



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

# **ANNUAL AUDIT REPORT**

**ON THE**

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

**For the Year Ended December 31, 2018**



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

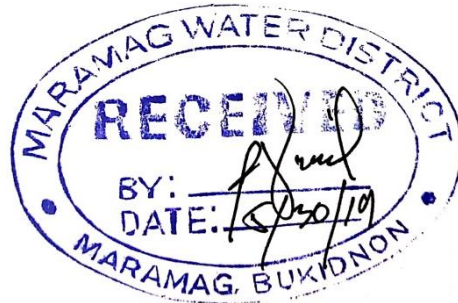
March 29, 2019

**MR. BENEFORTE DY TAN MALACK**

Chairperson, Board of Directors  
Maramag Water District  
Maramag, Bukidnon

**MS. ROSEMARIE D. AGUSTIN, MGA**

General Manager  
Maramag Water District  
Maramag, Bukidnon



**Dear Chairperson Malack and Manager Agustin:**

We are pleased to transmit the Annual Audit Report (AAR) on the Maramag Water District, Maramag, Bukidnon, for the calendar year 2018 pursuant to Sec. 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Audit Code of the Philippines.

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

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

We conducted our audit in accordance with applicable Philippine Public Sector Standards on Auditing (PPSSAs) and we believe it provides a reasonable basis for our opinion.

We rendered a modified opinion on the fairness of presentation of the financial statements for the year then ended.

Among the significant findings and observations noted in audit are:

1. Six completed projects costing ₱ 5,262,859.56, included under the Construction in Progress (CIP) Account, were still not transferred to the appropriate asset account and a variance between the Subsidiary Ledger and Engineering record amounting to ₱ 1,054,068.72 cast doubt to the reliability of the CIP account.
2. Accounts Receivable amounting to P5,273,217.84 per Accounting Records is not fairly presented at its net realizable value as of December 31, 2018 due to inadequate provision of Allowance for Impairment – Accounts Receivable, resulting to overstated current assets and income statement.


3. The valuation and reliability of the District's land account could not be ascertained due to a) difference between the Report of Inventory of Land and the Accounting Books; b) land and land rights amounting to P975,000.00 were not supported with Certificates of Title and c) non-revaluation/appraisal of its land.

These, and other audit findings, observations, and recommendations are discussed in detail under Part II of this report.

We appreciate the invaluable support and cooperation extended by the officials and staff of that Agency to the Audit Team during the audit engagement.

We request that a status report, by accomplishing the attached Agency Action Plan and Status of Implementation (AAPSI) form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act FY 2018.

Very truly yours,



**CELSO L. VOCAL**  
Director-IV  
Regional Director

*Copy furnished:*

*The President of the Philippines  
Malacañang Palace, Manila*

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

*The President of the Senate  
Senate of the Philippines  
Roxas Boulevard, Pasay City*

*The Speaker of the House of Representatives  
HOR Complex, Constitution Hills, Quezon City*

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

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

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

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

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

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

*File*

**MARAMAG WATER DISTRICT  
AGENCY ACTION PLAN and  
STATUS of IMPLEMENTATION**

Audit Observations and Recommendations  
For the Calendar Year 2018  
As of \_\_\_\_\_

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
<b>2018</b>									
1	Six completed projects costing ₱ 5,262,859.56, included under the Construction in Progress (CIP) Account, were still not transferred to the appropriate asset account and there was a variance amounting to ₱ 1,054,068.72 between the Subsidiary Ledger and Engineering record, contrary to Section 112 of Presidential	We recommended that the agency: a) Strengthen its control in the requisition and issuance of materials. Requisition and Issue Slip must be prepared upon withdrawal of materials. b) Expedite the reconciliation of the Construction Materials and CIP Account. c) Upon reconciliation, prepare Certificate							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
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					From	To			
	Decree (PD) 1445 and Chapter 10 Section 8 of Government Accounting Manual (GAM).	<p>of Project Completion and transfer the CIP to appropriate PPE account.</p> <p>d) Record the necessary entries for the depreciation of PPE</p> <p>For Prior Years:  (dr) Retained Earnings----- xx  (cr) Accumulated Depreciation-----xx</p> <p>For Current Year:  (dr) Depreciation-xx  (cr) Accumulated Depreciation-----xx</p>							
2	Accounts Receivable amounting to P5,273,217.84 per Accounting Records is not	We recommended that management a) through the Commercial Section to review the long overdue accounts							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
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					From	To			
	fairly presented at its net realizable value as of December 31, 2018 due to inadequate provision of Allowance for Impairment – Accounts Receivable contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016, resulting to overstated current assets and income statement.	and assess the collectability thereof; b) through the Accounting Unit, to provide a more appropriate provision for impairment of AR reflecting the result of the Commercial Section's assessment; c) upon confirmation of actual unrealizable receivables, request for write-off of accounts receivable in accordance to COA Circular No. 2016-005 dated December 19, 2016; and d) to assess its current business strategies and risk management systems to be able to adopt appropriate policies and control measures that will ensure integrity of the reporting process.							

