



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

# **ANNUAL AUDIT REPORT**

**ON THE**

**MARAMAG WATER DISTRICT**  
**Maramag, Bukidnon**

For the Year Ended December 31, 2014



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. X

J.V. Serina St., Carmen, Cagayan de Oro City



MARAMAG, BUKIDNON

MARIZTO V. SAMET

June 25, 2015

**Ms. Rosemarie D. Agustin, MGA**

General Manager  
Maramag Water District  
Maramag, Bukidnon

**Dear General Manager Agustin:**

We are pleased to transmit the Financial Audit Report on the audit of the Maramag Water District, Maramag, Bukidnon, for Calendar Year 2014 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD 1445).

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

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

We conducted our audit in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided a reasonable basis for the audit results.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because the effect of the deviations from the prescribed procedures materially affected the account balances. The significant observations contained in the report and which were discussed with the concerned officials and employees of the District during the exit conference conducted on February 12, 2015 were enumerated below followed immediately by the corresponding recommendations:

- 1. Accounts Receivable totaling ₱ 3,880,342.62 as of December 2014 were doubtful and unreliable in view of accounting error in recording penalty thus, impairing the fair presentation of the account in the Financial Statements.**

We recommended and management agreed to record penalties as income when collected in accordance with PPSAS No. 9 and prudence in recognizing income; adjust accounts receivable of the penalties recorded in the current and prior years' to ascertain the correctness and reliability of Accounts Receivable balance.

*mm*

2. **Construction in Progress (CIP) account includes various completed projects amounting to ₱ 1,232,484.10 thus, failing to account for the depreciation charges and affecting the income and expense account for CY 2014 contrary to Section 41 of the New Government Accounting System (NGAS).**

We recommended and management agreed to record the completed projects and record the corresponding depreciation expenses one month after the final acceptance of the completed project; and the Engineering Division to maintain record for materials requisitioned and used for the project.

3. **The Loans Payable account - Non-LWUA Initiated Fund (NLIF) of P13,261,625.00 was overstated due to the inclusion of the whole as payable despite one half or P 6,630,812.50 was in a form of grant and having been completed but not transferred to appropriate PPE account thus failing to account for the related accumulated depreciation resulting to understatement and overstatement of expense and income accounts respectively.**

We recommended and management agreed to make representation with LWUA to obtain relevant documents to validate the Loans Payable and related accounts pertaining to NLIF, including the certificate of work completion; and direct the Senior Corporate Accountant to make the necessary adjustments based on valid document in order to come up with fair presentation of the Loans Payable-NLIF and CIP Accounts in the FS.

We request that a status report, thru accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 88 of the General Provisions of the General Appropriations Act FY 2014.

We will appreciate being informed of the actions taken on the recommendations contained in the report, within sixty (60) days from the date of receipt thereof.

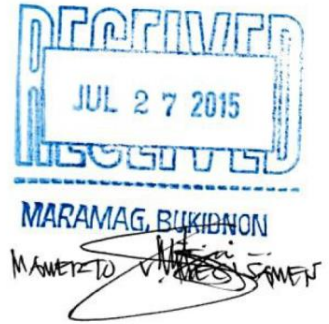
We acknowledge the support and cooperation extended to our Audit Group by the officials and employees of Maramag Water District.

Very truly yours,

  
**BATO S. ALI, JR.**  
Director IV  
Regional Director



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



June 25, 2015

**Beneforte Dy Tan Mallack**  
Chairman, Board of Directors  
Maramag Water District  
Maramag, Bukidnon

**Dear Chairman Mallack:**

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We will appreciate being informed of the actions taken on the recommendations contained in the report, within sixty (60) days from the date of receipt thereof.

We acknowledge the support and cooperation extended to our Audit Group by the officials and employees of Maramag Water District.

Very truly yours,

  
**BATO S. ALI, JR.**  
Director IV  
Regional Director



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

*OFFICE OF THE SUPERVISING AUDITOR*  
**CGS – Water Districts & Other Stand-Alone Agencies**

February 24, 2015

**The Regional Director**  
Commission on Audit  
Regional Office No. X  
Cagayan de Oro City

Sir:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of **Maramag Water District**, Maramag, Bukidnon, for the year ended December 31, 2014.

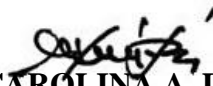
The audit was conducted to ascertain the propriety of the agency's financial transactions; its compliance with laws, rules and regulations; and the efficiency of its operations. It was also conducted to ascertain the accuracy of the financial records and reports and the fairness of presentation of the financial statements.

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

There is reasonable assurance that the financial statements/records/reports are free of material misstatements and are prepared in accordance with Philippine Public Sector Accounting Standards (PPSAS)/accounting principles generally accepted in the Philippines.

Our audit was conducted in accordance with the Philippine Public Sector Standards on Auditing (PPSSA) and we believe that the audit evidence we have obtained provides reasonable basis for our audit opinion/report.

Very truly yours,

  
**CAROLINA A. DIEZ**  
State Auditor V  
Supervising Auditor



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

*OFFICE OF THE AUDIT TEAM LEADER*  
**Teams R10 – 01 & 03**  
**CGS – Water Districts & Other CGS Stand-Alone Agencies**

February 24, 2015

**MEMORANDUM for –**

**Ms. Carolina A. Diez**

Supervising Auditor

CGS - Water Districts & Other CGS Stand-Alone Agencies

Commission on Audit-Regional Office No. X

Cagayan de Oro City

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, we conducted a financial audit on the accounts and operations of **Maramag Water District**, Maramag, Bukidnon, for the year ended December 31, 2014


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

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

There is reason to believe that the financial statements are free of material misstatements and are prepared in accordance with Philippine Public Sector Accounting Standards (PPSAS)/accounting principles generally accepted in the Philippines.

Our audit was conducted in accordance with the Philippine Public Sector Standards on Auditing (PPSSA) and we believe that the audit evidence we have obtained provides reasonable basis for our audit opinion.

Very truly yours,

  
**VIRGINIA M. DEL ROSARIO**  
State Auditor IV  
Audit Team Leader

# EXECUTIVE SUMMARY

## BACKGROUND

The Maramag Water District (MWD) was given the Conditional Certificate of Conformance No. 496 approved by the Local Water Utilities Administration (LWUA) on June 11, 1991 and was granted an approved Water Permit No. 15268 per National Water Resources Board Resolution No. 01-0796 on July 23, 1996.

All Local Water Districts in the Philippines were declared as government-owned or controlled corporations (GOCC) with original charter (PD No. 198) in a case decided by the Supreme Court on September 13, 1991 docketed as GR No. 95237-38 entitled “Davao City Water District, et al. vs. Civil Service Commission, et al.”

The operations of the district is managed by a General Manager (GM) and assisted by two division managers. The district is complemented with a total of 36 employees of which 24 are regular, seven are casual and five employees are under job order status assigned in four different sections. The Board of Directors (BOD) which is composed of five members is the policy-making body of the district.

As of December 31, 2014, Maramag Water District was categorized as Category C average WD based on the implementing guidelines on the Revised Local Water District on Categorization, Re-categorization and other Related Matters (LWD – MaCRO).

## Financial Highlights

The comparative figures for CY 2014 and 2013 financial data showed an increase of the district assets, equity, gross income, and operating maintenance expenses and net income as summarized below:

Particulars	2014	2013	Increase/(Decrease)
Total Assets	₱ 69,949,227.55	₱ 65,896,907.43	₱ 4,052,320.12
Total Liabilities	24,075,760.28	25,783,984.69	(1,708,224.41)
Total Equity	₱ 45,873,467.27	₱ 40,112,922.74	₱ 5,760,544.53

Gross Income	₱ 28,913,943.16	₱ 26,627,034.09	₱ 2,308,356.55
Other Income	21,447.48	24,819.96	(3,372.48)
Operation & Maintenance Expenses	21,763,362.76	19,810,320.47	1,953,042.29
Other Expenses	1,382,095.80	1,610,302.31	(228,206.51)
Net Income	₱ 5,789,932.08	₱ 5,206,411.31	₱ 583,520.77



## **Operational Highlights**

As of December 31, 2014, the district is serving a population of 41,327. It has total service connections of 7,630 of which 6,358 are active and metered while 6,349 connections are billed. Total water sales billed was computed at P 28,136,133.93 and collected a total of P 27,484,675.75, thereby, registering a collection efficiency of 93% as at year-end.

Water production as of December 31, 2014 was computed at 2,586,027 cubic meters of which the total accounted water was 1,432,889 cubic meters or 55%.

## **SCOPE OF AUDIT**

An audit examination was conducted on the CY 2014 accounts and operations of Maramag Water District (MWD), pursuant to COA Office Order No. 2014-329 dated June 20, 2014.

The objectives of the audit are:

1. To ascertain propriety of financial transactions and compliance of the district as to existing laws, rules and regulations;
2. To ascertain the accuracy of financial records and reports of the district;
3. To ascertain the fairness of presentation of the financial statements of MWD for CY 2014.

## **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT**

A qualified opinion was rendered on the financial statements due to doubtful and unreliable balance of P 3,880,342.62 of Accounts Receivable due to accounting error in recording penalty; Construction in Progress account includes completed projects amounting to P 1,232,484.10 thus failing to account for the depreciation charges affecting income and expense account; Loans Payable–NLIF account of P13,251,625 was overstated due to inclusion of the whole amount despite one half was in a form of grant and having been completed but not transferred to an appropriate asset account thereby failing to account for the depreciation which affected income and expense account affecting fair presentation of the accounts in the financial statements.

## **SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

1. **Accounts Receivable totaling P3,880,342.62 as of December 2014 were doubtful and unreliable in view of accounting error in recording penalty**

**thus, impairing the fair presentation of the accounts in the Financial Statement (FS).**

We recommended and management agreed to record penalties as income when collected in accordance with PPSAS No. 9 and be prudent in recognizing income; adjust accounts receivable of the penalties recorded in the current and prior years' to ascertain the correctness and reliability of Accounts Receivable balance.

