-operating Income | 383,529.79 | 1,106,930.76 |
| Total Income | 117,636,778.54 | 108,571,828.13 |

18. Personnel Services

This account pertains to the salaries and wages paid to the employees of the CCWD for the CY 2016, which includes all remuneration, allowances bonuses and honorariums to the top management of the District.

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Personnel Services | 22,007,450.80 | 22,486,898.55 |
| Salaries & Wages - Regular | 12,263,524.16 | 10,176,596.11 |
| Salaries & Wages - Casual/Contractual | 1,011,751.48 | 661,013.04 |
| Personnel Economic Relief Allowance (PERA) | 608,500.07 | 262,738.63 |
| Additional Compensation (ADCOM) | 547,500.00 | 790,022.73 |
| Representation Allowance | 340,750.00 | 282,000.00 |
| Transportation Allowance | 340,750.00 | 282,000.00 |
| Clothing and Uniform Allowance | 215,000.00 | 215,000.00 |
| Honoraria (Director's fees & Remuneration) | 797,868.00 | 782,316.00 |
| Year End Bonus | 2,192,108.00 | 1,070,421.00 |
| Other Bonuses & Allowances | 915,000.00 | 5,622,382.54 |
| Personnel Benefit Contribution | | |
| <i>Retirement & Life Insurance</i> | | |
| <i>Premiums (GSIS)</i> | 1,507,770.63 | 1,207,195.24 |
| <i>Pag-ibig Contribution</i> | 68,746.95 | 52,650.00 |
| <i>Phil. Health Contribution</i> | 138,637.50 | 117,206.25 |
| <i>Employees Compensation Insurance</i> | | |
| <i>Premiums</i> | 67,461.44 | 52,004.57 |
| <i>Provident/Welfare Fund Contribution</i> | 25,800.00 | 157,950.00 |
| Other Personnel Benefits | | |
| <i>Pension Benefits - Regular</i> | | |
| <i>Retirement Benefits - Regular</i> | - | - |
| <i>Terminal Leave Benefits</i> | 639,990.49 | 601,813.83 |
| <i>Other Personnel Benefits (Overtime/Holiday)</i> | 326,292.08 | 153,588.61 |

19. Maintenance and Other Operating Expenses

This account represents the direct cost incurred by the District in its normal operation for the CY 2016.

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Maintenance and Other Operating Expenses | 33,307,098.55 | 28,452,451.25 |
| Traveling Expenses-Local | 335,787.78 | 188,691.95 |
| Training/Scholarship Expense | 208,133.00 | 58,800.00 |
| Supplies & Materials Expenses | 740,239.94 | 805,284.85 |
| Office Supplies Expense | 323,056.64 | 302,794.99 |
| Medical, Dental and Laboratory Supplies | - | - |
| Fuel, Oil & Lubricants | 408,308.05 | 491,399.52 |
| Textbooks & Instructional Materials Exp. | - | - |
| Chemical & Filtering Supplies Expenses | - | - |
| Other Supplies & Materials Expenses | 8,875.25 | 11,090.34 |
| Utility Expense | 610,181.35 | 532,308.20 |
| <i>Water Expenses</i> | 79,588.95 | 79,106.20 |
| <i>Electricity Expenses</i> | 530,592.40 | 453,202.00 |
| Communication Expenses | 178,008.74 | 156,180.18 |
| <i>Postage & Deliveries</i> | 34,290.22 | 21,241.81 |
| <i>Telephone Expenses</i> | 124,930.65 | 117,454.30 |
| <i>Internet Expenses</i> | 16,627.87 | 13,474.07 |
| <i>Cable, Satellite, Telegraphs, Radio Exp.</i> | 2,160.00 | 4,010.00 |
| Awards and Rewards | 75,000.00 | 25,000.00 |
| Indemnities | - | - |
| Survey Expenses | - | - |
| Research, Exploration and Development Exp. | - | - |
| Generation, Transmission & Distribution Exp. | 20,526,267.34 | 17,677,374.02 |
| Confidential, Intelligence & Extraordinary Exp. | 324,560.48 | 195,208.60 |
| <i>Extra Ordinary/ Misc. Expense</i> | 324,560.48 | 195,208.60 |
| Professional Services | 174,355.85 | 131,000.00 |
| <i>Legal Services</i> | 100.00 | 60,000.00 |
| <i>Auditing Services</i> | 79,435.85 | 30,000.00 |
| <i>Other Professional Services</i> | 94,820.00 | 41,000.00 |
| General Services | 1,715,696.64 | 1,689,009.28 |
| <i>Security Services</i> | 1,715,696.64 | 1,644,209.28 |
| <i>Other General Services</i> | - | 44,800.00 |
| Repairs & Maintenance | 6,179,425.69 | 4,143,488.77 |
| <i>Repairs & Maintenance - Infrastructure Assets</i> | 4,328,534.21 | 2,008,148.91 |
| <i>Repairs & Maintenance - Buildings & Other Structures</i> | 628,785.65 | 337,856.07 |
| <i>Repairs and Maintenance-Machinery and</i> | | |

| | | |
|---|---------------------|---------------------|
| <i>Equipment</i> | 814,753.16 | 1,373,099.09 |
| <i>Repairs & Maintenance - Transportation Equipment</i> | 406,552.67 | 423,184.70 |
| <i>Repairs and Maintenance - Furniture and Fixtures</i> | 800.00 | 1,200.00 |
| Taxes, Insurance Premiums and Other Fees | 2,239,441.74 | 2,850,105.40 |
| <i>Taxes, Duties & Licenses</i> | 2,128,522.20 | 2,790,377.98 |
| <i>Fidelity Bond Premiums</i> | - | - |
| <i>Insurance Expenses</i> | 110,919.54 | 59,727.42 |

20. Other Maintenance and Operating Expenses

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Other Maintenance and Operating Expenses | 604,993.02 | 380,477.21 |
| Advertising, Promotional & Mktg. Exp. | 5,218.00 | 60,041.20 |
| Printing Expense | 5,005.00 | - |
| Representation Expense | 106,868.00 | 119,917.00 |
| Transportation & Delivery Expenses | - | - |
| Rent and Lease Expense | - | 6,722.00 |
| Membership Dues & Contributions to Organizations | 16,149.00 | 13,301.00 |
| Donation | 1,770.00 | 7,300.00 |
| Other Maintenance & Operating Exp. | 469,983.02 | 173,196.01 |

21. Financial Expense.

This account represent the interest expense on loans availed by the District which are long term in nature.

| | 2016 | 2015 |
|---------------------------|----------------------|----------------------|
| Financial Expenses | 17,268,785.19 | 26,060,967.74 |
| Interest Expenses | 17,268,785.19 | 26,059,180.53 |
| Bank Charges | - | 1,787.21 |

22. Non-cash Expenses

This account represents the non-cash expenses recognized by the District for the given period.