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			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
3	The valuation and reliability of the District's land account could not be ascertained due to a) difference between the Report of Inventory of Land and the Accounting Books; b) land and land rights amounting to P975,000.00 were not supported with Certificates of Title and c) non-revaluation/appraisal of its land.	<p>We recommended the management:</p> <p>1. Through the Accounting Unit and Property Section, a) to reconcile the difference between their respective records; and b) update the list of PPE and lapsing schedule reflecting the correct amounts;</p> <p>2. To Periodically follow-up the status of its papers in the Land Management Bureau and Land Registry Authority to speed up the</p>							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
		<p>titling of the land under its name, to validate its ownership and to protect the interest of the District from adverse claims by unscrupulous parties; and</p> <p>3. a) Immediately conduct appraisal of all its land by hiring an independent and qualified appraiser or expert as required under PAS 16 and COA Resolution No. 89-17 and every five (5) years thereafter, and b) adjust the carrying amounts of the affected assets in</p>							



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			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
		the District's books once the results of the appraisal are obtained.							
4	The District registered a year-to-date (YTD) rate of 51% for its Non-Revenue Water (NRW) for the Calendar Year 2018, which is well above the maximum acceptable level of NRW of 20% as prescribed under LWUA Resolution No. 444, series of 2009, with estimated monetary loss equivalent to P23,089,194.00, thus affecting the	We recommended that management a) properly address its persistently high Non-Revenue Water by further enhancing the District's measures and programs which may include the rehabilitation of its old pipelines and the employment of modern technology like Variable Frequency Drives (VFD) and Soft Starter Motor Control System which can be attributed in the reduction of NRW, to mitigate further revenue loss and promote operational							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	District's efficiency level and financial viability.	efficiency and financial viability of the District, and b) coordinate with the Department of Public Works and Highways and its contractors as regards the damaged service lines of the District.							
5	The District has no established Gender and Development Sex-Disaggregated Database to effectively plan and implement their sectoral programs on GAD, contrary to PCW-NEDA-DBM Joint Circular No. 2012-01 and PCW Memorandum Circular No. 2014-05 dated	We commended the management for its continuing efforts to gender responsiveness, for identifying the need to develop GAD-SDD and allocating further the amount of P30,000.00 for the conduct of survey as initial step for the development of its GAD-SDD. Consequently, we recommended the management to pursue the development and maintenance of a							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	November 28, 2014.	GAD-SDD to institutionalize gender mainstreaming; and to regularly collect and generate sex-disaggregated data and statistics in support of the indicators relevant to the District. The data shall be stored and maintained, updated as needed, and used in the District's policy and program development to address gender issues, particularly in the preparation of their annual GAD plans and budgets and accomplishment reports.							
2017									
6	The District's Accounts Receivable with an amount of P4,791,532.09	(1) Set up Allowance for Impairment for Accounts Receivable, and (2) to reconcile the balance per book							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	as of year-end was not stated at net realizable value due to non-provision for allowance for impairment contrary to Philippine Accounting Standards (PAS) I and to Sections 9 and 10 of Chapters 5 and 7 respectively of the Government Accounting Manual (GAM) I, thus affecting the overall fairness and reliability of the financial statements presentation.	and per aging schedule of Accounts Receivable- Customers to present the account fairly in the Financial Statements in compliance with the above provisions.							
7	Various completed projects with a total budgeted cost of P1,792,911.68	To (a) apprise the Engineering Division from which required documents and status reports emanate of the above provisions							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
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					From	To			
	were not transferred to its appropriate asset account and were still recorded in the Construction in Progress (CIP) account, thereby understating the Property Plant and Equipment account and its total annual depreciation and overstating the equity account/income statement.	to remind them of the significance of the timely transmittal of these documents to the Accounting Division for the capitalization of the completed projects and (b) require the immediate reconciliation of variances between Engineering and Accounting to effect the necessary adjustments.							
8	The District registered a year-to-date (YTD) rate of 49% for its Non-Revenue Water (NRW) as of November 30, 2017, which is well above the maximum	Formulate more effective control measures or implement improvements to mitigate further revenue losses and promote operational efficiency in compliance with the standards set by the							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	acceptable NRW of 20% as prescribed under LWUA Resolution No. 444, series of 2009, thus affecting the District's efficiency level and could mean revenue lost.	LWUA.							
2016									
9	The validity and existence of other Receivables amounting to P 329,940.13 could not be ascertained due to the absence of supporting documents to prove the legality and propriety of the District's claims against various creditors.	Require the management to carry out the following remedial measures in compliance to Section 111(1) of PD.1445.  1. Direct the management to submit an explanation as to the efforts exerted towards reconstruction of the amounts recorded as Other Receivables,							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
		<p>and to present all pertinent supporting documents.</p> <p>2. Conduct thorough evaluation if such accounts are uncollectible or not; and request for write-off, if proven uncollectible after submission of proof that these accounts are indeed uncollectible and needed to be written off.</p>							
10	Physical count of Property, Plant and Equipment (PPE) includes items not included in the list of PPE showing significant differences of the amounts as	Instruct the accounting and property sections to update the list of PPE and its lapsing schedule to reflect the correct amounts to recognize those assets found during the physical count and recognize the							

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					From	To			
	presented in the books contrary to Philippine Accounting Standards (PAS) 1.	related Depreciation expenses for depreciable assets which are not included in the said list and to present fairly the said accounts in accordance with PAS 1.							
	<b>CY 2015</b>								
11	The District's Non - Revenue Water (NRW) representing the unaccounted water from January to December 2015 was registered at 49.98 percent is way above the 20 percent acceptable level prescribed by LWUA Memorandum Circular No. 004-10.	We recommended and management agreed to continue exerting effort through its programs and make it a priority to reduce its NRW to an acceptable level as provided for by LWUA Memorandum Circular No. 004-10.							



Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	<b>CY 2012</b>								
12	The district has an unliquidated cash advances totaling ₱135,855.26 as of December 31, 2012.	<p>a. 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>b. Submit a letter-request to the Commission on Audit 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</p>							

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		certain conditions as detailed in COA Resolution No. 80-122 dated April 23, 1980.							
13	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.							
14	₱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	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							

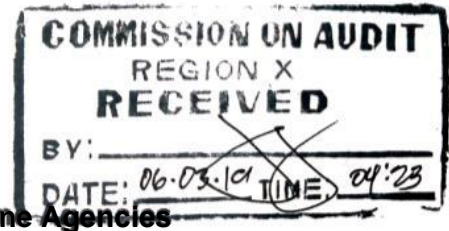
Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-implementation, if applicable	Action Taken / Action to be Taken
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					From	To			
	part of the current assets	Accounting Section to 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 Commission on Audit.							

Agency sign-off:

\_\_\_\_\_  
Name and Position



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



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

March 11, 2019

**ATTY. CELSO L. VOCAL**

The Regional Director  
Commission on Audit  
Regional Office No. 10  
Cagayan de Oro City

Sir:

We are pleased to submit the Annual Audit Report (AAR) on the Maramag Water District, Maramag, Bukidnon, for the calendar year 2018 pursuant to Sec. 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Audit Code of the Philippines.

In compliance with Section 43 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, 2018.

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

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

We conducted our audit in accordance with the Philippine Public Sector Standards on Auditing (PPSSA) and we believe that these standards provided a reasonable basis for the audit results. We rendered a modified opinion on the fairness of presentation of the financial statements.

Very truly yours,

  
**CECILIA A. PONTILLAS**  
State Auditor V  
Supervising Auditor





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

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

March 8, 2019

**MS. CECILIA A. PONTILLAS**

Supervising Auditor  
Water District and Other CGS Stand Alone Agencies Group  
Commission on Audit  
Regional Office No. 10  
Cagayan de Oro City



Madam:


In compliance with Section 2, Article IX-D of The Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of Maramag Water District, Maramag, Bukidnon, for the year ended December 31, 2018.

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

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

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

Very truly yours,

  
**MILA V. BANAAG**  
State Auditor IV  
Audit Team Leader



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

# **ANNUAL AUDIT REPORT**

**ON THE**

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

**For the Year Ended December 31, 2018**

## EXECUTIVE SUMMARY

### A. Introduction

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.”.

As of December 31, 2018, the District served a total population of 38,535 and has total service connections of 9,295 and was classified as Category C - Average water district (WD) pursuant to Local Water District – Manual on Categorization, Re-Categorization and Other Related Matters (LWD – MaCRO).

A financial and compliance audit was conducted on the CY 2018 accounts and operations of MWD. The audit aimed to: ascertain propriety of financial transactions and compliance of the District to existing laws, rules and regulations; ascertain the accuracy of financial records and reports of the District; and ascertain the fairness of presentation of the financial statements for CY 2018.

### B. Financial Highlights

The comparative figures for CY 2018 and 2017 financial data showed a net increase in equity from increases in assets and liabilities; but a decrease in net income of the District due to a higher increase in total expenses compared to the increase in total income, as shown below:

<b>Particulars</b>	<b>2018</b>	<b>2017</b>	<b>Increase / (Decrease)</b>
Total Assets	₱ 77,705,711.47	₱ 75,048,697.71	₱ 2,657,013.76
Total Liabilities	18,678,083.46	16,930,611.56	1,747,471.90
Total Equity	59,027,628.01	58,118,086.15	909,541.86
			-
Total Income	36,493,931.76	34,485,078.62	2,008,853.14
Total Expenses	35,436,194.38	31,899,010.82	3,537,183.56
Net Income/(Loss)	1,057,737.38	2,586,067.80	(1,528,330.42)

### C. Independent Auditor's Report on the Financial Statement

A modified opinion was rendered on the financial statements due to the following observations:

1. Six completed projects costing ₱ 5,262,859.56, included under the Construction in Progress (CIP) Account, were still not transferred to the appropriate asset account and there was a variance amounting to ₱ 1,054,068.72 between the Subsidiary Ledger and Engineering record, contrary to Section 112 of Presidential Decree (PD) 1445 and Chapter 10 Section 8 of Government Accounting Manual (GAM).
2. Accounts Receivable amounting to P5,273,217.84 per Accounting Records is not fairly presented at its net realizable value as of December 31, 2018 due to inadequate provision of Allowance for Impairment – Accounts Receivable contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016, resulting to overstated current assets and income statement.
3. The valuation and reliability of the District's land account could not be ascertained due to a) difference between the Report of Inventory of Land and the Accounting Books; b) land and land rights amounting to P975,000.00 were not supported with Certificates of Title and c) non-revaluation/appraisal of its land.