- 2. Construction in Progress (CIP) account includes various completed projects amounting to ₱1,232,484.10 thus, failing to account for the depreciation charges and affecting the income and expense account for CY 2014 contrary to Section 41 of the New Government Accounting System (NGAS).**

We recommended and management agreed to record the completed projects and record the corresponding depreciation expenses one month after the final acceptance of the completed project; and the Engineering Division to maintain record for materials requisitioned and used for the project.

- 3. The Loans Payable account - Non-LWUA Initiated Fund (NLIF) of ₱13,261,625.00 was overstated due to the inclusion of the whole as payable despite one half or ₱ 6,630,812.50 was in a form of grant and having been completed but not transferred to appropriate PPE account thus failing to account for the related accumulated depreciation resulting to understatement and overstatement of expense and income accounts respectively.**

We recommended and management agreed to make representation with LWUA to obtain relevant documents to validate the Loans Payable and related accounts pertaining to NLIF, including the certificate of work completion; and direct the Senior Corporate Accountant to make the necessary adjustments based on valid document in order to come up with fair presentation of the Loans Payable-NLIF and CIP Accounts in the FS.

- 4. The Operating income as of December 2014 was understated by ₱ 15,625.87 due to accounting deficiency in the recording of taxes withheld by government offices and other establishments contrary to Section 121 (2) of PD 1445 and Philippine Accounting Standards (PAS) No. 18.**

We recommended and management agreed:

- a) To consider communicating with BIR and request the application as tax credit of the 3% income taxes withheld and remitted by the government concessionaires and other business establishment to the District's franchise tax on the subsequent payment;

- b) Make representation to the withholding payors to deduct 2% franchise tax only excluding the non VAT of 3%;
  - c) Require the Cashier/Tellers to ask copies of the BIR Form 2307 from the withholding government agencies and other business establishment upon payment/settlement of the latter's account; and
  - d) Require the Accounting Section to observe compliance with Section 121 of PD 1445. Prepare a summary of all taxes withheld from water sales in 2014 and make the necessary adjusting entry.
- 5. The District was unable to implement control measures to mitigate the unaccounted water loss equivalent to 44% of the 2,583,717 cubic meters total production in CY 2014 which is far beyond the tolerable allowance of 20% water loss prescribed under LWUA Memorandum Circular No. 004-10 dated February 23, 2010 depriving it of additional revenues to fund its operations.**

We recommended and management agreed to properly safeguard and protect the use of water and facilities by addressing the problem on unaccounted water in order to prevent further revenue losses in operations and assure the efficient and effective delivery of water services; and continue to exert efforts in the proper implementation of the Non-Revenue Water (NRW) Program.

- 6. Materials and Supplies Inventory are maintained at cost through First in First out (FIFO) costing method instead of the Moving Average Method as required under Section 4, Volume I of the NGAS.**

We recommended and management agreed that the Accounting Division observe the moving average method in costing supplies and materials inventory.

- 7. The District incurred traveling expenses totaling ₱ 177,818.00 for male employees to General Santos City and Sarangani and for female employees to Vigan, Ilocos Sur, despite the directive to adopt austerity measures under Section 1.a.2 of Administrative Order No. 103 dated August 31, 2004 and Section 3 of COA Circular No. 2012-003.**

We recommended that the management strictly adhere to the provisions of Administrative Order No. 103 and COA Circular No. 2012-003. Further, we recommended that the concerned officials and employees refund the amount.

- 8. The District procurement of labor component of infrastructure project implemented by administration totaling ₱ 993,596.14 was through payment of labor on a daily basis, instead of "pakyaw" system as provided for under GPPB Resolution No. 018-2006 depriving the local communities of the job opportunities.**

We recommended that the management strictly adhere to the provisions of GPPB Resolution No. 018-2006 relative to the procurement of labor component for the

projects implemented by administration to fast track implementation of projects/programs/activities.

- 9. The District paid an excess government share of the statutory deduction of PAG-IBIG Fund contribution covering the period January to December 2014 in the total amount of P 85,515.18, contrary to Sec. 1 Rule IV, IRR of RA No. 7742.**

We recommended and management agreed to adhere strictly to the provisions of Section 1 Rule IV of IRR of RA 7742 and consider writing officially the Pag-IBIG Fund Office for a possible application of the overstatement in the subsequent remittance.

- 10. The District did not prepare the Project Procurement Management Plan (PPMP) to support the Annual Procurement Plan (APP), contrary to Section 7 of the IRR of RA 9184 resulting to possible over spending beyond the budgeted amount.**

We recommended and management agreed to prepare PPMP pursuant to Section 7 of IRR of RA 9184.

#### **STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

Notices of Suspensions (NS) were issued totaling P 219,906.00 and Notice of Disallowances (ND) totaling P 316,208.18.

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

Of the eleven prior years' audit recommendations one was fully implemented and ten were partially implemented.

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**PART I -**  
**AUDITED FINANCIAL STATEMENTS**



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

## INDEPENDENT AUDITOR'S REPORT

**Ms Rosemarie D. Agustin, MGA**

General Manager  
Maramag Water District  
Maramag, Bukidnon

We have audited the accompanying financial statements of **Maramag Water District**, Maramag, Bukidnon which comprise the Balance Sheet as of December 31, 2014 and the related Statement of Income and Expenses, 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 state accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness 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 basis of our audit opinion.

***Bases for Qualified Opinion***

As discussed in Part II of this report, the balance of Accounts Receivable of ₱3,880,342.62 were doubtful and unreliable due to inclusion of penalties; Construction in Progress accounts includes completed projects amounting to ₱1,232,484.10 thus failing to account for the depreciation which understated the expense and overstated the income accounts; Loans Payable-NLIF account of ₱ 13,251,625.00 was overstated due to inclusion of the whole amount despite one half was in a form of grant and having been completed but not transferred to appropriate asset account thereby failing to account for the related depreciation affecting income and expenses and affecting the presentation of the accounts in the financial statements.

***Qualified Opinion***

In our opinion, except for the effects of the matters described in the Bases for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Maramag Water District**, Maramag, Bukidnon as of December 31, 2014 and of its financial performance and its cash flows for the year ended in accordance with state accounting principles.

***Other Matters***

The exit conference for the results of the financial and compliance audit of the CY 2014 operations was conducted on February 12, 2015.

**COMMISSION ON AUDIT**

By:



**CAROLINA A. DIEZ**

State Auditor V  
Supervising Auditor

February 24, 2015





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

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**Beneforte Dy Tan Mallack**  
Chairperson, Board of Directors  
Maramag Water District  
Maramag, Bukidnon

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***Qualified Opinion***

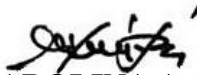
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***Other Matters***

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**COMMISSION ON AUDIT**

By:



**CAROLINA A. DIEZ**

State Auditor V

Supervising Auditor

February 24, 2015




Republic of the Philippines  
**MARAMAG WATER DISTRICT**  
Maramag, Bukidnon

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

The management of Maramag Water District (MWD), Maramag, Bukidnon is responsible for all the information and representation contained in the Balance Sheet as of December 31, 2014 and the related Statements of Income and Expenses and Cash Flows for the year then ended. The financial statements referred to have been prepared in conformity with generally accepted accounting principles and reflect amount 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 that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

  
**MARIE PEARLIE P. LUCENO**  
Administration Services Asst. A

  
**ROSEMARIE D. AGUSTIN, MGA**  
General Manager

February 12, 2015

Date

February 12, 2015

Date



## MARAMAG WATER DISTRICT

Maramag, Bukidnon

### BALANCE SHEET

As of December 31, 2014

(with comparative figures for 2013)

	CY 2014	CY 2013
<b><u>ASSETS AND OTHER DEBITS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash - Collecting Officer	₱ 118,539.86	₱ 132,417.93
Working Fund	-	4,000.00
Payroll Fund	-	-
Cash in Bank - Local Currency (Note 1)	3,090,463.02	3,650,029.29
Accounts receivable (Note 2)	3,880,342.62	3,228,884.44
Advances to Officers and Employees (Note 3)	104,577.00	105,934.36
Receivable - Disallowances / Charges	641,500.12	647,500.12
Other Receivable (Note 4)	374,177.29	401,039.39
Office Supplies Inventory	297,804.88	82,085.65
Chemicals and Filtering Supplies Inventory	98,364.43	16,189.99
Maintenance Supplies Inventory	967,716.98	328,165.39
Construction Materials Inventory	976,524.34	232,716.30
Other Inventories	237,528.48	158,776.45
Other Prepayments and Deposits (Note 5)	43,560.00	43,560.00
<b>Total Current Assets</b>	<b>10,831,099.02</b>	<b>9,031,299.31</b>
<b>Property, Plant &amp; Equipment</b>		
Land (Note 6)	525,000.00	485,000.00
Land Improvements	1,143,374.50	1,143,374.50
Accumulated Dep'n. -Land Improvements	(243,784.84)	(140,882.68)
Plant (UPIS)	41,576,959.90	40,803,354.56
Accumulated Depreciation-Plant	(15,996,601.58)	(14,725,744.02)
Buildings and Other Structures	6,905,253.84	6,905,253.84
Accumulated Dep'n. -Bldg. & Other Struc.	(2,262,763.17)	(1,778,609.03)
Office Equipment	1,439,401.60	1,367,518.06
Accumulated Dep'n. - Office Equipment	(931,096.76)	(820,675.65)
Land Transport Equipment	3,241,952.84	3,241,952.84
Accumulated Dep'n. -Land Transport Eqpt.	(2,368,762.93)	(2,156,704.19)
Other Machinery and Equipment	4,732,081.94	5,031,338.94
Accumulated Dep'n. -Other Mach. & Eqpt.	(1,849,741.68)	(1,447,548.57)
Furniture and Fixtures	367,470.82	314,640.66
Accumulated Dep'n. -Furniture and Fixtures	(193,313.52)	(156,666.80)