| | 2016 | 2015 |
|------------------------------------|----------------------|----------------------|
| Non-Cash Expenses | 13,325,853.75 | 13,129,553.60 |
| Depreciation | 13,317,994.35 | 13,111,211.94 |
| <i>Depreciation - Plant (UPIS)</i> | 11,860,820.16 | 11,747,464.97 |

| | | |
|--|-----------------|-----------------|
| <i>Depreciation - Buildings and Other Structures</i> | 82,962.68 | 72,927.32 |
| <i>Depreciation - Machinery and Equipment</i> | 1,064,445.82 | 976,682.99 |
| <i>Depreciation - Transportation Eqpt.</i> | 245,334.12 | 249,786.12 |
| <i>Depreciation - Furniture and Fixtures</i> | 64,431.57 | 64,350.54 |
| <i>NRP</i> | | 8,687.54 |
| Amortization | 7,859.40 | 9,654.12 |
| <i>Amortization - Intangible Assets</i> | 7,859.40 | 9,654.12 |

23. Discounts and Rebates

This account represents the discounts from water sales charged/billed to government agencies and charitable institutions.

| | 2016 | 2015 |
|------------------------------|------------|------------|
| Discounts and Rebates | | |
| Other Discounts | 180,314.62 | 185,223.50 |

24. Tax Remittances

Total tax dues paid by the District:

| | 2016 | 2015 |
|-----------------------------------|---------------------|---------------------|
| Franchise Tax | 2,054,360.38 | 1,186,930.03 |
| Income Taxes Withheld (Employees) | 1,367,726.98 | 1,205,355.48 |
| VAT & Percentage Tax (Suppliers) | 1,211,496.70 | 2,067,700.57 |
| Total | 4,633,584.06 | 4,459,986.08 |

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. **The Report of the Physical Count of Property, Plant and Equipment (RPCPPE) did not provide sufficient and important data and information because the actual inventory of properties was not completely undertaken by the inventory team, hence existence and condition of PPE cannot be ascertained nor its balance as reflected in the financial statements ending December 31, 2016 in the total amount of P300,908,473.86 accurate and reliable.**

Section 122 of PD 1445, provides that *“whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.”* (emphasis provided)

Likewise, COA Circular No. 80-124 dated January 18, 1980 states that the physical inventory of fixed assets should be made at least once a year in accordance with the guidelines enumerated therein. All inventory reports should be prepared in the prescribed form and certified correct by the committee in charge thereof, noted by the auditor and approved by the head of agency.

For CY 2016 management constituted an inventory team that undertook the physical count of agency’s properties/fixed assets as of December 31, 2016. A copy of the corresponding report was then submitted to the audit team. However, our verification of the report disclosed omissions of pertinent data and information as follows:

- a) the “Quantity on Hand Per Count” column reflected a zero balance of some items but there were amounts indicated of these items in the “Total Amount” column. Likewise, the quantity of some items were indicated in the “On Hand Per Count” column but the amount for these items were not indicated in the “Total Amount” column of the report;
- b) the “Balance Per Cards” and “On Hand Per Counts” columns did not indicate any data for all the items reflected therein;
- c) the dates of acquisition of some items were not provided on the “Date Acquired” column of the report;
- d) the “Quantity and Unit Value” columns have no data provided of some of the items; and
- e) the report did not indicate the totals in amounts and in quantities of all the items listed therein.

Because of the above deficiencies, the submitted physical inventory report of PPE did not serve its main purpose to determine completely the actual existence, condition, and whereabouts of all PPEs and to show the descriptions, quantities and amounts of all the items supposed to be indicated in the report for purposes of comparison with the accounting and supply records so that any discrepancy and/or error found between the report and records could be investigated thoroughly and a reconciliation and adjustment could be made appropriately. The unavailability of important data and information of the items supposedly to be reflected in the report arises because the inventory team was not able to gather all the necessary pertinent data of all the fixed assets in order to complete the process of the physical count of the agency's PPE and to come up with a complete report due to alleged limitations and problems encountered by the team and this matter of concerns were subsequently reported by the inventory head, Mr. Ricardo D. Serrato, Division Manager B, Management Services Division in his narrative report dated January 31, 2017 to the General Manager, copy furnished the audit team leader and the COA Regional Director. The circumstances and events which transpired during the conduct of actual inventory by the inventory team as alleged in the narrative report are the following, among others.

- a) a 7-member inventory team was constituted by management by virtue of memorandum nos. 16-10-63 and 16-11-70 dated October 17, 2016 and November 7, 2016, respectively, both issued by the General Manager. The creation of the inventory team was in compliance of management to the memorandum of the audit team leader dated November 14, 2016 recommending the creation of the inventory committee who will be responsible to conduct the physical count of PPE as of December 31, 2016 and the submission of a copy of the corresponding report to the audit team as provided by existing regulations. The inventory activities of the inventory team started on November 14, 2016 with the initial planning and meetings among its members and subsequent execution of the undertaking which lasted up to January 20, 2017, the deadline set by management for the preparation and eventual submission of the report.
- b) the documents provided by concerned management on formal request of the inventory team were not sufficient, appropriate, and misleading;
- c) the requested property cards which would contain details as to item description, quantity, source, date of acquisition and other relevant information were not furnished by the concerned responsible office personnel, except for just a single copy shown by the bookkeeper to the inventory team;
- d) the stock cards and bin cards formally requested were likewise not furnished because these are either not maintained, updated or available at the office concerned;

- e) the property and ledger cards were not prepared, and if some were available the recorded data were not updated;
- f) it was allegedly observed by the inventory team that there exist a collusion between concerned parties in the agency to hide the actual items on tools and equipment which would directly affect adversely the correctness of figures in the report;
- g) the required data in the RPCPPE form as to shortage/overage/quantity/unit value could not be indicated because the pertinent data and information of the items reflected in the report were unavailable.
- h) the time frame allotted to the inventory team to cover all activities of the undertaking up to the deadline period of preparation and submission of the report to management was not sufficient.

The conduct of complete physical count as well as the preparation of the corresponding physical inventory report are indispensable procedures for checking the integrity of property custodianship and in confirming the accuracy of the recorded book balances. As a result of failure of the inventory team to conduct a complete inventory taking, management was not able to determine the actual condition of the properties and cast doubt as to their existence. Furthermore, some of the assets that are still carried in the books may already be unserviceable, obsolete and/or beyond economic repair. The PPE account have a net book balance of P300,908,473.86 as of December 31, 2016, which is equivalent to 84.78% of the net book balance of the total assets of P354,928,059.23, thus it is very necessary that the physical count of the properties/fixed assets of the district should be conducted thoroughly and completely and a corresponding report sufficient with pertinent data and information be prepared and any errors/discrepancies noted with the record per books be reconciled in order to substantiate the reliability and correctness of the PPE account balance in the financial statements.

The General Manager and with the representation of the Property Officer/Custodian and the Officer-In-Charge, Administrative & General Services A in behalf of the inventory committee head who was not present during the exit conference said that the proper presentation/format of the inventory report of PPE containing the complete data and information shall be followed in order to determine the correct balance of PPE account for a particular period. As to the allegations stated in the narrative report of the head of the inventory team, the General Manager said that the latter was only trying to mislead the truth about the factual situation happened related to the inventory activity conducted by the inventory committee, she further stated that as a matter of fact, the support of the concerned district's personnel and the management, in general, relative to the inventory undertaking of the inventory team was present and have been observed. In addition, management committed to renew/update every three (3) years all Property Acknowledgement Receipt of Equipment (PARE) issued to the end-users.