### D. Summary of Significant Audit Observations and Recommendations

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

1. **The District registered a year-to-date (YTD) rate of 51% for its Non-Revenue Water (NRW) for the Calendar Year 2018, which is well above the maximum acceptable level of NRW of 20% as prescribed under LWUA Resolution No. 444, series of 2009, with estimated monetary loss equivalent to P23,089,194.00.**

We recommended that management a) properly address its persistently high Non-Revenue Water by further enhancing the District's measures and programs which may include the rehabilitation of its old pipelines and the employment of modern technology like Variable Frequency Drives (VFD) and Soft Starter Motor Control System which can be attributed in the reduction of NRW, to mitigate further revenue loss and promote operational efficiency and financial viability of the District, and b) coordinate with the Department of Public Works and Highways and its contractors as regards the damaged service lines of the District.

2. **The District has no established Gender and Development Sex-Disaggregated Database to effectively plan and implement their sectoral programs on GAD, contrary to PCW-NEDA-DBM Joint Circular No. 2012-01 and PCW Memorandum Circular No. 2014-05 dated November 28, 2014.**

We commended the management for its continuing efforts to gender responsiveness, for identifying the need to develop GAD-SDD and allocating further



the amount of P30,000.00 for the conduct of survey as initial step for the development of its GAD-SDD. Consequently, we recommended the management to pursue the development and maintenance of a GAD-SDD to institutionalize gender mainstreaming; and to regularly collect and generate sex-disaggregated data and statistics in support of the indicators relevant to the District. The data shall be stored and maintained, updated as needed, and used in the District's policy and program development to address gender issues, particularly in the preparation of their annual GAD plans and budgets and accomplishment reports.

**E. Summary of total suspensions, disallowances and charges as of year-end**

As of December 31, 2018, the District has a remaining balance of unsettled Notice of Disallowances (ND) totaling P490,699.00 (**Appendix A**).

**F. Implementation of Prior Years' Audit Recommendations**

Of the eighteen (18) prior years' audit recommendations, nine (9) were fully implemented and nine (9) were partially implemented.

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**PART I -  
AUDITED FINANCIAL STATEMENTS**



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

## **INDEPENDENT AUDITOR'S REPORT**

### **MR. BENEFORTE DY TAN MALACK**

Chairperson, Board of Directors  
Maramag Water District  
Maramag, Bukidnon

### **MS. ROSEMARIE D. AGUSTIN, MGA**

General Manager  
Maramag Water District  
Maramag, Bukidnon

#### *Modified Opinion*

We have audited the financial statements of the **Maramag Water District**, Maramag, Bukidnon which comprise the Statement of Financial Position as at December 31, 2018 and the related Statements of Comprehensive Income, Cash Flows and Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### *Bases for Modified Opinion*

As discussed in Part II- Observations and Recommendations of this report, a modified opinion was rendered due to the District's overstated accounts receivable due to inadequate provision of allowance for impairment; untitled and non-revaluation/appraisal of land; and overstated property, plant, and equipment due to non-disposal of obsolete/unserviceable properties, thereby casting doubt on the accuracy of the District's financial statements.

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

*Key Audit Matters*

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

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

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

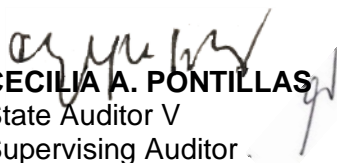
Those charged with governance are responsible for overseeing the District's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

**COMMISSION ON AUDIT**

BY:

  
**CECILIA A. PONTILLAS**  
State Auditor V  
Supervising Auditor

March 8, 2019



Republic of the Philippines  
**MARAMAG WATER DISTRICT**  
T. Coruña St., South Poblacion, Maramag, Bukidnon

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

The management of the Maramag Water District (MWD), Maramag, Bukidnon is responsible for preparation of the financial statements as at December 31, 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material statement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

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

**BENEFORTE DY TAN MALACK**  
Chairperson of the Board

March 5, 2019  
Date Signed

**ALBERT R. SEDENIO**  
Corporate Accountant

March 5, 2019  
Date Signed

**ROSEMARIE D. AGUSTIN**  
General Manager

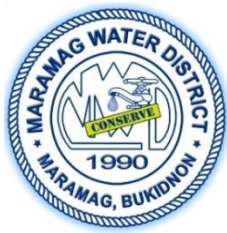
March 5, 2019  
Date Signed



**MARAMAG WATER DISTRICT**  
**Condensed Statement of Financial Position**  
**As at December 31, 2018**  
*(with comparative figures for CY 2017)*