Construction-in Progress-Plant (Note 7)	14,510,674.28	12,090,852.91
Const.-in Progress-Bldg. & OtherStruc.(Note 8)	1,748,194.80	1,161,413.46
<b>Total Property, Plant &amp; Equipment</b>	<b>52,344,300.04</b>	<b>51,317,868.83</b>
<b>Other Assets</b>		
Sinking Fund (Note 9)	3,673,609.56	2,839,370.73
Restricted Funds (Note 10)	450,436.21	450,548.74
Other Reserve Funds (Note 11)	2,649,782.72	2,257,819.82
<b>Total Other Assets</b>	<b>6,773,828.49</b>	<b>5,547,739.29</b>
<b>Total Assets &amp; Other Debits</b>	<b>₱ <u>69,949,227.55</u></b>	<b>₱ <u>65,896,907.43</u></b>

### LIABILITIES, EQUITY AND OTHER CREDITS

#### **Current Liabilities:**

Accounts Payable (Note 12)	₱ 138,159.00	₱ -
Due to National Gov't Agency (BIR)	62,423.72	61,223.72
Due to GOCCs (GSIS & PAG-IBIG)	10,883.18	10,883.18
Due to Officers and Employees	52,294.79	-
Other Payables (Note 13)	170,461.60	192,011.60
Current Portion of Long-term Debt (Note 14)	2,138,290.48	1,878,328.20
<b>Total Current Liabilities</b>	<b>2,572,512.77</b>	<b>2,142,446.70</b>

#### **Non-Current Liabilities:**

Loans Payable (Note 15)	21,053,823.69	23,192,114.17
Customer's Deposit (Note 16)	449,423.82	449,423.82
<b>Total Non-Current Liabilities</b>	<b>21,503,247.51</b>	<b>23,641,537.99</b>
<b>Total Liabilities</b>	<b>24,075,760.28</b>	<b>25,783,984.69</b>

#### **Equity:**

Government Equity (Note 17)	6,635,000.00	6,635,000.00
Donated Capital (OPIC) (Note 18)	842,004.39	842,004.39
Retained Earnings	38,396,462.88	32,635,918.35
<b>Total Equity</b>	<b>45,873,467.27</b>	<b>40,112,922.74</b>
<b>Total Liabilities, Equity &amp; Other Credits</b>	<b>₱ <u>69,949,227.55</u></b>	<b>₱ <u>65,896,907.43</u></b>

*(See accompanying Notes to Financial Statements)*



**MARAMAG WATER DISTRICT**  
**Maramag, Bukidnon**  
**INCOME STATEMENT**  
**For the period ended December 31, 2014**  
 (with comparative figures for 2013)

	CY 2014	CY 2013
<b>Operating Revenues:</b>		
Generation, Transmission & Distribution		
Income (Note 19)	₱ 26,854,160.81	₱ 24,732,502.04
Interest Income (Note 20)	21,447.48	24,819.96
Other Business and Service Income (Note 21)	777,809.23	703,150.69
Fines and Penalties- Service Income	1,281,973.12	1,166,561.40
<b>Total Operating Revenues</b>	<b>28,935,390.64</b>	<b>26,627,034.09</b>
<b>Less: Operating Expenses and Maintenance Expenses:</b>		
<b>Personal Services:</b>		
Salaries and Wages	6,565,218.20	6,140,931.65
Personnel Economic Relief Allowance (PERA)	368,000.00	351,500.00
Additional Compensation (ADCOM)	368,000.00	351,500.00
Representation Allowance	222,000.00	102,000.00
Transportation Allowance	102,000.00	102,000.00
Clothing and Uniform Allowance	155,000.00	140,000.00
Honoraria (Directors' Fees & Remunerations,etc)	381,371.09	434,030.92
Year-end Bonus	668,942.00	629,043.30
Other Bonuses and Allowances	155,000.00	219,219.24
Life and Retirement Insurance (GSIS) Cont.	771,391.08	729,976.42
PAG-IBIG Contributions	115,236.34	115,970.12
PHILHEALTH Contributions	68,700.00	64,787.50
Vacation and Sick Leave Benefits	481,260.80	515,410.97
Other Personnel Benefits	402,731.47	251,940.15
<b>Other operations Expenses:</b>		
Office Supplies Expense	345,648.77	481,614.16
Fuel, Oil and Lubricants Expenses	397,792.42	461,625.30
Other Supplies Expenses	5,143.40	-
Travel Expenses	230,592.00	376,675.83
Training and Scholarship Expenses	104,950.00	147,506.00
Electricity	372,356.05	2,599,867.04
Communication Expenses	72,382.20	90,734.25
Postage and Deliveries	3,095.51	118.15
Telephone Expenses- Landline	1,602.60	-

Telephone Expenses- Mobile	2,536.12	-
Cable, Satellite, Telegraph and Radio Expenses	350.00	-
Advertising, Promotional and Marketing Exp.	41,400.00	28,949.00
Taxes, Duties and Licenses	478,956.28	542,281.36
Franchise and Regulatory Requirements Exp.	75,300.88	46,269.11
Insurance Premiums	51,549.82	62,653.24
Representation Expenses	37,637.37	75,420.50
Indemnities and Other Claims	80.00	3,000.00
Generation, Transmission and Distribution Exp.	4,057,197.61	432,563.35
Extraordinary and Miscellaneous Expenses	630,040.20	601,531.12
Donations	600.00	-
Legal Services	150.00	800.00
Security Services	238,577.25	245,602.00
Computer Data Processing Services	40,250.00	-
Depreciation (Note 22)	2,620,639.79	2,298,274.16
Repairs and Maintenance (Note 23)	1,129,683.51	1,166,525.63
<b>Total Operation and Maintenance Exp.</b>	<b>21,763,362.76</b>	<b>19,810,320.47</b>
<b>Total Income</b>	<b>7,172,027.88</b>	<b>6,816,713.62</b>
<b>Net Income Before Interest &amp; Financial Charges</b>		
Interest Expenses (Note 24)	1,382,095.80	1,610,302.31
<b>Net Income for the Period</b>	<b>₱ <u>5,789,932.08</u></b>	<b>₱ <u>5,206,411.31</u></b>

*(See accompanying Notes to Financial Statements)*



**MARAMAG WATER DISTRICT**  
**Maramag , Bukidnon**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2014**  
 (With comparative figures for 2013)

	CY 2014	CY 2013
<b>Cash flow from operating activities</b>		
<b>Cash inflows:</b>		
Service income	₱ 28,220,461.25	₱ 26,295,259.52
Other income	21,447.48	53,403.41
Receivables	95,130.31	203,410.68
Other receipts	1,544,465.58	1,706,214.41
<b>Total cash inflows</b>	<b>29,881,504.62</b>	<b>28,258,288.02</b>
<b>Cash outflows:</b>		
Personal services	6,565,218.20	6,140,931.65
Maintenance and other operating expenses	12,266,789.58	10,089,695.67
Interest expense	1,382,095.80	1,610,302.31
Purchase of inventories	4,758,962.11	1,736,396.52
Other disbursements	1,290,343.79	2,360,524.57
<b>Total cash outflows</b>	<b>26,263,409.48</b>	<b>21,937,850.72</b>
<b>Net cash from operating activities</b>	<b>3,618,095.14</b>	<b>6,320,437.30</b>
 <b>Cash flow from investing activities</b>		
<b>Cash inflows:</b>		
<b>Total cash inflows</b>	-	-
<b>Cash outflows:</b>		
Purchase/Acquisition of property, plant & equipment	1,091,122.08	3,860,932.10
Grant of loans	-	-
<b>Total cash outflows</b>	<b>1,091,122.08</b>	<b>3,860,932.10</b>
<b>Net cash from investing activities</b>	<b>(1,091,122.08)</b>	<b>(3,860,932.10)</b>
 <b>Cash flows from financing activities</b>		
<b>Cash inflows:</b>		
<b>Total cash inflows</b>	-	-
<b>Cash outflows:</b>		
Loan amortization	1,878,328.20	1,674,565.69
<b>Total cash outflows</b>	<b>1,878,328.20</b>	<b>1,674,565.69</b>
<b>Net cash from financing activities</b>	<b>(1,878,328.20)</b>	<b>(1,674,565.69)</b>



<b>Net increase in cash and cash equivalents</b>	<b>648,644.86</b>	<b>784,939.51</b>
<b>Cash and cash equivalents at beginning of period</b>	9,334,186.51	8,549,247.00
<b>Cash and cash equivalents at end of period</b>	<b>₱ <u>9,982,831.37</u></b>	<b>₱ <u>9,334,186.51</u></b>



**MARAMAG WATER DISTRICT**  
**Maramag , Bukidnon**  
**STATEMENT OF CHANGES IN EQUITY**  
**Year Ended December 31, 2014**  
 (With comparative figures for 2013)

	<b>CY 2014</b>	<b>CY 2013</b>
<b>Government Equity</b>		
Balance at beginning of period	₱ 6,635,000.00	₱ 6,635,000.00
Additions (deductions)	-	-
<b>Balance at end of period</b>	<b>6,635,000.00</b>	<b>6,635,000.00</b>
<b>Restricted Capital</b>		
Balance at beginning of period	-	-
Additions (deductions)	-	-
Balance at end of period	-	-
<b>Donated Capital</b>		
Balance at beginning of period	842,004.39	842,004.39
Additions (deductions)	-	-
<b>Balance at end of period</b>	<b>842,004.39</b>	<b>842,004.39</b>
<b>Retained Earnings</b>		
Balance at beginning of period	32,635,918.35	28,569,758.04
Prior period adjustments	(29,387.55)	(1,140,251.00)
Changes during the period	-	-
Net income (loss) for the period	5,789,932.08	5,206,411.31
<b>Balance at end of period</b>	<b>38,396,462.88</b>	<b>32,635,918.35</b>
<b>TOTAL EQUITY</b>	₱ <b><u>45,873,467.27</u></b>	₱ <b><u>40,112,922.74</u></b>



**Maramag Water District**  
**Maramag Bukidnon**  
**NOTES TO FINANCIAL STATEMENTS**  
**Calendar Year 2014**

**Brief Historical Background:**

The Maramag Water District (MWD) was given the Conditional Certificate of Conformance No. 496 approved by the Local Water Utilities Administration (LWUA) on June 11, 1991 and was granted an approved Water Permit No. 15268 per National Water Resources Board Resolution No. 01-0796 on July 23, 1996.