We recommend that the physical count of PPE must be exhaustively and completely undertaken by the inventory committee taking into consideration the sufficient time to be allotted and with the coordination, assistance, and full support of the management. We further recommend that the accounting and supply sections be strictly required to maintain appropriate and complete records of all the properties. Property Acknowledgement Receipt of Equipment (PARE) must be issued to end-users whenever property and equipment is purchased or acquired by the agency. Likewise, previous issued PARE must be renewed accordingly, and updated every three years thereafter in order that existence and condition of the properties under the custody of the end-users shall be regularly monitored and determined.

- 2. Rice allowance, financial assistance and medical allowance totaling P420,000.00, P320,000.00, and P215,000.00, respectively, covering the months of January to July, 2016 were granted to the agency personnel. The payment of these allowances and benefits are without legal basis, thus disallowable in audit.**

Item II of COA Circular No. 2013-003 dated January 30, 2013 states that government officials and employees shall be entitled only to allowances, incentives and other benefits expressly provided by law, and other statutory authority, and the rules and regulations promulgated by competent authority. Item III thereof does not mention the rice allowance, financial assistance, and medical allowance of the allowances and benefits generally applicable to agencies which are covered by R.A. 6758.

Likewise, Item 2.2 of COA Resolution No. 2004-006 dated September 14, 2006 prescribes the guidelines on the matter of allowances and benefits granted by the water districts to the members of the Board of Directors and their organic personnel which provides that allowances and benefits of organic personnel of water districts who were incumbents as of July 1, 1989 and were receiving such allowances and benefits shall be allowed in audit. Conversely, those hired after that date including those hired to the positions vacated by those incumbents shall not be entitled to the said allowances and benefits.

Furthermore, Section 12 of R.A. 6758 which took effect on July 1, 1989, states:

"Section 12. Consolidation of Allowances and Compensation. – All allowances, except for representation and transportation allowance; clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein

prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized."

Verification of the Cashier/Disbursing Officer's cash advances granted for Payroll Fund and the corresponding liquidation documents on these advances showed that included in the regular payrolls for salaries of the personnel were a total amount of P420,000.00 or P21,000.00 each or P3,000.00 each per month representing rice allowance of 20 personnel, P320,000.00 or P14,000.00 each or P2,000.00 each per month financial assistance of 20 employees covering the months from January to August 2016, and P215,000.00 or P5,000.00 each of medical allowance of 43 personnel for the year 2016, data are summarized in the table below.

Summary of Rice Allowance Granted - P3, 000.00 each of 20 personnel

| Cash Advances | | | | Liquidations | | |
|---------------|-----------|-------------------|-----------------------|----------------------------|-------------------|-----------|
| Date | Check No. | Amount | Payee | Journal Voucher w/ Payroll | Amount | Payee |
| 1/27/16 | 373735 | 60,000.00 | Ma. Teresa G. Ygrubay | 2016-01-011 | 60,000.00 | 20 payees |
| 2/24/16 | 373797 | 60,000.00 | -do- | 2016-02-027 | 60,000.00 | -do- |
| 3/28/16 | 774290 | 60,000.00 | -do- | 2016-03-044 | 60,000.00 | -do- |
| 4/27/16 | 774372 | 60,000.00 | -do- | 2016-04-069 | 60,000.00 | -do- |
| 5/27/16 | 774477 | 60,000.00 | -do- | 2016-05-099 | 60,000.00 | -do- |
| 6/27/16 | 774563 | 60,000.00 | -do- | 16-060-125 | 60,000.00 | -do- |
| 7/27/16 | 774667 | 60,000.00 | -do- | 16-07-0262 | 60,000.00 | -do- |
| Total | | 420,000.00 | | | 420,000.00 | |

Summary of Financial Assistance Granted – P2, 000.00 each of 20 personnel

| Cash Advances | | | | Liquidations | | |
|---------------|-----------|-------------------|-----------------------|----------------------------|-------------------|-----------|
| Date | Check No. | Amount | Payee | Journal Voucher w/ Payroll | Amount | Payee |
| 1/12/16 | 243878 | 40,000.00 | Ma. Teresa G. Ygrubay | 2016-01-006 | 40,000.00 | 20 payees |
| 2/12/16 | 373779 | 40,000.00 | -do- | 2016-02-021 | 40,000.00 | -do- |
| 3/11/16 | 774265 | 40,000.00 | -do- | 2016-03-040 | 40,000.00 | -do- |
| 4/12/16 | 774332 | 40,000.00 | -do- | 2016-04-066 | 40,000.00 | -do- |
| 5/12/16 | 774415 | 40,000.00 | -do- | 2016-05-087 | 40,000.00 | -do- |
| 6/09/16 | 774531 | 40,000.00 | -do- | 2016-06-0121 | 40,000.00 | -do- |
| 7/12/16 | 774631 | 40,000.00 | -do- | 2016-07-0228 | 40,000.00 | -do- |
| 8/10/16 | 779614 | 40,000.00 | -do- | 2016-08-0356 | 40,000.00 | -do- |
| Total | | 320,000.00 | | | 320,000.00 | |

Summary of Medical Allowance Granted for CY 2016-P5, 000 each of 20 personnel

| Cash Advance | | | | Liquidation | | |
|--------------|-----------|-------------------|----------------------|----------------------------|-------------------|-----------|
| Date | Check No. | Amount | Payee | Journal Voucher w/ Payroll | Amount | Payee |
| 2/12/16 | 373780 | 215,000.00 | Ma.Teresa G. Ygrubay | 2016-02-023 | 215,000.00 | 43 payees |

Based from the provision of Section 12 of R.A. 6758, the general rule is that all allowances are deemed included in the standardized rates set forth in this Act. This is consistent with the primary intent of the Act to eliminate wage inequities. With regard to certain exceptions as stated in the second sentence of the aforementioned provision, that such other additional compensation in cash or in kind not integrated into the standardized rates, such as rice subsidy and medical allowance being received by incumbent employees only as of July 1, 1989 shall continue to be authorized, it must satisfy the following conditions pursuant to Section 12 of the Salary Standardization Law (SSL), namely: (1) the recipients were incumbents when R.A. No. 6758 took effect on July 1, 1989 and, (2) they were receiving the same, at the time.

A careful verification and evaluation of the dates of hiring of the employees of the District per records on file, it was determined that only five (5) employees who were claimants of these allowances and benefits were hired before July 1, 1989, thus they were incumbent as of this date and in this regard there is no question that these five (5) employees are allowed to continue to enjoy the benefits existing prior to effectivity of R.A. 6758, whether integrated or not integrated. However, there is no proof that the District was already granting rice subsidy, financial assistance, and medical allowance to its employees prior to July 1, 1989, thus there being no prior benefit existing, there is nothing to continue for the grant of said allowances and benefits.

It is noted that similar claims for rice allowance, financial assistance, and medical allowance in 2006 and 2014 were previously disallowed in audit by the Commission and such audit decision is still pending for an issuance of a COA resolution or decision to the Appeal filed by the aggrieved party on the matter. Thus the same transactions are disallowable in audit and subject for the issuance of the Notice of Disallowance (ND).