	<u>NOTE</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	4,596,490.17	3,440,349.86
Receivables	6	5,706,436.07	5,582,749.45
Inventories	7	4,795,351.82	3,689,483.58
Other Current Assets	8	86,000.78	76,432.60
<b>Total Current Assets</b>		<b><u>15,184,278.84</u></b>	<b><u>12,789,015.49</u></b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	51,591,610.49	52,374,797.46
Other Non-Current Assets	10	10,929,822.14	9,884,884.76
<b>Total Non-Current Assets</b>		<b><u>62,521,432.63</u></b>	<b><u>62,259,682.22</u></b>
<b>Total Assets</b>		<b><u>77,705,711.47</u></b>	<b><u>75,048,697.71</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	11	1,982,300.54	1,457,308.34
Inter-Agency Payables	12	4,204,126.36	2,805,019.06
Trust Liabilities	13	125,706.30	23,000.00
Other Payables	14	373,895.48	309,494.48
<b>Total Current Liabilities</b>		<b><u>6,686,028.68</u></b>	<b><u>4,594,821.88</u></b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	15	8,859,819.49	9,561,327.49
Provisions	16	2,682,811.47	2,325,038.37
Other Payables	17	449,423.82	449,423.82
<b>Total Non-Current Liabilities</b>		<b><u>11,992,054.78</u></b>	<b><u>12,335,789.68</u></b>
<b>Total Liabilities</b>		<b><u>18,678,083.46</u></b>	<b><u>16,930,611.56</u></b>
<b>EQUITY</b>			
Government Equity	18	7,477,004.39	7,477,004.39
Retained Earnings/(Deficit)		51,550,623.62	50,641,081.76
<b>Total Equity</b>		<b><u>59,027,628.01</u></b>	<b><u>58,118,086.15</u></b>
<b>Total Liabilities and Equity</b>		<b><u>77,705,711.47</u></b>	<b><u>75,048,697.71</u></b>

*The notes on pages 13 to 21 form part of these statements.*



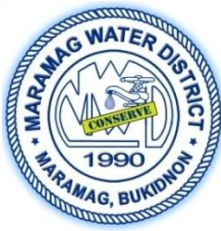
**MARAMAG WATER DISTRICT**  
**Condensed Statement of Comprehensive Income**  
**For the Year Ended December 31, 2018**  
*(with comparative figures for CY 2017)*

	<u>NOTE</u>	<u>2018</u>	<u>2017</u>
<b>Income</b>			
Service and Business Income	19	36,493,931.76	34,485,078.62
<b>Total Income</b>		<b><u>36,493,931.76</u></b>	<b><u>34,485,078.62</u></b>
<b>Expenses</b>			
Personnel Services	20	14,097,251.88	13,227,631.98
Maintenance and Other Operating Expenses	21	17,354,516.82	14,716,440.21
Financial Expenses	22	561,563.46	555,318.35
Non-Cash Expenses	23	3,422,862.22	3,399,620.28
<b>Total Expenses</b>		<b><u>35,436,194.38</u></b>	<b><u>31,899,010.82</u></b>
<b>Profit/(Loss) Before Tax</b>		<b>1,057,737.38</b>	<b>2,586,067.80</b>
<b>Income Tax Expense/(Benefit)</b>		<b>0.00</b>	<b>0.00</b>
<b>Profit/(Loss) After Tax</b>		<b>1,057,737.38</b>	<b>2,586,067.80</b>
<b>Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)</b>		<b>0.00</b>	<b>0.00</b>
<b>Net Income/(Loss)</b>		<b>1,057,737.38</b>	<b>2,586,067.80</b>
<b>Other Comprehensive Income/(Loss) for the Period</b>		<b>0.00</b>	<b>0.00</b>
<b>Comprehensive Income/(Loss)</b>		<b><u>1,057,737.38</u></b>	<b><u>2,586,067.80</u></b>

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*The notes on pages 21 to 25 form part of these statements.*

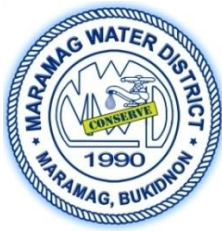




**MARAMAG WATER DISTRICT**  
**Condensed Statement of Cash Flows**  
**For the Year Ended December 31, 2018**  
*(with comparative figures for CY 2017)*

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Collection of Income/Revenue	36,326,848.03	34,230,296.64
Collection of Receivables	207,295.43	134,012.30
Receipt of Intra-Agency Fund Transfers	1,785,313.68	763,837.66
Other Receipts	162,906.65	84,339.92
<b>Total Cash Inflows</b>	<b>38,482,363.79</b>	<b>35,212,486.52</b>
Adjustments	0.00	0.00
<b>Adjusted Cash Inflows</b>	<b>38,482,363.79</b>	<b>35,212,486.52</b>
<b>Cash Outflows</b>		
Payment of Expenses	25,831,071.84	19,748,282.60
Purchase of Inventories	2,718,357.46	3,669,200.45
Payments of Accounts Payable	741,862.03	325,111.40
Remittance of Personnel Benefit		
Contributions and Mandatory Deductions	3,625,166.49	4,531,080.31
Release of Intra-Agency Fund Transfers	2,008,213.27	1,194,830.02
<b>Total Cash Outflows</b>	<b>34,924,671.09</b>	<b>29,468,504.78</b>
Adjustments	0.00	0.00
<b>Adjusted Cash Outflows</b>	<b>34,924,671.09</b>	<b>29,468,504.78</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>3,557,692.70</b>	<b>5,743,981.74</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Outflows</b>		
Purchase/Construction of Property, Plant and Equipment	2,426,274.50	5,249,387.49
<b>Total Cash Outflows</b>	<b>2,426,274.50</b>	<b>5,249,387.49</b>
Adjustments	0.00	0.00
<b>Adjusted Cash Outflows</b>	<b>2,426,274.50</b>	<b>5,249,387.49</b>
<b>Net Cash Provided By/(Used In) Investing Activities</b>	<b>(2,426,274.50)</b>	<b>5,249,387.49)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Domestic and Foreign Loans	1,257,274.57	2,667,504.17
<b>Total Cash Inflows</b>	<b>1,257,274.57</b>	<b>2,667,504.17</b>
Adjustments	0.00	0.00
<b>Adjusted Cash Inflows</b>	<b>1,257,274.57</b>	<b>2,667,504.17</b>