All Local Water Districts (AWDs) in the Philippines were declared as government-owned or controlled corporations (GOCC) with original charter (PD 198) in a case decided by the Supreme Court on September 13, 1991 docketed as GR No. 95237-38 entitled "*Davao City Water District, et al. vs. Civil Service Commission, et al.*"

**I. Summary of Significant Accounting Policies**

- a. Financial Statements (FS) were prepared in accordance with Generally Accepted Accounting Principles and Standards.
- b. The accounts were classified in conformity with the Commercial Practices System (CPS) manual for Local Water District (LWD) prescribed by the Local Water Utilities Administration (LWUA) for the months of January 2014 to November 2014 and it was converted to New Government Accounting System (NGAS) starting December 1, 2014 as prescribed by the Commission on Audit (COA).
- c. Accrual method of accounting was used. Revenues are recorded in the period in which services are given and expenses are recorded in the period in which the benefits are received.
- d. Imprest system was used in petty expenses.
- e. Depreciation was computed based on straight line method.
- f. Accounts Receivable - Customer was computed based on monthly billings plus penalties and last reading before cut-off connections less the bills collected and billing adjustments of the month.

**II. NOTES:**

**Note 1: Cash in bank – local currency - ₱ 3,090,463.02**

The account represents the following:

**a. Cash in bank – local currency, current account - ₱ 1,767,034.92**

This account represents the General Fund of MWD with LBP bank account no. CA# 2102-0006-44.

**b. Cash in bank – local currency, savings account - ₱ 1,323,428.10**

The following comprises the Cash in bank – local currency, savings account:

<b>LBP BANK ACCOUNT</b>		<b>Balance</b>
1. LBP AC# 2101-0883-19		₱ 10,015.62
2. LBP AC# 2102-0079-32		1,313,412.48
<b>Total</b>		<b>₱ 1,323,428.10</b>

**Note 2: Accounts Receivables - ₱ 3,880,342.62**

This account represents the billed amount from general consumers which also include the penalties for the billings unpaid on the due month and the last reading before cut-off connections minus the billing adjustments and collections of the month.

**Note 3: Advances to officers and employees - ₱ 104,577.00**

This account comprises the unliquidated cash advances of officers and employees of the District that remained outstanding as of December 31, 2014.

<b>Name of Employees</b>	<b>Date Granted</b>	<b>Amount</b>
2. Engr. Wilfredo D. Cruz	07/13/1998	5,000.00
3. Alexander M. Sabio	07/15/1998	1,000.00
4. Dir. Alberto L. Balios	09/29/1998	2,000.00
5. Dir. Jimmy C. Wong	09/29/1998	2,000.00
6. Dir. Fr. Cirilo S. Sajelan	09/29/1998	2,000.00
7. Dir. Anna Perla C. Malalang	07/23/1997;09/29/1998; 8:01/24/2000;11/14/2001	29,705.00
8. Joahna Grace A. Pates/Vahey	02/10/1999	1,500.00
9. Atty. Jose S. Malalang	09/07/2001	2,900.00
10. Dir. Nephtali B. Enguito	01/23/2004	16,899.00
11. Dir. Conrado G. Micayabas, Jr.		3,200.00
13. Dir. Antonio P. Carbonilla	2007	3,400.00
14. Dir. Beneforte Dy Tan Malack	10/18/2011;10/19/2011	32,570.00
17. Dir. Menrado Y. Bonachita	03/05/2013;11/11/2013	2,403.00
<b>Total</b>		<b><u>₱ 104,577.00</u></b>

**Note 4: Other Receivable - ₱ 374,177.29**

<b>Account Code</b>	<b>Particulars</b>	<b>Amount</b>
149-A	Materials	₱ 233,330.63
149-B	Construction	37,500.00

149-C	Dologon RWSA	17,568.65
149-P	Pedro R. Pacomios Jr./RWSA	6,468.85
149-M	Meter Installation	35,072.00
149-1	Pedro R. Pacomios Jr./XRM Yellow Motorcycle	<u>44,237.16</u>
	<b>Total</b>	<b>₱ 374,177.29</b>

**Note 5: Other Prepayments & Deposits - ₱ 43,560.00**

This account balances per record as of December 31, 2014, represents the purchase of (2) units digital meter reading equipment or machine, detailed as follows:

Particulars	Amount
30% payment of (2)units digital meter reading equipment	<u>43,560.00</u>
<b>Total</b>	<b><u>₱ 43,560.00</u></b>

**Note 6: Land - ₱ 525,000.00**

These accounts formerly form part of the Utility Plant in Service (UPIS) account in the CY 2013 Financial Report. The following comprises the account:

Location	Value (per book)
1. South Poblacion, Maramag, Buk.	₱ 150,000.00
2. Anahawon, Maramag, Bukidnon	65,000.00
3. Villafuerte Spring, San Miguel, Mar., Buk.	50,000.00
4. Lariosa Spring, Dologon, Maramag, Buk.	220,000.00
5. Danggawan Water System area, Danggawan, Maramag, Bukidnon	<u>40,000.00</u>
<b>Total</b>	<b><u>₱ 525,000.00</u></b>

*-At the balance sheet date, all the purchased lots were not supported with Transfer Certificate of Title (TCT), and only the land situated at South Poblacion and Villafuerte had the Tax Declaration for the said lots.*

*-The lot - Danggawan Water System area located at Danggawan, Maramag, Bukidnon, was purchased on installment basis and final payment has still to be arranged.*

**Note 7: Construction in Progress (CiP) – Plant - ₱ 14,510,674.28**

Formerly called Construction Work - In Progress (CWIP) account, now the Construction in progress in the account - Agency assets, is the accumulated values of the construction of future asset of the district that is still in progress or still in the reconciliation of valued cost, actual cost versus per book project cost. The following composed the CWIPprogress or Construction in progress –Plant account, but as of the date of the report it has been found out that only the account code – 243(CP7) or 6” Mainline Expansion at Crystal Spring Source to P7 Anahawon, Maramag, Bukidnon, was

in progress and all the rest were still un-reconciled as to cost. Also, NLIF Project was not in progress, but only it has *NO* Certificate of Project Completion;

	<b>Asset Description</b>	<b>Cost</b>
243(NLIF)	N L I F	₱ 12,090,852.91
243(Exc-4"P2ASP)	Exc. - 4" P2A South Pob., Mar.	77,621.60
243(P1NP)	Trans.& Dist.-P1 North Pob. Mar	15,270.00
243(CP7)	6"Crystal to P7 Anahawon, Mar.	2,253,329.07
243(Slaughter)	Slaughter House (P10 SP)	7,640.00
243(Tuban)	Tuban Area, Mar., Buk.	44,210.70
243(2" P9 BC)	2" P9 Base Camp,Mar.	<u>21,750.00</u>
<b>TOTAL</b>		<b><u>₱ 14,510,674.28</u></b>

**Note 8: Construction in Progress (CiP) – Buildings & Other Structures - ₱1,748,194.80**

The following composed the CWIP or CiP – Buildings & Other Structures account, but as of the balance sheet date it has been found out that the Paglaum (PF & Pumping), Beautification Works – Base Camp and the Fence of Old Reservoir Projects were still in progress and the others were not in progress, only that it has *NO* Certificate of Project Completion or were still no reconciliation as to correct actual project cost. Below are the following that comprises the account;

	<b>Asset Description</b>	<b>Cost</b>
244(Pag.)	Paglaum (PF & Pumping)	₱ 507,969.05
244(Oct.)	Octagon Hall - BC, Mar., Buk.	693,063.51
244(Plast.)	Plastering	241,469.00
244(Repaint.)	Repainting of MWD Offices	26,675.00
244(PFR)	Perimeter Fence & Roof of MWD Main Office	168,041.24
244(BW)	Beautification Works - Base Camp	34,607.00
244(FOR)	Fence of Old Reservoir-BC, Mar.	29,100.00
244(P9BC)	Purok 9 – Project, BC, Mar.	<u>47,270.00</u>
<b>TOTAL</b>		<b><u>₱ 1,748,194.80</u></b>

**Note 9: Sinking Fund – (Joint Savings Account with LWUA) – ₱ 3,673,609.56**

The account represents the monthly deposits of 3% of gross billing (month) for the amount of water sales to guarantee payment of loans with LWUA. It cannot be withdrawn by the water district without the consent of LWUA. The signatories of the check are the General Manager (GM) of MWD and the LWUA Manager, WD-Mindanao.

**Note 10: Restricted Fund - ₱ 450,436.21**

The account represents the “Special Deposits-Customer’s Deposits Account” – the collections of guaranty deposit’s for water installation from concessionaires which is backed-up by cash deposited at LBP under Account No. 2101-0835-70.

**Note 11: Other Reserve Funds - ₱ 2,649,782.72**

The account represents the following:

**a. Miscellaneous Special Funds (Earned Leave Fund) – ₱ 478,336.76**

This amount is intended for the earned leave due to pay for MWD employees upon their separation, resignation, and retirement.

**b. Miscellaneous Special Funds (Tax Reserve Fund) – ₱ 2,171,445.96**

The District retains this fund for the purpose of settling the liabilities that may occur as per tax assessment by the Bureau of Internal Revenue. This is for the purpose of availability of fund if the BIR assessed the tax liabilities of the district for previous taxable years as the BIR deemed necessary. Arbitrations, as to whether the LWD is exempted or not of its income tax, are still in progress to date. Way back CY 2009 the District received a demand letter for immediate settlement from BIR upon their tax assessment of liabilities for taxable year 2006, the amount billed for MWD was ₱1,110,989.95. During that time there was no sufficient fund to pay the liabilities, and the district experience cash shortages to pay the liabilities. It is covered by a Board resolution authorizing the setting up of the reserve fund.