In reply to the AOM, and during the exit conference with management on April 6, 2007, the General Manager said that the grant of said allowances to the district personnel had been stopped and discontinued effective August 2016.

We appreciate for the General Manager's immediate adherence to the audit recommendation as contained in the Audit Observation Memorandum (AOM) which was earlier transmitted to management for comments.

We recommend that the granting of rice allowance, financial assistance and medical allowance to the district's personnel should be stopped pending the outcome of COA resolution or decision to the Appeal filed by the aggrieved party on previously disallowed similar transactions. This recommendation is without prejudice to the issuance of Notice of Disallowance on the above transactions, if warranted.

3. Management failed to strictly implement existing rules and regulations pertaining to the grant and liquidation of cash advances of officials and employees of the District resulting in unliquidated balance of cash advances at year-end amounting to P334,555.50.

COA Circular No. 97-002 dated February 10, 1997 provides, among others the pertinent provisions concerning cash advances as follows:

4.1 General Guidelines

4.1.1. No cash advance shall be given unless for a legally specific purpose.

4.1.2 No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.

4.1.3. A cash advance shall be reported on as soon as the purpose for which it was given has been served.

5.0 Liquidation of Cash Advances

5.1 The AO shall liquidate his cash advance as follows:

XXXXXXXXXXXXXXXXXX

5.1.3 Official Travel – within sixty (60) days after return to the Philippines in the case of foreign travel or within thirty (30) days after return to his permanent official station in the case of local travel, as provided for in EO 248 and COA Circular No. 96-004. (underscoring ours)

5.7 When a cash advance is no longer needed or has not been used for a period of two months, it must be returned to or refunded immediately to the collecting officer.

Furthermore, COA Circular No. 2012-004 dated November 28, 2012 states that under existing regulations, cash advances must, as a rule, be liquidated within the

prescribed period depending upon the nature and purpose of the cash advance. Cash advances for operating expenses for the payment of honoraria and similar payments to officials and employees; operating expenditures for special projects and activities like anniversary celebration; and special purpose and time bound activity like cultural and athletic activities must be liquidated within twenty (20) days from accomplishment of the purpose.

A review of the submitted report on the schedule /list of cash advances to officers and employees as of December 31, 2016 showed an outstanding/unliquidated balance of cash advances amounting to P334,550.50 as of year end. This amount consisted almost of cash advances granted for different travels of officers and employees of the agency in the total amount of P289,550.50 and cash advances granted to the disbursing officer for special purpose and time bound activities for a total amount of P45,000.00.

It was noted that there was an increase of P197,425.00 on the balance of unliquidated cash advances at year-end of P334,550.50 as compared to that of last year's figure of unliquidated cash advances of P137,130.50 because the rules and regulations governing liquidation of cash advances had not been strictly enforce by management. It was observed that additional cash advances were granted to at least three officials of the district despite failure to liquidate their previous cash advances. Moreover, the unliquidated cash advances for travels of personnel were tolerated to remain outstanding beyond or over from their due dates of liquidation ranging from 11 days to 7 years & 192 days (see Annex A for details). This situation happened because management and the concerned accountable officers and employees did not faithfully adhered with the prescribed rules and regulations governing cash advances.

The failure of the accountable officers and employees concerned to liquidate their cash advances in accordance with the prescribed time frame results in the misstatement of expenses in the period it were actually incurred and correspondingly, an overstatement of assets and equity accounts.

The General Manager said that it has issued Memorandum No. 17-04-33 dated April 5, 2017 to the OIC, Finance Services Division/Accounting Officer directing him to require the accountable officials and employees concerned to settle their unliquidated cash advances and to strictly implement what is required or directed him by the management. She added that some accountable personnel have already settled their cash advances lately while others have yet to liquidate or settle their respective outstanding cash advances.

We recommend that management must serve a written notice and demand from the accountable officers and employees concerned for the immediate settlement or liquidation of their respective outstanding cash advances, and withhold the salaries of the accountable personnel concerned who continuously ignore to settle their obligations. We further recommend to stop the grant of

additional cash advance to any official or employee unless the previous cash advances granted to him is first settled or a proper accounting thereof is made in accordance with Section 4.1.2 of COA Circular 97-002. Henceforth, strictly observed and comply the prescribed period of liquidation of cash advances for travels which must be within 30 days after return to official station and within 20 days from the date the activity or undertaking is accomplish for special purpose and time bound cash advances.

4. The District's average level of non-revenue water (NRW) in CY 2016 of 27.71 percent was beyond the maximum acceptable NRW level of 20 percent prescribed by the Local Water Utilities Administration (LWUA) because NRW reduction efforts may have not been sufficient, hence resulting in estimated annual revenue loss of P8,902,510.40.

One of the major challenges affecting local water districts is NRW or Unaccounted Revenue for Water, which is the difference between the volume of water put in the distribution system and the corresponding volume of water billed to customers.

To accelerate further improvement in the efficiency level of local water districts, the Local Water Utilities Administration (LWUA), by virtue of Resolution No. 444, series of 2009, approved the reduction of maximum acceptable Non-Revenue Water from 25 percent to 20 percent.

Verification of the submitted Monthly Data Sheet (MDS) covering the period January to December 2016 and analysis of the water productions and metered billed or water sales data showed that the District was able to produce 4,022,075 cubic meters of water. However, billed consumption of water was only 2,907,468 cubic meters with an estimated cost of P31,989,220.90 using the minimum charge rate per cubic meter of P28.70.

The variance of 7.71 percent between the 20 percent NRW acceptable level and the actual NRW level of 27.71% corresponds to an estimated volume of water lost aggregating 310,192 cubic meters which estimated cost equivalent to P8,902,510.40, computed as follows:

| | Quantity (in cubic meters) | % of Total |
|----------------------------------|----------------------------|---------------|
| Total Water Production | 4,022,075 | 100% |
| Less: Water Sales/Metered Billed | <u>2,907,468</u> | <u>72.29%</u> |
| Non Revenue Water (NRW) | 1,114,607 | 27.71% |
| Less: Tolerable Allowance/NRW | | |

| | | |
|---|----------------------|---------------|
| Acceptable Level (20% x 4,022,075) | <u>804,415</u> | <u>20.00%</u> |
| Unaccounted Revenue Water | 310,192 | <u>7.71%</u> |
| Multiplies by minimum charge per cubic meter | P <u>28.70</u> | |
| Total Revenue Foregone | <u>P8,902,510.40</u> | |

It could be possible that the programs and measures established to identify the causes of water losses through leaks, metering inaccuracies, illegal connections, and theft of water in various forms in order to reduce NRW level may have not been sufficient and effectively addressed.

Had the NRW been reduced to the maximum acceptable level of 20 percent, the District could have generated an estimated additional revenue of P8,902,510.40 which is the equivalent cost of the volume of water lost corresponding to the difference of 7.71% between the maximum acceptable NRW level of 20 percent and the District's NRW level of 27.71% from January to December 2016. Likewise, additional water service availability to a number of concessionaires may have been provided.