<b>Cash Outflows</b>		
Payment of Long-Term Liabilities	670,989.00	2,583,454.43
Payment of Interest on Loans and Other Financial Charges	561,563.46	555,318.35
<b>Total Cash Outflows</b>	<b>1,232,552.46</b>	<b>3,138,772.78</b>
Adjustments	0.00	0.00
<b>Adjusted Cash Outflows</b>	<b>1,232,552.46</b>	<b>3,138,772.78</b>
<b>Net Cash Provided By/(Used In) Financing Activities</b>	<b>24,722.11</b>	<b>(471,268.61)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,156,140.31</b>	<b>23,325.64</b>
Effects of Exchange Rate Changes on Cash and Cash Equivalents	0.00	0.00
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>3,440,349.86</b>	<b>3,417,024.22</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>4,596,490.17</b>	<b>3,440,349.86</b>



**MARAMAG WATER DISTRICT**  
**Statement of Changes In Equity**  
**For the Year Ended December 31, 2018**

	Retained Earnings/ (Deficit)	Contributed Capital	Government Equity	TOTAL
<b>BALANCE AT JANUARY 1, 2017</b>	50,504,169.91	842,004.39	6,635,000.00	57,981,174.30
<b>ADJUSTMENTS:</b>				
Add/(Deduct):				
Changes in Accounting Policy				
Prior Period Errors				
Other Adjustments				
<b>RESTATED BALANCE AT JANUARY 1, 2017</b>	50,504,169.91	842,004.39	6,635,000.00	57,981,174.30
<b>CHANGES IN EQUITY FOR 2017</b>				
Add/(Deduct):				
Issuances of Share Capital				
Additional Capital from National Government Members' Contribution				
Comprehensive Income for the year	2,586,067.80			2,586,067.80
Dividends				
Other Adjustments	(2,449,155.95)			(2,449,155.95)
<b>BALANCE AT DECEMBER 31, 2017</b>	50,641,081.76	842,004.39	6,635,000.00	58,118,086.15
<b>CHANGES IN EQUITY FOR 2018</b>				
Add/(Deduct):				
Issuances of Share Capital				
Additional Capital from National Government Members' Contribution				
Comprehensive Income for the year	1,057,737.38			1,057,737.38
Dividends				
Other Adjustments	(148,195.52)			(148,195.52)
<b>BALANCE AT DECEMBER 31, 2018</b>	51,550,623.62	842,004.39	6,635,000.00	59,027,628.01



**MARAMAG WATER DISTRICT**  
**Maramag, Bukidnon**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

**1 - General Information / Entity Profile**

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 powers, privileges and the duties of the District are exercised and performed by – through the Board of Directors, as the policy-making body composed of the following:

Chairperson	-	Beneforte Dy Tan Malack
Vice Chairperson	-	Pepito L. Pescadero
Secretary	-	Elma A. Estenzo
Treasurer	-	Demetrio G. Berondo, Jr.
Member	-	Menrado Y. Bonachita

The District is headed by General Manager Rosemarie D. Agustin with other twenty six (26) *permanent* employees, eight (8) *casual* employees and ten (10) *job orders* or a total of forty four (44) workforce.

**2 - Statement of Compliance and Basis of Preparation of Financial Statements**

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) - Revised Chart of Accounts (RCA) for GCs consisting of Government-Owned or Controlled Corporations (GOCCs), government Financial Institutions (GFIs), Government Instrumentalities with Corporate Powers (GICPs) / Government Corporate Entities (GCEs), and their Subsidiaries, and Water Districts prescribed under COA Circular No. 2015-010 dated December 01, 2015.

The accounting policies have been consistently applied throughout the year presented.

The consolidated financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The consolidated financial statements are presented in peso (₱), which is also the country's functional currency.

Amounts are rounded off to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with the adopted PPSAS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note to consolidated financial statements.

### **3 - Summary of Significant Accounting Policies**

#### **3.1 Basis of accounting**

The consolidated financial statements are prepared on an accrual basis in accordance with the Philippine Financial Reporting Standards (PFRS) for GBEs. The accounts used are based on the Revised Chart of Accounts (RCA) for GCs consisting of Government-Owned or Controlled Corporations (GOCCs), Government Financial Institutions (GFIs), Government Instrumentalities with Corporate Powers (GICPs) / Government Corporate Entities (GCEs), and their Subsidiaries, and Water Districts prescribed under COA Circular No. 2015-010 dated December 01, 2015.

#### **3.2 Petty Cash / Working Fund**

Petty Cash a.k.a. Working Fund – Petty Cash Fund was established thru Imprest System Method and to be utilized for petty expenses of the agency.