**Note 12: Accounts Payable - ₱ 138,159.00**

The account represents the recognition in the books of the incurred expenses and delivered purchases as of the balance sheet date. The following were:

<b>PAYABLES TO</b>	<b>Amount</b>
1. Legacy Sales & Printing Press	₱ 130,000.00
2. Isengard Security Agency	8,159.00
<b>Total</b>	<b><u>₱ 138,159.00</u></b>

**Note 13: Other Payables - ₱ 170,461.60**

This account represents the guarantee deposits for water bill payments of contractors undergoing certain projects for the LGU of Maramag and performance bond of suppliers joining bidding of materials and supplies of MWD.

**Note 14: Current Portion of Long-term Debt - ₱ 2,138,290.48**

The account shows the (*principal*) amortization of two (2) LWUA loans currently payable for the calendar year 2015; see the amortization schedule – showing the principal repayment of loans of the two (2) loans with the corresponding loan account codes:

<b>Month (CY 2015)</b>	<b>LA # 4-1890 RL</b>	<b>LA # 3-739</b>
----------------------------	-----------------------	-------------------

Jan.	₱ 148,938.00	₱ 18,854.64
Feb.	150,582.00	19,032.68
Mar.	152,245.00	19,212.42
Apr.	153,926.00	19,393.88
May	155,626.00	19,577.05
June	157,344.00	19,761.96
July	159,082.00	19,948.65
Aug.	160,840.00	20,137.10
Sept.	162,616.00	20,327.35
Oct.	164,412.00	20,519.41
Nov.	166,228.00	20,713.30
Dec.	168,064.00	20,909.04
<b>Total</b>	<b><u>₱ 1,899,903.00</u></b>	<b><u>₱ 238,387.48</u></b>

**Note 15: Loan payable - Domestic - ₱ 21,053,823.69**

The account consists of various loans availed from LWUA to finance projects of the water district. The account comprises of the remaining amortization of two (2) LWUA loans, LA # 4-1890- RL and LA # 3-739, which are not due for the next 12 months. Thus, after thorough investigation of the balances of loans such as; LA #(s) 3-452, Dologon RWSA and 10-0085 NL, it was found out that the balances per book of the said loans were not adjusted or reconciled after its final payment thereof. The amount or values presented below were still on the account of the balances per book and so with the Non-LWUA Initiated Fund (NLIF) loan to finance the project of the District, in which its final contract and amortization contract from LWUA were not yet forwarded to the agency;

<b>Account Number</b>	<b>Duration of Payments</b>	<b>Outstanding Balance</b>
4-1890 RL	Nov. 2002 – Oct. 2017	₱ 4,209,085.43
3- 739	July 1998 – June 2024	3,566,655.88
3-452	Jan. 1993 – Dec. 2012	17,359.98
Dologon RWSA	May 1990 – April 2010	193.40
10-0085 NL	May 2010 – April 2013	(1,096.00)
NLIF	NO Amortization Sched.	<u>₱ 13,261,625.00</u>

**Note 16: Customers' Deposit - ₱ 449,423.82**

This account pertains to the deposits made by customers normally before the extension of any service connections as security payment of subsequent bills or as a meter deposit. This was discontinued in CY 2007 with the deposits treated as other revenues.



**Note 17: Government Equity - ₱ 6,635,000.00**

The following composed the Government Equity account, formerly “Capital Contribution – Government, as of the balance sheet date:

These accounts include fund contributions from the following:

<b>Particulars</b>	<b>Amount</b>
Sen. Rodolfo R. Biazon	₱ 6,000,000.00
Cong. Juan Miguel F. Zubiri	500,000.00
Brgy. South Pob., Maramag, Bukidnon	10,000.00
PTO – Malaybalay, Bukidnon	15,000.00
Prov. Gov’t. of Bukidnon	<u>110,000.00</u>
<b>Total</b>	<b><u>₱ 6,635,000.00</u></b>

**Note 18: Donated Capital - ₱ 842,004.39**

This account was also called as Member's Equity, comprises the amount received from customers' as counterpart in transfer tapping from old distribution lines to new distribution lines.

**Note 19: Generation, Transmission and Dist. Income - ₱ 26,854,160.81**

This pertains to the available account on the CPS-NGAS Modified Chart of account that formerly called “Metered Sales – General Customers. The account pertains to sales of water thru metered connections; add the last reading before cut-off connections less billing adjustments due to stock-up meter, water leakages, and other adjustments for the current billing month.

**Note 20: Interest Income - ₱ 21,447.48**

This interest derived from all deposits maintained at LBP–Maramag branch of MWD for the CY 2014.

**Note 21: Other Business and Service Income - ₱ 777,809.23**

The account represents the following:

*A. Miscellaneous Service Revenues – ₱ 733,670.00*

This pertains to the collection of fees for reopening connections, labor charges and installation fees for new connections.

*B. Other Water Revenues – ₱ 44,139.23*

This pertains to the collections of materials sold to customers, rentals of steel forms, and all other fees not specified under miscellaneous service revenues.

**Note 22: Depreciation Expenses**

	<b>2014</b>	<b>2013</b>
Depreciation - Land Improvements	102,902.16	-
Depreciation - Plant (UPIS)	1,270,857.56	601,680.22
Depreciation - Buildings and Other Structures	484,154.14	177,834.43
Depreciation - Office Equipment	110,421.11	50,496.09
Depreciation - Laboratory Equipment	-	-
Depreciation - Land Transport Equipment	212,058.74	161,143.36
Depreciation - Construction Equipment	-	-
Depreciation - Other Machinery and Equipment	403,599.36	1,278,672.64
Depreciation - Furniture and Fixtures	36,646.72	28,447.42
<b>Total Depreciation Expenses</b>	<b>2,620,639.79</b>	<b>2,298,274.16</b>

**Note 23: Repairs and Maintenance Expenses**

	<b>2014</b>	<b>2013</b>
Repairs and Maintenance - Land Improvements	-	-
Repairs and Maintenance - Plant (UPIS)	879,236.66	717,295.12
Repairs and Maintenance - Bldgs. & Other Struct.	-	-
Repairs and Maintenance - Office Equipment	1,200.00	-
Repairs and Maintenance - Laboratory Equipment	-	-
Repairs and Maintenance - Land Transport Equip't	242,621.85	449,230.51
Repairs and Maintenance - Construction Equip't	-	-
Repairs and Maintenance - Other Mach.and Equip't	6,625.00	-
Repairs and Maintenance - Furniture and Fixtures	-	-
<b>Total Repairs and Maintenance Expenses</b>	<b>1,129,683.51</b>	<b>1,166,525.63</b>

**Note 24: Interest Expenses - ₱ 1,382,095.80**

This account pertains to interest paid for all loans availed from LWUA, specifically interest paid to LA # 4-1890 RL and LA # 3-739.

## **PART II - OBSERVATIONS AND RECOMMENDATIONS**

## **PART II - OBSERVATIONS AND RECOMMENDATIONS**

- 1. Accounts Receivable totaling ₱3,880,342.62 as of December 2014 were doubtful and unreliable in view of accounting error in recording penalty thus, impairing the fair presentation of the accounts in the Financial Statement (FS).**

Under the Philippine Public Sector Accounting Standards (PPSAS) No. 9 recognized revenue only when it is probable that the economic benefits associated with the transaction will flow to the enterprise. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense, rather than as an adjustment of the amount of revenue originally recognized.

Verification of the accounts receivable disclosed water billed to customers include penalty equivalent to 10% for delayed payment of the accounts within the due date. The Commercial Department records metered sales, penalty charges and water maintenance fee. At the end of the month, a monthly billing report including adjustments of collected penalty and other adjustments and submitted the same to Accounting. The latter recorded the bills rendered as accounts receivable and credits to income and miscellaneous income correspondingly.

The recording of penalties under accounts receivable resulted to overstatement of accounts receivable-customers and income accounts during the year.

Management concurred with the audit team's findings and committed to implement the recommendations starting the end of the current year going backward to the prior years when the current year adjustment is done.

**We recommended and management agreed to record penalties as income when collected in accordance with PPSAS No. 9 and be prudent in recognizing income; adjust accounts receivable of the penalties recorded in the current and prior years' to ascertain the correctness and reliability of Accounts Receivable balance.**

- 2. Construction in Progress (CIP) account includes various completed projects amounting to ₱1,232,484.10 thus, failing to account for the depreciation charges and affecting the income and expense account for CY 2014 contrary to Section 41 of the New Government Accounting System (NGAS).**

Section 41 Volume I of the New Government Accounting System (NGAS) provides that during construction period, PPE shall be classified and recorded as "Construction in Progress" or CIP with the appropriate asset classification. As soon as these are completed, the "CIP" account shall be transferred to the appropriate asset accounts.

It is an imperative accounting procedure to capitalize construction in progress (CIP) when completed as these shall correspond to depreciation, subject to procedures defined by NGAS, of proper Utility Plant in Service (UPIS) subsidiary accounts in compliance with the matching principle of accounting.

Verification of CIP account which is individually controlled in the General Ledger (GL) disclosed that there were completed projects which remained in the said account as of December 2014. When discussed the matter with the Division Manager C of Engineering, we found out that the delay in the capitalization of these projects was due to the incomplete documentation which was not timely submitted to the Accounting Division for recording purposes.