Management said that the audit recommendation on this deficiency is most welcome. The General Manager contended that management adopted continuing programs to reduce water losses through leak detection, replacement program of water meter, leakages, repair, and other system improvement. As a matter of fact, the water district's NRW is improving during the first two months of calendar year 2017, as shown in the monthly data sheet reports of the district, she said.

We recommend that management enhance the District's NRW measures and programs in order to reduce the NRW level to the maximum acceptance level of 20 percent, hence generate additional revenue for the agency.

Compliance with Tax Laws

In compliance with existing BIR Regulations, all taxes withheld from salaries and contractors were remitted to the BIR within the reglementary period.

Status of Audit Suspensions, Disallowances and Charges

As of December 31, 2016, the Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed balance of P-0-, P1792,100.00 and P-0-, respectively. Post audit of transactions for calendar year 2016 yielded results that require the issuance of pertinent Audit Decision.

PART III

**STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED
AUDIT RECOMMENDATIONS**

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS

Out of thirty two (32) audit recommendations contained in the previous years' Annual Audit Reports, twenty seven (27) were fully implemented, three (3) were partially implemented and two (2) were not implemented, the details are summarized as follows:

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|---|--|-----------------------------|--|------------------------------|--|
| <p>1. Accuracy on the account balance of Utility Plant in Service in the amount of P357M cannot be ascertained due to non-reconciliation of property and accounting records, incomplete subsidiary ledgers for each sub-accounts, equipment ledger cards not maintained, classification of account in the inventory report differs with that of the accounting schedule of UPIS and serviceable properties amounting to P801,519.84 were still in the report.</p> | <p>We recommend that management:</p> <p>a. Directs the head of Accounting Section to maintain prescribed and complete subsidiary ledgers from the UPIS account and Property Officer to maintain complete and updated Property Ledger Cards at all times;</p> <p>b. Directs the Head of the Accounting Section to prepare reconciliation of subsidiary ledgers with the property ledger cards and report errors noted in either records as basis for adjustment;</p> <p>c. Directs the respective Division Chiefs of the Accounting and Property Sections monitors faithful compliance of the above recommendation;</p> | <p>F-1 2007 AAR</p> | <p>Has already instructed the sections concerned to implement the stated recommendation in terms of recording and reconciliation and providing respective subsidiary ledgers for UPIS.</p> | <p>Partially Implemented</p> | <p>Management is still in the process of stabilizing an appropriate system to fully accomplish the recommendation.</p> |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|---|---|--------------------|--|--------------------------|---|
| | d. Initiate disposal of all unserviceable properties in accordance with Property and Supply Management Guidelines. | | Had initiated initially the disposal of unserviceable properties in accordance with the government's procedures on disposal. | | |
| 2. The Accumulated Depreciation with a book balance of P25,998,392.42 and its related depreciation expense is still inaccurate since adjustments were not made on the accounts in CY 2006 and prior years. Lapsing schedule was prepared for CY 2007. | We recommend that management implement previous year's recommendations in order that misstatement in account balances arising from errors in recording transactions are adjusted. Effect the adjustment on the understatement of account UPIS, Accumulated Depreciation and Retained Earnings for the Suzuki multi-cab. | F-2 2007 AAR | | Fully Implemented | |
| 3. The Water District purchased one (1) unit Mitsubishi Estrada double cab pick-up service vehicle worth P1.1M, contrary to the provisions of LWUA Loan Agreement. | We recommend that the Water District must strictly adhere to the conditions set forth in the loan contract with LWUA for an improved operation. Submit the approved authority from LWUA for the purchase of the | F-3 2007 AAR | | Fully Implemented | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|---|-----------------------------|-------------------|--------------------------|---|
| | <p>service vehicle.</p> <p>Strictly follow the account names/account codes in the recording of transaction to avoid misleading information.</p> | | | | |
| <p>4. Stale checks amounting to P6,268.00 appears as reconciling items (outstanding checks) in the Bank Reconciliation Statement for December 2007.</p> | <p>Require the bookkeeper designate to retrieve the long outstanding checks and prepare the necessary adjusting entries.</p> | <p>F-5 2007 AAR</p> | | <p>Fully Implemented</p> | |
| <p>5. Subsidiary ledgers for each bank account were not maintained</p> | <p>Require the accounting division to maintain subsidiary ledgers for each bank account, reconcile with the controlling account monthly and prepare regularly the bank reconciliation statements on all bank accounts in order to know the condition of the agency's account with the bank.</p> | <p>F-6 2007 AAR</p> | | <p>Fully Implemented</p> | |
| <p>6. The Accounts Receivable-General Customers P8.1M balance as of December 31, 2007 classified under Current Assets, included customers account totaling P22M were outstanding for one (1) year or more.</p> | <p>Require the Accounting Section to prepare a detailed Aging Schedule for Accounts Receivables that are more than one (1) year or more and reclassify those balances to non-current assets.</p> | <p>F-7 2007 AAR</p> | | <p>Fully Implemented</p> | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|---|---------------------|-------------------|--|---|
| 7. The balance of Accounts Receivable – Others of P90,733.14 does not reconcile with the corresponding subsidiary ledgers/reports of P149,097.76 or a difference of P58,364.62. Included in the account are receivables from other Water Districts for more than ten (10) years or more. | We recommend that the Manager of the Commercial Services Division and Accounting Section should designate personnel from their respective divisions to reconcile monthly the totals of the schedules prepared by the CSD and the GL balances prepared by the Accounting Section. | F-8 2007 AAR | | Fully Implemented | |
| 8. The advances to officers and employees amounting to P132,398.98 remain unliquidated for 3 months to one year or more contrary to the provisions of Sec. 89 of PD 1445 and other COA issuances that pertain to the granting, utilization and liquidation of cash advances. | We recommend that management directs the Accountant to enforce and monitor compliance of the above-cited law and regulations on cash advances for travels and for other purposes. Issue demand letters for the return of excess or unused cash advance from the employees and officers concerned. | F-10 2007 AAR | | Not Implemented Reiterated as audit finding in this audit report. | Management did not faithfully adhere with the existing regulations. |
| 9. The variance of P2.8 million between the Physical and Inventory Report and recorded accountability for Materials and Supplies Inventory (MSI) cast doubt on the reliability of the MSI balance of P4.05 million. | Require the assigned employee at the Finance Division and the storekeeper to closely coordinate and perform the immediate reconciliation of the Materials and Supplies Inventory account and the Inventory Report to determine missing or | F-11 2007 AAR | | Fully Implemented | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|---|---------------------|--|---|---|
| | lost supplies and correct errors in posting and recording, if any. Implement previous audit recommendations in the maintenance of the stock cards, supplies ledger cards and other records necessary to facilitate the reconciliation. | | | | |
| 10. The Joint Reserve Account with LWUA under PNB No. 6-1619-000611-001 which the Water District maintained in compliance with the loan contract requirement of Debt Servicing Reserves has only a balance of P337,977.28 inclusive of interests as of December 31, 2007, contrary to the one (1) year debt service requirement as provided for in Section 8 of Article VI of the Loan Contract – LA No. 4-1635R | We recommend that the WD should strictly comply with the reserve requirements provided in the loan contract to ensure the periodic repayments of its loan from LWUA, especially during times when its paying capacity has been seriously reduced to its facilities or assets caused by natural calamities, public disorder, force majeure or other unforeseen or unavoidable occurrences. | F-13 2007 AAR | | Fully Implemented | |
| 11. Payment of financial assistance amounting to P485,409.15 is not authorized and without legal basis. | 1. Require the above-mentioned employees to refund the amount of P485,409.15 without legal basis. | F-18 2007 AAR | The Notice of Disallowances issued for CY 2014 and 2007 on said transactions is under appeal | Not Implemented Reiterated as audit finding in | Similar allowances were still granted to the agency's personnel in CY 2016. |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|---|--------------------|--|--------------------------|---|