#### **3.3 Inventories**

Supplies and materials purchased for inventory were recorded using the perpetual inventory system. Cost of issued items and ending balance of supplies and materials were computed using the moving average method.

#### **3.4 Property, Plant and Equipment**

##### **a. Recognition**

An item is recognized as property, plant, and equipment (PPE) if it meets characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- i. tangible items;
- ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost or fair value of the item can be measured reliably; and
- iii. the cost is at least ₱15,000.00.

## **b . Measurement at recognition**

An item recognized as property, plant, and equipment is measured at cost.

Cost includes the following:

- i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- ii. Expenditure that is directly attributable to the acquisition of the items; and
- iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

## **c. Measurement after recognition**

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the Maramag Water District recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

## **d. Depreciation**

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

### **i. Initial recognition of depreciation**

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is computed on the month succeeding the month of its purchase / or transfer to PPE.

### **ii. Depreciation method**

The straight line method of depreciation is adopted unless another method is of more appropriate for Entity operation.

### **iii. Estimated useful life**

The MWD uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

### **iv. Residual value**

The MWD uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

### **e. Impairment**

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

### **f. Derecognition**

The MWD derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized

## **3.5 Changes in Accounting Policies and Estimates**

The MWD recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The MWD recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The MWD corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented. .

## **4 - Correction of Fundamental Errors / Prior Period Adjustments**

Fundamental errors of prior years are corrected by using the Prior Years' Adjustment while errors affecting current year's operation are charged to the appropriate income or expense accounts.

## 5 - Cash and Cash Equivalents

Particulars	2018	2017
Cash – Collecting Officer	₱ 119,370.64	₱ 57,334.90
Working Fund	0.00	0.00
Payroll Fund	0.00	0.00
Cash in Bank – Local Currency:		
LBP CA# 2012-0006-44 (GF)	3,680,286.95	2,582,352.37
LBP CA# 2102-0079-32 (NLIF)	14,576.41	388,534.09
LBP CA# 2102-0098-46 (V-R2)	194,641.37	391,979.37
LBP CA# 2102-0105-85 (V-R22)	567,439.57	0.00
LBP SA# 2101-0883-19 (MDPS)	10,103.71	10,091.36
LBP SA# 2101-0891-45 (BIR-EFPS)	10,071.52	10,057.77
<b>Total Cash and Cash Equivalents</b>	<b>₱ 4,596,490.17</b>	<b>₱ 3,440,349.86</b>

## 6 - Receivables

Particulars	2018	2017
<i>Accounts Receivable - Concessionaires</i>	₱ 5,255,495.18	₱ 4,791,532.09
<i>Allowance for Impairment-Accounts Receivable</i>	153,358.48	0.00
Net Value-Accounts Receivable	5,102,136.70	4,791,532.09
Other Receivables:		
Receivables-Disallowances/Charges	217,122.08	404,040.07
Other Receivables;		
Materials – Dologon Rehabilitation	233,330.63	233,330.63
Construction–DPWH pipeline damages	37,500.00	37,500.00
Dologon RWSA–Turned-over payables	17,568.65	17,568.65
Pedro Pacomios, Jr./RWSA-Collections	6,468.85	6,468.85
Meter Installation-Dologon Rehab.	35,072.00	35,072.00
Pedro Pacomios, Jr. – XRM Motorcycle	44,237.16	44,237.16
Performance Bond – DPWH DEO	13,000.00	13,000.00
<b>Total Receivables</b>	<b>₱ 5,706,436.07</b>	<b>₱ 5,582,749.45</b>

## 7 - Inventories

Particulars	2018	2017
Office Supplies Inventory		
Carrying Amount, January 01	₱ 642,005.88	₱ 527,174.79
Additions/Acquisitions during the year	589,664.46	1,038,732.00



Expensed during the year	(703,087.36)	(923,900.91)
<b>Carrying Amount, December 31</b>	<b>528,582.98</b>	<b>642,005.88</b>
Chemical & Filtering Supplies Inventory		
Carrying Amount, January 01	70,619.02	24,232.67
Additions/Acquisitions during the year	245,435.20	202,803.40
Expensed during the year	(172,962.62)	(156,417.05)
<b>Carrying Amount, December 31</b>	<b>143,091.60</b>	<b>70,619.02</b>
Other Inventories - Maintenance Supplies		
Carrying Amount, January 01	1,254,080.69	835,107.69
Additions/Acquisitions during the year	1,025,244.60	2,077,079.26
Expensed during the year	(734,479.04)	(1,658,106.26)
<b>Carrying Amount, December 31</b>	<b>1,544,846.25</b>	<b>1,254,080.69</b>
Other Inventories - Other Supplies (Meters)		
Carrying Amount, January 01	397,725.45	212,341.28
Additions/Acquisitions during the year	865,025.00	495,000.00
Expensed during the year	(347,970.00)	(309,615.83)
<b>Carrying Amount, December 31</b>	<b>914,780.45</b>	<b>397,725.45</b>
Construction Materials Inventory		
Carrying Amount, January 01	1,325,052.54	1,411,992.72
Additions/Acquisitions during the year	419,883.00	3,154,250.80
Expensed during the year	(80,885.00)	(3,241,190.98)
<b>Carrying Amount, December 31</b>	<b>1,664,050.54</b>	<b>1,325,052.54</b>
<b>Total Inventories</b>	<b>₱ 4,795,351.82</b>	<b>₱ 3,689,483.58</b>