Examination on the composition of Construction Work in Progress (CWIP) account showed projects completed with no provision of depreciation have been provided one month after its final acceptance, namely:

Description	Date of Completion	Actual Cost
2" Mainline Expansion at P9 Base Camp, Maramag, Bukidnon	March 20, 2014	42,076.65
4" Mainline Expansion at P2A South Poblacion, Maramag, Poblacion	September 2014	153,195.00
Distribution Line Expans at P10 South Poblacion, Maramag, Bukidnon (Slaughter House)	May 30, 2014	131,897.00
Construction of Octagon Hall at Reservoir # 2 site Base Camp, Maramag	September 2014	693,063.51
Renovation of perimeter fence & roof extension building at MWD Office, Maramag	May 15, 2014	168,041.24
2" Mainline Expansion at P1 North Poblacion, Maramag (Tuban area)	August 30, 2014	44,210.70
Total		<b>P1,232,484.10</b>

Construction of Octagon Hall at Reservoir #2	P 693,063.51
Renovation of Perimeter Fence & Roof of Ext. Bldg.	168,041.24
Mainline Expansion from Crystal Spring	<u>44,210.70</u>
Total	<b>P 905,315.45</b>
	=====

The Engineering division did not maintain records controlling the name of the projects, the materials and labor cost incurred for monitoring and recording of the total project cost so that after its completion, the same shall be submitted to the Accounting for reconciliation, recording and proper adjustment of asset account.

Hence, the CIP account is overstated and understated the allowance for depreciation during the year.

**We recommended and management agreed to record the completed projects and record the corresponding depreciation expenses one month after the final acceptance of the completed project; and the Engineering Division to maintain record for materials requisitioned and used for the project.**

- 3. The Loans Payable account - Non-LWUA Initiated Fund (NLIF) of ₱13,261,625.00 was overstated due to the inclusion of the whole as payable despite one half or ₱ 6,630,812.50 was in a form of grant and having been completed but not transferred to appropriate PPE account thus failing to account for the related accumulated depreciation resulting to understatement and overstatement of expense and income accounts respectively.**

Under LWUA Board Resolution No. 19 series of 2009, the New Policy Guidelines governing Non-LWUA Initiated Funds (NLIF) provides: that the NLIF funds will be extended to the District on a 50%-50% loan-grant mix. The NLIF loan portion of the funding shall be interest-free and to be amortized from a minimum of ten (10) years to a maximum of forty (40) years depending on the loan evaluation by LWUA.

Review of the District's Loans Payable as of December 31, 2014 totaling ₱21,053,823.69 disclosed the inclusion of the Loans Payable-Non-LWUA Initiated Funds (NLIF) amounting to ₱13,261,625.00 which the Maramag Water District availed for MWD-Water Supply Improvement Project NLIF-DOH under LWUA approved P22.016 M Program of Work dated December 2009. The District Manager commented that the said project was already completed since April 2011 per certificate of project completion but was not signed by Wilfredo D. Cruz, LWUA-assigned Engineer.

The inclusion of the entire amount of ₱ 13,251,625.00 as Loan Payable-NLIF overstated the Accounts Payable. Likewise, the failure to close the account to the appropriate asset account despite its long completion and its failure to account for the related accumulated depreciation understated the asset and overstated the payable accounts, respectively.

**We recommended and management agreed to make representation with LWUA to obtain relevant documents to validate the Loans Payable and related accounts pertaining to NLIF, including the certificate of work completion; and direct the Senior Corporate Accountant to make the necessary adjustments based**

**on valid document in order to come up with fair presentation of the Loans Payable-NLIF and CIP Accounts in the FS.**

- 4. The Operating income as of December 2014 was understated by P 15,625.87 due to accounting deficiency in the recording of taxes withheld by government offices and other establishments contrary to Section 121 (2) of PD 1445 and Philippine Accounting Standards (PAS) No. 18.**

Section 121 (2) of PD 1445 provides that the FS shall be based on official accounting records kept in accordance with law and the generally accepted accounting principles and standards.

We observed that the collection of water bills from the government consumers and other establishment paid their accounts net of withholding tax. Instead of recording the tax withheld as tax credit, the accounting processor based on the billing adjustments from the commercial, made an adjusting entry reversing the previously recorded receivable-customers and the corresponding revenue account thus, understating the income account.

Verification of the GL from January to December 2014 disclosed credits to accounts receivable-customers in the total amount of P592,230.45 representing adjustments of water billed due to leaking and taxes withheld from customers.

The accounting furnished the audit team a photocopy of the LGU payment showing the computation of their taxes withheld. The computation was based on 3% withholding of franchise tax and 2% final withhold tax or a total of 5%.

Revenue Regulations No. 2-98, Section 5.116 withholding of percentage tax provides that any government offices making any money payment to private individuals, corporations, partnerships are required to deduct and withhold the taxes due from the payee on account of such money payments. The following shall be subjected to withholding at the rates herein prescribed:

1. Persons exempt from value-added tax (VAT)- on gross payments to persons who are exempt under Sec. 109 and who is not a VAT registered persons – **Three percent (3%)** or
2. Franchises – on gross payments to franchises on electric, gas and **water utilities – Two percent (2%)**

Water Districts (WDs) are exempt from payment of income tax; only the withheld franchise tax of 2% shall be claimed as tax credits to their monthly remittance to the BIR. The other three percent (3%) is not an appropriate deduction from the water billed to the withholding payor because the District is a government corporation not subject to VAT.

The non-recognition of tax withheld as Input Tax (181, new NGAS account) resulted to the understatement of the operating revenue since the tax withheld are supposed to be sales revenue had it not been withheld by the government concessionaires and other establishments.

**We recommended and management agreed:**

**1. To consider communicating with BIR and request the application as tax credit of the 3% income taxes withheld and remitted by the government concessionaires and other business establishment to the District's franchise tax on the subsequent payment;**

**2. Make representation to the withholding payors to deduct 2% franchise tax only excluding the non VAT of 3%;**

**3. Require the Cashier/Tellers to ask copies of the BIR Form 2307 from the withholding government agencies and other business establishment upon payment/settlement of the latter's account; and**

**4. Require the Accounting Section to observe compliance with Section 121 of PD 1445. Prepare a summary of all taxes withheld from water sales from January to December and make an adjusting entry:**

**Input Tax (181)**

**₱ xxx**

**Sales Revenue (571)**

**₱ xxx**

**To record taxes withheld from government offices and business establishments.**

**5. The District was unable to implement control measures to mitigate the unaccounted water loss equivalent to 44% of the 2,583,717 cubic meters total production in CY 2014 which is far beyond the tolerable allowance of 20% water loss prescribed under LWUA Memorandum Circular No. 004-10 dated February 23, 2010 depriving it of additional revenues to fund its operations.**

LWUA Board of Trustees Resolution No. 444, series of 2009 issued Memorandum Circular No. 004-10 dated February 23, 2010 which provides to all WDs setting a maximum acceptable level of Non-Revenue Water (NRW) to 20% to further improve efficiency. In fact, the criteria for approval of financial assistance, water rate adjustments and performance evaluation of WDs shall include this requirement.

Based on the Report of the Production/Engineering and Construction Division of MWD incurred an annual average of 44% NRW rate for CY 2014 out of the total production of 2,583,717 cubic meters.

Management confirmed the problem on high NRW rate of the District over the years. It stressed out some of the identified causes such as pilferages, illegal connections, service line leaking, old and dilapidated pipelines installed that could not sustain the



water pressure, unauthorized use of the fire hydrant (use even in the absence of emergency cases like fire), and damaged pipeline due to the road widening and other construction. The management commented that it exerted effort in directing the party liable of the damage, such as the contractor, to shoulder the costs of repairs and the materials replaced thereto.

Further verification also disclosed that the District has prepared NRW Reduction Program for the period covering Year 2014 - 2018 with the following program of activities:

1	Setting-up/Installation of service line before the meter for new service connections and clustering of water meters.
2	Replacement of old and defective water meters and installation of color coded water meters.
3	Regular monitoring of disconnected lines and inspection of tampered water meters.
4	Rehabilitation of mainlines and distribution lines.
5	Installation of gate valves.
6	Calibration of water meters.
7	Training/seminar for plumbers of related program of water leak detection and detection of tampered water meters.

**We recommended and management agreed to properly safeguard and protect the use of water and facilities by addressing the problem on unaccounted water in order to prevent further revenue losses in operations and assure the efficient and effective delivery of water services; and continue to exert efforts in the proper implementation of the Non-Revenue Water Program.**

**6. Materials and Supplies Inventory are maintained at cost through First in First out (FIFO) costing method instead of the Moving Average Method as required under Section 4, Volume I of the NGAS.**

Section 4 Volume 1 of NGAS Manual provides for the valuation of Inventory. The cost of ending inventory of supplies and materials shall be computed using the moving average method, which is a method of calculating cost of inventory on the basis of weighted average on the date of issue as defined in Section 44 of the same volume in the NGAS. The Accounting Unit shall be responsible in computing the cost of inventory on a regular basis.

Moving average method of costing of inventory directs that the average cost of each inventory is calculated after every inventory purchase. This costing method requires that inventory records are kept in accordance with the Perpetual Inventory Method, as required under Section 43 Volume 1 of the NGAS, since cost changes whenever there is an inventory purchase. Under the perpetual inventory method, an inventory control account is maintained in the GL on a current basis.

Verification of Supplies Ledger Cards (SLC) disclosed that the District inappropriately used the FIFO costing method of inventory assuming that the inventory purchased first is issued first; hence, cost of inventory as of year-end is based upon the latest purchase.

In addition, cost of inventory under FIFO costing method allows probability of miscalculation due to meticulous tracing of cost of early purchases/receipt of inventory which this method demands.

**We recommended and management agreed that the Accounting Division observe the moving average method in costing supplies and materials inventory.**

- 7. The District incurred traveling expenses totaling ₱ 177,818.00 for male employees to General Santos City and Sarangani and female employees to Vigan, Ilocos Sur, despite the directive to adopt austerity measures under Section 1.a.2 of Administrative Order No. 103 dated August 31, 2004 and Section 3 of COA Circular No. 2012-003.**

Administrative Order 103 directs the continued adoption of austerity measures in government. Section 1.a.2 specifically ordered the suspension among others the local travel:

(2) All local travels, unless urgency necessary and allowed by Secretary of the Head of the SUC, GOCC, GFI, or OGCE;

COA Circular No. 2012-003 provides guidelines for the prevention and disallowance of irregular, unnecessary, excessive, extravagant and unconscionable expenditures.