| | | | pending outcome of COA decision on the matter. | this report. | |
| <p>12. The CY 2013 accounts comprising of disbursement vouchers, payrolls, liquidation reports, official receipts, financial reports and journals with their corresponding supporting documents and schedules were not submitted to the Audit Team contrary to COA Circular No. 2009-006 dated September 15, 2009 and other pertinent law, rules and regulations, thus hindered the conduct of audit thereon and deprived the government of information concerning the validity and propriety of its various financial transactions.</p> | <p>We recommend that management:</p> <p>a) Instruct the head of the Accounting Section to immediately submit all accounts to the Audit Team at its official station in COA regional office VIII-Water Districts Office.</p> <p>b) instruct the Cashier and all accountable officers to submit the accounts to the Accounting Section within the reglementary period, the same to be covered with transmittal letters as proof thereof.</p> <p>c) issue a written policy concerning on time submission of accounts by the Cashier and all accountable officers to the Accounting Section and from the latter to the Audit Team within the prescribed period.</p> | F-1 2013 AAR | | Fully Implemented | |
| <p>13. The correctness and reliability of the Cash in Bank account balance of P14,044,979.97 at year-</p> | <p>We recommend that the accounting Division be directed to submit regularly for audit the</p> | F-3 2013 AAR | | Fully Implemented | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|---|--|--------------------|-------------------|--------------------------|---|
| end could not be ascertained due to the non-submission of bank reconciliation statements contrary to Section 74 of PD 1445. | Bank Reconciliation Statements covering all accounts maintained with the agency's depository banks on a monthly basis. | | | | |
| 14. The approved contracts, purchase orders and other pertinent documents were not submitted to the Auditor within the reglementary period as provided in COA Circular No. 2009-001 and COA Circular N0. 95-006, thus resulting in the delayed review of such documents and in the process deprived management of information on errors committed concerning its procurements prior to any payment. | We recommend for management to furnish the Audit Team with copies of Purchase Orders (POs) and Contracts together with their respective supporting papers within five (5) days from perfection/execution. | F-4 2013 AAR | | Fully Implemented | |
| 15. Expenditures for fuel, oil and lubricants were not supported with duly accomplished driver's trip tickets and monthly report of fuel consumption in violation of COA Circular No. 75-6 dated November 7, 1975, thus reported quantities on fuel consumptions remain not ascertained as appropriate and | We recommend that management strictly comply with the requirements on submission of documentations to support the propriety as well as reasonableness of the agency's fuel consumption. Specifically, it should require concerned drivers to submit duly approved and properly | F-5 2013 AAR | | Fully Implemented | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|--|--------------------|-------------------|--------------------------|---|
| reasonable. | accomplished Driver's Trip Tickets with the Monthly Report of Official Travels. | | | | |
| 16. Management did not submit to the Audit Team on time monthly trial balances with schedules in contradiction to Section 122 of PD No. 1445 and COA Circular No. 2009-006 dated September 15, 2009, thus no year-end financial statements were produced on the prescribed deadline including the corresponding supporting schedules/reports pursuant to COA Accounting Circular Letter No. 2007-003 dated January 19, 2007. | We recommend that management strictly cause the submission of year-end financial statements complete with supporting schedules/data/reports made possible thru regular updating during any year, of all accounting records and the books of accounts, in the process, capacitate the accounting unit to turn-over for audit monthly trial balances and their corresponding schedules and/or attachments. | F-1 2014 AAR | | Fully Implemented | |
| 17. Some of the Calendar Year (CY) 2014 accounts were not submitted to the Audit Team contrary to COA Circular No. 2009-006 dated September 15, 2009, and other pertinent law, rules and regulations, thus hindered the conduct of audit thereon with the government left without complete information | We recommend that management: a) instruct the head of the Accounting Section to immediately submit all accounts to the Audit Team. b) instruct the Cashier and all accountable officers to practice the submission of accounts to the Accounting | F-2 2014 AAR | | Fully Implemented | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|---|--------------------|---|--------------------------|--|
| concerning the validity and propriety of the agency's various financial transactions. | <p>Section within the reglementary period, the same to be covered with transmittal letters as proof thereof.</p> <p>c) issue a written policy concerning on time submission of accounts by the Cashier and all accountable officers to the Accounting Section and from the latter to the Audit Team within the prescribed period.</p> | | | | |
| 18. The correctness and reliability of the Cash in Bank account balance could not be ascertained due to the non-submission of bank reconciliation statements contrary to Section 74 of PD 1445. | We recommend that the Accounting Division be directed to submit regularly for audit the Bank Reconciliation Statements covering all accounts maintained with the depository banks on a monthly basis. | F-3 2014 AAR | | Fully Implemented | |
| 19. Management maintains bank accounts with private entities such as the Philippine National Bank and the Metro Ormoc Community/Multi-Purpose Cooperative without securing prior approval from the Department of Finance (DOF), contrary to DOF Order No. 27-5 dated December 9, 2005 as | The General Manager should secure approval from the DOF to maintain depository accounts with the Philippine National Bank and Metro Ormoc Community/Multi-Purpose Cooperative. This is to be complied with, otherwise management is advised to close the questioned bank accounts. In | F-4 2014 AAR | Management has initiated to close one (1) bank account maintain with the PNB and the other two (2) bank accounts maintained with the said bank will soon follow to be closed. | Partially Implemented. | One (1) of the three (3) bank accounts of the district with PNB has already been closed and its balance was transferred to bank account maintained with LBP. The other two (2) PNB accounts will soon be closed with the |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|--|--------------------|-------------------|--------------------------|---|
| reiterated under Bangko Sentral Ng Pilipinas (BSP) Circular Letter dated March 14, 2006, thus rendering as not valid the continued use of said depository which irregularly placed public funds beyond the control of the government, in the process, consistently endangering the assets to loss or misuse. | addition, it is of significance to emphasize that since not affected by government rules on deposits, assets while in said depository may not be adequately secured against loss or misuse. | | | | said bank and the balances will also be transferred to LBP. |
| 20. The prescribed accounting journals were not used to record certain transactions contrary to Section 121 (2) of Presidential Decree (PD) No. 1445 and the New Government Accounting system (NGAS) Manual for Government-Owned and/or Controlled Corporations (GOCCs), thus verification of the correctness and accuracy of the financial records is not facilitated | The General Manager should require the Accountant to use appropriate accounting records pursuant to the NGAS Manual for the agency to maintain complete set of books of accounts in turn facilitate the verification of the correctness and accuracy of the financial records. | F-5 2014 AAR | | Fully Implemented | |
| 21. Management uses the Check Voucher (CV) to evidence all disbursements instead of the prescribed Disbursement Voucher (DV), does not prepare the Budget Utilization Request (BUR) and | Management should use the Disbursement Voucher for every disbursement and Budget Utilization Request (BUR) covering charging against pertinent budgetary allocation of each | F-6 2014 AAR | | Fully Implemented | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|---|--|--------------------|-------------------|--------------------------|---|
| neither maintains the Registry of Budget and Utilization (RBU) contrary to COA Circular No. 2006-004 dated January 31, 2006, resulting in absence of documents and records to maintain and control the budgetary accounts. | incurred expenditure for clarity of the various responsibilities including accountabilities. In addition use of Registry of Budget Utilization shall be directed to summarize all issued BURs in effect provide ready data on incurred expenses as well as utilized budgetary allocations. | | | | |
| 22. Some Account Titles presented in the financial statements are not yet in compliance with the Revised Philippine Government Chart of Accounts (PGCA) contrary to COA Circular No. 2008-001 dated January 29, 2008 and LWUA Memorandum Circular No. 003-08, thereby defeating the purpose in the implementation of the unified accounting system. | We recommend that the Accountant be directed to convert the pertinent account titles to that prescribed under COA Circular No. 2008-001 dated January 29, 2008 and LWUA Memorandum Circular No. 003-08 dated June 16, 2008. | F-7 2014 AAR | | Fully Implemented | |
| 23. Management did not submit on time the quarterly and other required reports contrary to Section 122 of PD No. 1445 and other relevant laws, rules and regulations, thus | Management should practice prompt submission of reports and relevant data as required by COA, in the process, avail of the advantages of being updated on audit results | F-8 2014 AAR | | Fully Implemented | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|--|---------------------|--|--------------------------|--|
| withholding from COA significant financial information for audit purposes. | for the improvement of its administration of government resources. | | | | |
| 24. The grant of allowances and honoraria amounting to P1,746,650.00 without legal basis was allowed by management, thus showing instances of tolerating invalid claims to the disadvantage of the government. | For the deficiencies, we recommend for management to discontinue the grant of allowances and other benefits to personnel that are without legal basis. | F-9 2014 AAR | Management stopped the grant of said allowance in August 2016. | Partially Implemented | There was still grant/claims by organic personnel of the district of allowances from January until August 2016 such as financial assistance, rice allowance and medical allowance. |
| 25. Management did not prepare a plan, provide budgetary allocations supposedly being at least 5% of the actual budgetary appropriations, nor reported any disbursements for the Gender and Development (GAD), thus is concluded to have failed in complying with the requirements of relevant laws and rules governing the program. | We recommend for management to strictly adhere to the guidelines for the preparation of annual Gender and Development (GAD) Plans, Budgets and Accomplishment Report, among others, to implement the Magna Carta of Women as provided in Joint Circular No. 2012-01 issued by the PCW, NEDA and the DBM and shall specifically undertake the following: 1. Prepare annual GAD Plan and Budget duly approved or endorsed by PCW; | F-10 2014 AAR | | Fully Implemented | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|---|---|-----------------------------|-------------------|--------------------------|---|
| | <p>2. Incorporate in its annual budget the cost to implement the GAD plan or programs, activities and projects related to Gender and Development which shall be at least 5% of the total budget; and prepare and submit to the Audit Team accomplishment report based on the GAD Plan and Budget or any program/activity/project that maybe attributed to Gender and Development with cost equivalent to at least 5% of their total budget. This is for COA to evaluate and validate the agency's compliance with the intent of the law which is generally to attain gender equality.</p> | | | | |
| <p>26. The accounts for 2015, specifically those belonging to the months of September up to December 2015 including certain Disbursement Vouchers (DVs) of prior months remain not submitted to the Audit Team contrary to relevant laws and rules as well as Section</p> | <p>To prevent the conclusion of irregular as well as invalid performance of duties due to failure in the submission of accounts, the implementation of hereunder recommendations is reiterated, viz:</p> <p>a) The accountant or the personnel performing</p> | <p>F-1 2015 AAR</p> | | <p>Fully Implemented</p> | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|---|-----------------------------|-------------------|--------------------------|---|
| <p>2 paragraph (1) of Article IX-D of the 1987 Philippine Constitution, thus post-audit thereon was hindered resulting to absence of information on the propriety and validity of the agency's various financial transactions.</p> | <p>said position, shall submit to the Audit Team all accounts that are due for submission on or before the deadline.</p> <p>b) Instruct the cashier and all accountable officers to strictly practice the submission within five (5) days after completion of each transaction to the accountant or in-charge of accounting for recording: 1) all reports in their possession like Reports of Collections, Reports of Disbursements and Reports of Checks Issued; and 2) all source documents like disbursement vouchers/payrolls together with their respective supporting documents, official receipts, validated deposit slips and bank credit and debit memos, the same to be covered with transmittal letters as proof of such action.</p> | | | | |
| <p>27. Management does not practice submission on time of monthly trial balances with schedules</p> | <p>We recommend that management cause strict adherence on submission of monthly</p> | <p>F-2 2015 AAR</p> | | <p>Fully Implemented</p> | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|--|-----------------------------|-------------------|--------------------------|---|
| <p>in contradiction to Section 122 of PD No. 1445, COA Circular No. 2015-004 dated July 15, 2015 and Section 7.1.1 of COA Circular No. 2009-006 dated September 15, 2019, thus could lead to delayed preparation and submission of the year-end financial statements in addition to incapacitating the agency of providing updated financial data during any period of time.</p> | <p>trial balances and their schedules and/or attachments on the prescribed deadline. This shall be carried out initially by practicing diligent recording of transactions and regular undertaking of reconciliation of records/reports as well as updating of the agency' books.</p> | | | | |
| <p>28. Management did not submit on time the quarterly and other required reports contrary to Section 122 of PD No. 1445 and other relevant laws, rules and regulations, thus depriving the government on significant information concerning results of the agency's operations.</p> | <p>We recommend for management to submit at the beginning of the year a list of all on-going projects/programs/activities (PPAs) and those yet to be implemented during the year to preclude disallowances. Also, it should submit promptly the quarterly and other reports required by the Commission On Audit.</p> | <p>F-3 2015 AAR</p> | | <p>Fully Implemented</p> | |
| <p>29. The correctness and reliability of the Cash in Bank account balance of P17,626,421.98 could not be ascertained due to the non-submission of</p> | <p>We recommend that the Accounting Division be directed to submit regularly for audit the Bank Reconciliation Statements for all</p> | <p>F-4 2015 AAR</p> | | <p>Fully Implemented</p> | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|---|--|--------------------|-------------------|--------------------------|---|
| bank reconciliation statements contrary to Section 74 of PD 1445. | accounts maintained with the depository banks on a monthly basis. | | | | |
| 30. The prescribed accounting journals were not used to record certain transactions contrary to Section 121(2) of Presidential Decree (PD) No. 1445 and the New Government Accounting System (NGAS) Manual for Government-Owned and/or Controlled Corporations (GOCCs), thus verification of the correctness and accuracy of the financial records was not facilitated. | We recommend for the General Manager to require the Accountant concerning use of appropriate accounting records pursuant to the NGAS Manual for the agency to maintain complete set of books of accounts in turn facilitate the verification of the correctness and accuracy of the financial records. | F-5 2015 AAR | | Fully Implemented | |
| 31. Management did not prepare a Plan, provide budgetary allocations supposedly being at least 5% of the actual budgetary appropriations, nor reported any disbursement for the Gender and Development (GAD), thus is concluded to have failed in complying with the requirements of relevant laws and rules governing the program. | We recommend for management to strictly adhere to the guidelines for the preparation of annual Gender and Development (GAD) Plans, Budgets and Accomplishment Reports, among others, to implement the Magna Carta of Women as provided in Joint Circular No. 2012-01 issued by the PCW, NEDA and the DBM and shall specifically undertake the following: | F-6 2015 AAR | | Fully Implemented | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--------------------|---|------|-------------------|--------------------------|---|
| | <p>1. Prepare annual GAD Plan and Budget duly approved or endorsed by PCW;</p> <p>2. Incorporate in its annual budget the cost to implement the GAD plan or programs, activities and projects related to Gender and Development which shall be equal to at least 5% of the total budgets; and</p> <p>3. Prepare and submit to the Audit Team accomplishment report based on the GAD Plan and Budget or any program/activity/project that may be attributed to Gender and Development with cost equivalent to at least 5% of their total budgets. This is for COA to evaluate and validate</p> <p>the agency's compliance with the intent of the law which is generally to attain gender equality.</p> | | | | |