Section 5 of the same circular defines “excessive expenditures” as unreasonable expense or expenses which exceed what is usual or proper, as well as expenses which are unreasonably high and beyond just measure. It also includes expenses in excess of reasonable limits.

Review of the District’s disbursements showed that the District made payments for local travel of male employees to Sarangani and General Santos City and female employees to Vigan, Ilocos Sur in the total amount of ₱177,818.00. A Board Resolution was passed prior to the travel and set an amount to be used. However, a Board Resolution cannot override the austerity measures prescribed under the Administrative Order issued by the President which also violate Section 5 of COA Circular No. 2012-003 dated October 29, 2012. Furthermore, such travels are not necessary to fulfill the mandate of the District in providing reliable and potable water to its concessionaires, thus, incurring unnecessary expenditures, which is a proper disallowance in audit (**Annex A**).

**We recommended that the management strictly adhere to the provisions of Administrative Order No. 103 and COA Circular No. 2012-003. Further, we recommended that the concerned officials and employees refund the amount.**

Management commented that the BOD's approval of local travel of the Women's Association, as well as the Lakbay-Aral of male employees of this agency, has been carried out in the observance of the Gender and Development (GAD) Program that recognizes the vital role of men and women in contributing to the continuous growth and development of MWD, and such travels were educational through additional learnings in visiting other water district offices and observed their operation including site inspection of their water facilities that redound to the improvement of MWD water system facilities as well.

### **Auditor's Rejoinder**

Educational tour is not among the allowable GAD activities pursuant to NEDA-DBM-NCRFW Joint Circular 99-4. We maintain our stand that management continue to adhere to the austerity measures provided in AO 103 and refrain from further incurring unnecessary expenditures as enumerated in COA Circular No. 2012-003.

- 8. The District procurement of labor component of infrastructure project implemented by administration totaling ₱ 993,596.14 was through payment of labor on a daily basis, instead of "pakyaw" system as provided for under GPPB Resolution No. 018-2006 depriving the local communities of the job opportunities.**

Section 4, Annex A of GPPB Resolution No. 018-2006, provides "guidelines on the procurement of labor component through "pakyaw" system for projects undertaken by administration.

It also provides the procedures on the formation, creation, recruitment and payment of the "pakyaw" groups as well as involvement of the Barangay Council and its constituents relative to the system.

Moreover, it strategizes the procedures and process on procurement of the labor component of all government projects to give benefits to the constituents of the Barangay to avail of the work available on the projects. It also discusses on the prohibitions of regular or licensed contractors or any organized by and/or under the management of a regular or licensed contractors and laborers supplied by job-contractors/labor-only contractors to become members of the Pakyaw groups when the job-contracting/labor-only contracting is specifically carried out for the purpose.

Finally, it sets the amount of a "pakyaw" labor contract per project which should not exceed ₱500,000.00 per "pakyaw group."

We noted that projects were implemented by administration. We observed that the procurement of labor component was not in accordance with the guidelines embodied under GPPB Resolution No. 018-2006. The daily basis mode of payment of labor was adopted instead of the *pakyaw* labor contract outlined in the GPPB Resolution.

Information gathered from the procuring entity's Project Engineer revealed that the District has not adopted the "*pakyaw*" system of procuring labor because they were unaware of the existence of GPPB Resolution No. 018-2006. The audit team was informed that there was no organized group of laborers available in their locality where they could award the contract of labor. Hence, they resorted to payment of labor on a daily basis.

In like manner, it is possible that the budget costs allocated to labor might be depleted while the project was still going on and uncompleted because no time frame or duration of the project was agreed upon. Absence of duration for the completion of projects in terms of number of days will be costly on the part of the District.

The District's failure to conform to the guidelines on the procurement of labor components of projects implemented by administration deprived the skilled, semi-skilled and unskilled laborers of the Barangay of the job opportunity generated by the project.

**We recommended that the management strictly adhere to the provisions of GPPB Resolution No. 018-2006 relative to the procurement of labor component for the projects implemented by administration to fast tract implementation of projects/programs/activities.**

Management commented that it has been their practice ever since in contracting labor services were @ Php.7.00 per linear meter, wherein the laborer directly received their wages without deduction from the foreman. Such method is more effective and economical in completing the implemented expansions within the prescribed period of 45-60days per project without delay. The Management shall submit the Status of Implemented Project & Status Report by December 1, 2014.

**9. The District paid an excess government share of the statutory deduction of PAG-IBIG Fund contribution covering the period January to December 2014 in the total amount of ₱ 85,515.18, contrary to Sec. 1 Rule IV, IRR of RA No. 7742.**

Section 1 Rule IV of the IRR of RA 7742 of the Pag-IBIG Fund membership contribution provides that, it shall be mandatory for the covered employee and the employer to pay the monthly contributions specified.

The maximum Monthly Compensation to be used in computing the employee and employer contributions shall not be more than ₱ 5,000.00. A member may contribute

more than what is required, however the employer shall only be mandated to contribute two (2%) of the monthly compensation of the member as counterpart contribution.

Verification of the District's statutory deductions specifically the Pag-IBIG Fund contribution, revealed that the employees opted to contribute 2 percent of their gross monthly salary and the District as the employer remitted the same amount as counterpart contribution. The minimum required employer contribution was 2 percent based on the P5,000.00 salary or a monthly employer share of P 100.00 per employee totaling P36,900.00, while the employer remitted a total amount of P 122,415.18 or an excess of P85,515.18.

**We recommended and management agreed to adhere strictly to the provisions of Section 1 Rule IV of IRR of RA 7742 and consider writing officially the Pag-IBIG Fund Office for a possible application of the overstatement in the subsequent remittance.**

**10. The District did not prepare the Project Procurement Management Plan (PPMP) to support the Annual Procurement Plan (APP), contrary to Section 7 of the IRR of RA 9184 resulting to possible over spending beyond the budgeted amount.**

Section 7 of the IRR of RA 9184 discusses the preparation of the Annual Procurement Plan (APP) and its corresponding supporting documents, the Project Procurement Management Plan (PPMP), including provisions for foreseeable emergencies based on historical records.

The end-user units of the procuring entity shall prepare their respective PPMP for their different programs, activities, and projects (PAPs) which includes the following:

- a) information on whether PAPs will be contracted out, implemented by administration in accordance with the guidelines issued by the GPPB, or consigned;
- b) the type and objective of contract to be employed;
- c) the extent/size of contract scopes/packages;
- d) the procurement methods to be adopted, and indicating if the procurement tasks are to be outsourced as provided in Section 53.6 of this IRR;
- e) the time schedule for each procurement activity and for the contract implementation; and
- f) the estimated budget for the general components of the contract.

The PPMP shall be submitted to and evaluated by the procuring entity's Budget Office and if warranted, include it in the procuring entity's budget proposal for approval by the Head of the Procuring Entity.

The PPMPs and the consolidated APP for each procuring entity shall be updated every six (6) months or as often as may be required by the Head of the Procuring Entity or the BAC Secretariat subject to the approval of the Head of the Procuring Entity.

Verification of the procurement process disclosed that the District did not follow the standards set under RA 9184 regarding the preparation of the PPMP to be consolidated in the APP as shown in the APP for CY 2014 of the District. It has only an APP for Common-Use Supplies and Equipment.

The effect of the District's failure to prepare the PPMP violate the provisions of RA 9184 which may also result to possible overshoot of actual expenditures on goods and services.

**We recommended and management agreed to prepare PPMP pursuant to Section 7 of IRR of RA 9184.**

#### **GENDER AND DEVELOPMENT (GAD)**

The compliance to E.O. 273, otherwise known as the Philippine Plan for Gender Responsive Development was adhered to as the district undertook activities to address women and gender issues within the 5% allocated budget for GAD.

#### **COMPLIANCE WITH TAX LAWS, RULES, AND REGULATION**

Pertinent provisions of tax laws, rules, and regulations were strictly observed as the district withheld taxes from employees and suppliers, and remitted the same to the BIR.

#### **STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

As of December 31, 2014, Notices of Suspensions (NS) were issued totaling ₱219,906.00 and Notice of Disallowances (ND) totaling ₱ 316,208.18 (**Annex B**).

**PART III –**

**STATUS OF IMPLEMENTATION OF  
PRIOR YEAR'S AUDIT  
RECOMMENDATIONS**

### PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the eleven prior years' audit recommendations one recommendation was fully implemented and ten were partially implemented as shown below:

Ref.	Audit observations	Audit Recommendations	Status of Implementation	Reason for Partial or Non-Implementation
	<b>CY 2013</b>			
1	1. The book balance of Materials and Supplies Inventory (Account 131) remained unreconciled with the inventory report having a variance of ₱587,867.46 as of December 31, 2013 due to discrepancy in the recording of deliveries/receipts and issuances/ withdrawals of materials and supplies inventory.	Require the personnel in the Accounting and Property Sections to reconcile regularly the balance per book and that of the monthly stock status report taken into consideration the report on the actual physical count of materials and supplies inventory. Also, require monthly reconciliation on the recording of adjustments, deliveries/receipts and issuances/withdrawals affecting the said account. Effect necessary adjustments either in the books or physical count report to have a fair presentation of account balance.	<i>Partially implemented</i>	Actual physical count was made by the Inventory team. However, reconciliation on the recording and adjustments were not affected right away.
2	2. The book balance of accounts receivables-customers amounting to ₱3.229 million remained unreconciled with the balance per aging schedule amounting to ₱3.642 million having a variance of ₱412,723.26.	Require the Accounting and Commercial Sections to reconcile regularly the balances per book and aging schedule. Any adjustment made should be well coordinated by the said sections. Also, consider the possibility to incorporate in the computer-based billing and collection system the generation of monthly report of billing adjustments and other manually encoded data inputs showing the total amount of monthly billing adjustments. Effect necessary	<i>Partially implemented</i>	The management already started the classification and reconciliation of recordings on the ageing of accounts receivables – customers from current year.



Ref.	Audit observations	Audit Recommendations	Status of Implementation	Reason for Partial or Non-Implementation
		adjustments either in the book or aging schedule to reconcile the balance of accounts receivables-customers		
3	3. Payments of labor costs for various excavation works, salaries and wages to watchman, job order and casual employees totaling ₱935,382.55 were not supported with the required accomplishment reports (AR) and other required supporting documents.	Strictly comply with the documentary requirements particularly the accomplishment reports and approved job order/work order to support payments of salaries and wages as prescribed in COA Circular No. 2012-001.	<i>Fully implemented</i>	
4	4. Various claims of foreign travel expenses totaling ₱219,906.00 incurred by the District officials to attend international seminar/conference in Jakarta, Indonesia in CY 2012 and Tachikawa, Japan in CY 2013 organized by EROPA were not supported with the required authority to travel abroad and without complying other conditions as detailed in the Office of the President Memorandum Circular No. 7 series of 2010 and LWUA Memorandum Circular No. 010-10.	Require the concerned district officials to submit the required authority to travel. Strictly comply with the conditions set as detailed in LWUA Memorandum Circular No. 010-10 and Memorandum Circular No. 7 series of 2010 of the Office of the President in sending participants to international conventions/conferences.	<i>Partially implemented</i>	The concerned District officials still have to submit the required authority to travel.

<b>Ref.</b>	<b>Audit observations</b>	<b>Audit Recommendations</b>	<b>Status of Implementation</b>	<b>Reason for Partial or Non-Implementation</b>
5	5. Payments of financial assistance and cash gift to the BOD totaling ₱52,875.00 for CY 2013 were made without legal basis.	Strictly observe the pertinent provisions of EO Nos. 24 and 65 and LWUA Memorandum Circular No. 015-12 in approving payments of incentives which should be supported with valid authority. Require the members of the BOD to refund the CNA received on or before May 31, 2014.	<i>Partially implemented</i>	The BOD concerned still has to refund the amount received.
	<b>CY 2012 &amp; Prior years'</b>			
6	1. The book balance of Accounts Receivables- Customers account amounting to ₱2.967 million does not reconcile with the balance per aging schedule totaling ₱3.343 million, showing a variance of ₱376,186.87  <i>(existing since CY 2006)</i>	Require the Commercial and Accounting Sections to review from time to time records and entries made in prior years affecting Accounts Receivables- Trade/ customers account to uncover reconciling items.	<i>Partially implemented</i>	On process of reconciling records and entries of prior years.
7	2. The book balance of UPIS and Accumulated Depreciation accounts is overstated by ₱327,895.55 and ₱295,105.70, respectively due to inclusion of unserviceable items	a. Prepare the necessary procedures to dispose the identified unserviceable equipment so as not to entail additional storage and maintenance cost, if any. Disposal procedures should be in accordance with COA Circular No. 89-296 and Section 79 of P.D. 1445.  b. When found valueless and unsalable, the committee should destroy the same and use	<i>Partially implemented</i>	On process of disposing of valueless items.

Ref.	Audit observations	Audit Recommendations	Status of Implementation	Reason for Partial or Non-Implementation
	<i>(existing since CY 2006)</i>	<p>the inventory and inspection report (I and I Report) for unserviceable property as the basis for dropping the unserviceable properties from the books of account.</p> <p>c. For unserviceable items which were not included in the lapsing schedule of UPIS account, prepare separate list for appropriate action of the disposal committee.</p> <p>d. Effect necessary adjustments to the UPIS account and the Accumulated Depreciation account so as to present fairly the said accounts in the FS. Below is the suggested adjusting entries:</p> <p>Retained Earnings ₱ 32,789.85  Accum. Dep'n 295,105.70  UPIS ₱327,895.55</p>		

Ref.	Audit observations	Audit Recommendations	Status of Implementation	Reason for Partial or Non-Implementation
8	<p>3. The book balance of Materials and Supplies Inventory (Account 131) amounting to ₱143,057.27 does not reconcile with the balance per inventory report totaling ₱1,250,632.21 showing a variance of ₱1,107,574.94</p> <p><i>(existing since CY 2006)</i></p>	<p>Require the Accounting and Property Section to reconcile the balance per book and that of the physical count report of materials and supplies inventory. Effect necessary adjustments either in the books or physical count report to have a fair presentation of account balance.</p>	<p><i>Partially implemented</i></p>	<p>On the process of reconciling book balances against inventory records.</p>
9	<p>4. The District has an unliquidated cash advances totaling ₱135,855.26 as of December 31, 2012</p>	<p>a. Direct the Accounting Section to prepare and submit regularly a monthly report on unliquidated cash advances for monitoring purposes.</p> <p>b. Require the concerned officer and employees of the district to facilitate submission of liquidation reports and supporting documents on or before August 15, 2013.</p> <p>c. Submit a letter-request to the COA for possible write off of cash advances of government employees who are already deceased or those that remained unliquidated for more than ten years subject to certain conditions as detailed in COA Resolution No. 80-122 dated April 23, 1980.</p>	<p><i>Partially implemented</i></p>	<p>Some concerned officers/employees were already deceased.</p> <p>The Management already sent the letter request however, there was no response endorsed to the management as to the status whether said request was approved or denied.</p>

<b>Ref.</b>	<b>Audit observations</b>	<b>Audit Recommendations</b>	<b>Status of Implementation</b>	<b>Reason for Partial or Non-Implementation</b>
10	5. Land and land rights with a value of ₱485,000.00 were not supported with legal documents of ownership.	Make representation with the DENR Regional Office to clarify the conditions set by certain DENR personnel. The non-titling of purchased lots should be properly disclosed as part of the notes to the financial statements.	<i>Partially implemented</i>	There were requirements set by DENR office for the titling of the said properties. The titling of the said properties is now being worked out.
11	6. ₱1.929 million or 58% of the total balance per aging schedule of the accounts receivables-customers was considered inactive accounts and the same were included as part of the current assets	Conduct a thorough investigation on the whereabouts of concessionaires whose accounts were classified as dormant or inactive and determine as to its collectability of their respective accounts. Further, direct the Accounting Section to reclassify the inactive accounts as Other Assets. Also, submit a request for possible write-off of inactive accounts with nil probability of collection to the COA.	<i>Partially implemented</i>	The management already requested COA for the write-off of dormant inactive accounts aged more than 10 years however, COA has yet to reply. Classification and reconciliation of in-active accounts were already on process.

## **PART IV – ANNEXES**

<b>ANNEX</b>	<b>TITLE</b>	<b>AAR Page</b>
<b>A</b>	<b>Summary of Lakbay-aral and Educational travels of MWD employees for CY 2014</b>	<b>36</b>
<b>B</b>	<b>Summary of Notice of Charge, Disallowance, Suspension</b>	<b>37</b>

**Maramag Water District  
Maramag, Bukidnon  
Summary of Lakbay-aral & educational travel of MWD personnel  
Calendar Year 2014**


**Annex A**

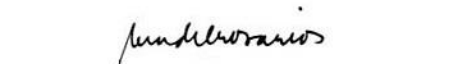
Findings No. 7, AAR Page 26

DATE	PAYEE	PARTICULARS	DV No.	COVERING CHECK NO.	CASH IN BANK AC# 120-2
02/11/14	Mt. Kitanglad Travel Service	Airfares for Mla-Lao-Mla & Davao-Mla-Davao routes.	02-52	1350340	59,501.00
02/14/14	Joby B. Matunog	CA for educational trip of MWD Ladies Association.	02-62	1350350	73,317.00
04/26/14	Engr. Victor R. Panganiban	CA for Lakbay Aral to Gen. Santos City; Sarangani on April 11-13, 2014.	04-26	1350542	45,000.00
	<b>Total</b>				<b>₱ 177,818.00</b>

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**Annex B**

**MARAMAG WATER DISTRICT**

Maramag, Bukidnon

**SUMMARY OF NOTICES OF CHARGE, DISALLOWANCE, SUSPENSION**


<b><u>Notice of Charge:</u></b>				
<b>NC No.</b>	<b>Date Issued</b>	<b>Particulars</b>	<b>Finding No.</b>	<b>Amount</b>
		<i>none</i>		
<b><u>Notice of Suspension:</u></b>				
<b>NS No.</b>	<b>Date Issued</b>	<b>Particulars</b>	<b>Finding No.</b>	<b>Amount</b>
MWD NS 2014-01 (CY 2013)	6/23/2014	Actual travel expenses incurred during international conference held in Osaka, Japan		100,000.00
MWD NS 2014-01 (CY 2013)	6/23/2014	Actual travel expenses incurred during international conference held in Jakarta, Indonesia		119,906.00
<b>Grand Total</b>				<b>219,906.00</b>
<b><u>Notice of Disallowance:</u></b>				
<b>ND No.</b>	<b>Date Issued</b>	<b>Particulars</b>	<b>Finding No.</b>	<b>Amount</b>
MWD ND 2014-01 (CY 2013)	6/23/2014	Payment of financial assistance and cash gift to the Board of Directors		52,875.00
<b>Sub-Total</b>				<b>52,875.00</b>




MWD ND 2015-01 (CY 2014)	4/30/15	Actual amount of travel expenses of MWD employees for Educational tour to Vigan, Ilocos Sur and to Sarangani and General Santos City.	7	177,818.00
MWD ND 2015-02 (CY 2014)	6/19/15	Overpayment of Employer share for HDMF contribution	9	85,515.18
<b>Sub-Total</b>				<b>263,333.18</b>
<b>Grand Total</b>				<b>316,208.18</b>

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