| Audit Observations | Recommendations | Ref. | Management Action | Status of Implementation | Reasons for Partial/ Non-Implementation |
|--|--|-----------------------------|-------------------|--------------------------|---|
| <p>32. The water district's contribution amounting to P73,950.00 to the Officers and Employees' Provident Fund covering January to June 30, 2015 representing government share was paid to the Provident Fund despite the provisions of DBM Budget Circular No. 2008-3 that government monetary contribution cannot be given, thus showing instances of invalid fund dispositions.</p> | <p>We recommend that management discontinue the monthly contribution representing government share for the Provident Fund and to revert to the water district the share contributed.</p> | <p>F-7 2015 AAR</p> | | <p>Fully Implemented</p> | |

Part IV – Annex

Annex A - List of Outstanding/Overdue Cash Advances of Officers and Employees.

Calbayog City Water District
List of Outstanding/Overdue Cash Advances
of Officers and Employees
As of December 31, 2016

| | Name of Accountable Officer | Nature/Particulars of the Transaction | Check Issued/ Granted | | | Due Date of Liquidation (on the 30th day from date if return to O/S) | No. of Years/Calendar days lapsed from due date of liquidations to December 31, 2016 |
|---|-----------------------------|--|-----------------------|-----------|-----------|--|--|
| | | | No. | Date | Amount | | |
| 1 | ABASOLO, ERNESTO L. | 1) Travel to Quezon City, Oct. 12-16, 2015, follow up final release of Pan-as Project at LWUA 2) Travel to Pampanga, Feb. 2-9, 2016 to attend the PAWD 37th national convention | 40224 | 10/8/2015 | 22,000.00 | 11/15/2015 | 1yr/45days |
| | | | 373749 | 1/27/2016 | 65,000.00 | 3/12/2016 | 294 days |
| | Sub-total | | | | 87,000.00 | | |
| 2 | COQUILLA, NICANDRO B. | 1) Travel to Puerto Princesa City, May 15-23, 2008 to attend the 30th annual national convention of GACPA 2) Travel to Manila Dec. 11-15, 2012, to follow up official matters with LWUA | 8946 | 5/13/2008 | 23,589.00 | 6/22/2008 | 8 yrs/192 days |
| | | | 29543 | 12/6/2012 | 11,555.00 | 1/15/2013 | 3 yrs/350 days |
| | Sub-total | | | | 35,144.00 | | |
| 3 | CATADA, ALFREDO C. | Travel to Manila, Jan. 9-11, 2014 to pick chemicals from supplier Penton and Ams Chemicals Supplier | 20965 | 1/9/2014 | 41,440.00 | 2/10/2014 | 2 yrs/324 days |
| 4 | DACURRO, JOSEPH M. | Travel to Davao City, Nov. 14-20, 2016, to attend the 3rd PAGBA quarterly seminar and meeting. | 799891 | 11/8/2016 | 25,132.00 | 12/20/2016 | 11 days |
| 5 | ONDON, SHIENA JHANE M. | To defray expenses in connection with CCWD official entry of Miss Anyag 2014 | 21937 | 9/2/2014 | 15,000.00 | Special purpose/time bound cash advance | Overdue already reckoned from the date the CA was granted |
| 6 | RICAFORT, RAYMOND RANDY | Travel to Tacloban City, May 30-June 4, 2016 to attend the seminar on Property and Supply | | | | | |

| | | | | | | | |
|----|--------------------------|---|--------|-----------|------------|--|--|
| | | Management Systems | 774482 | 5/27/2016 | 4,780.00 | 7/4/2016 | 180 days |
| 7 | ROSALADO, MERLA A. | Travel to Baguio City, April 1-6, 2013, to attend the Basic Policy Maker's Seminar | 29859 | 3/27/2013 | 17,110.00 | 5/6/2013 | 3 yrs/239 days |
| 8 | SERRATO, RICARDO D. | Travel to Tacloban City December 6, 2016 to attend 1 day activity focused on VA, AP, ERP & WSP | 799965 | 12/2/2016 | 2,760.00 | 1/5/2017 | Not yet due as of 12/31/16 |
| 9 | SUMAGANG, ROSELA C. | Travel to Catbalogan City, Sept. 26- 30, 2016 to attend to Strategic Human Resource Mgt Seminar | 799744 | 9/20/2016 | 7,320.00 | 10/30/2016 | 62 days |
| 10 | YRUBAY, MA. TERESA G. | Cash Advance to defray Expenses for CCWD Christmas Party | 799973 | 12/5/2016 | 30,000.00 | Special purpose/time bound cash advance | Special purpose/time bound cash advance |
| 11 | YRIGAN, EDITHA C. | Travel to Pampanga, Feb. 2-9, 2016 to attend 1) PAWD 37th national convention Travel to Quezon City, July 24-29, 2016 to 2) attend seminal on Government Procurement Reform Act (RA 9184) Travel to Iloilo City August 2-7, 2016 to 3) attend the 6th Visayas Congress of HRMP | 373750 | 1/27/2016 | 21,000.00 | 3/11/2016 | 295 days |
| | | | 774658 | 7/22/2016 | 19,833.00 | 8/28/2016 | 125 days |
| | | | 774663 | 7/22/2016 | 26,820.00 | 9/6/2016 | 116 days |
| | Sub-total | | | | 67,653.00 | | |
| 12 | ROSALES, ESTEBAN | Travel to Manila, Sept. 10-15, 2002, to confer with Loan Department personnel of LWUA | 729 | 9/9/2002 | 1,216.50 | 10/15/2002 | 13yrs/77days |
| | GRAND TOTAL | | | | 334,555.50 | | |