## 8 - Other Current Assets

Details	Date Granted	2018	2017
ADVANCES			
Advances to Officers & Employees:			
1. Alexander M. Sabio	07/15/1998	1,000.00	1,000.00
2. Dir. Jimmy C. Wong	09/29/1998	1,500.00	1,500.00
3. Dir. Fr. Cirilo S. Sajelan	09/29/1998	2,000.00	2,000.00
4. Dir. Anna Perla C. Malalang	07/23/1997; 01/24/2000	23,000.00	23,000.00
PREPAYMENTS:			
Creditable Input Tax (BIR 2307)		14,940.78	5,372.60
30% Payment of (2)units digital meter reading equip.		43,560.00	43,560.00
<b>Total Other Current Assets</b>		<b>86,000.78</b>	<b>76,432.60</b>

## 9 - Property, Plant and Equipment

Particulars	2018	2017
<b>Land:</b>		
South Poblacion, Maramag, Buk.	₱ 150,000.00	₱ 150,000.00
Anahawon, Maramag, Bukidnon	65,000.00	65,000.00
Villafuerte Spring, San Miguel, Mar., Buk.	50,000.00	50,000.00
Lariosa Spring, Dologon, Maramag, Buk.	220,000.00	220,000.00
Danggawan Water System area, Danggawan, Maramag, Bukidnon	200,000.00	200,000.00
Total Land	685,000.00	685,000.00
Less: Accumulated Impairment Losses- Land	0.00	0.00
<b>Net Value-Land</b>	<b>685,000.00</b>	<b>685,000.00</b>
<b>Other Land Improvements:</b>		
Perimeter Fence @ Base Camp, Maramag, Buk.	1,143,374.50	1,143,374.50
Less: Accu. Dep.-Other Land Improvements	(464,535.52)	(418,951.24)
Less: Accu. Impair. Losses- Land Improvements	0.00	0.00
<b>Net Value-Land</b>	<b>678,838.98</b>	<b>724,423.26</b>
<b>Infrastructure Assets:</b>		
Power Supply Systems	712,435.14	712,435.14
UPIS – Collecting & Impounding Reservoirs	5,591,934.30	5,591,934.30
UPIS – Springs & Tunnels	140,037.61	140,037.61
UPIS – Generation, Transmission & Distribution	52,151,456.99	52,151,456.99
UPIS – Transmission Mains - Services	511,477.86	511,477.86
UPIS – Transmission Mains - Meters	180,574.35	180,574.35
UPIS – Transmission Mains-Meter Installations	47,152.06	47,152.06
Total Infrastructure Assets	59,335,068.31	59,335,068.31
Less: Accumulated Depreciation-Infra. Asset	(25,407,891.25)	(23,423,635.21)
Less: Accumulated Impairment Losses- Infra.	0.00	0.00
<b>Net Value-Infrastructure Asset</b>	<b>33,927,177.06</b>	<b>35,911,433.10</b>
<b>Buildings and Other Structures:</b>		
General Administrative Structures & Improvement	7,141,197.18	7,044,012.18
Water Plant, Structure and Improvement (WPSI):		
WPSI-Source of Supply Facilities	1,506,474.34	1,506,474.34
WPSI-Pumping Facilities	1,217,792.70	1,217,792.70
Less: Accumulated Depreciation-Buildings	(4,036,714.49)	(3,654,756.26)

Less: Accumulated Impairment Losses-Bldg.	0.00	0.00
<b>Net Value-Buildings</b>	<b>5,828,749.73</b>	<b>6,113,522.96</b>
<b>Machinery and Equipment:</b>		
Office Equipment	2,942,424.61	2,667,804.61
Power Operated Equipment	1,410,750.00	1,410,750.00
Pumping Equipment	2,981,785.80	2,916,985.80
Water Treatment Equipment	736,318.00	690,368.00
Tools, Shop and Garage Equipment	153,996.50	0.00
Less: Accu Depreciation-Machinery & Equip.	(5,116,407.47)	(4,299,820.57)
Less: Accu. Impairment Losses-Mach.& Equip.	0.00	0.00
<b>Net Value-Machinery and Equipment</b>	<b>3,108,867.44</b>	<b>3,386,087.84</b>
<b>Transportation Equipment:</b>		
Motor Vehicle (Land Transport Equipment):		
Four (4) Wheels Vehicles	3,387,181.84	3,387,181.84
Motorcycle and Motorela	1,015,871.00	687,771.00
Less: Accu Depreciation-Transport Equip.	(3,441,100.64)	(3,282,052.10)
Less: Accu. Impairment Losses-Trans. Equip.	0.00	0.00
<b>Net Value-Transportation Equipment</b>	<b>961,952.20</b>	<b>792,900.74</b>
<b>Furniture, Fixtures and Books:</b>		
Furniture and Fixtures	429,200.57	373,059.82
Less: Accu Depreciation-Furniture & Fixtures	(297,745.10)	(262,316.87)
Less: Accu. Impairment Losses-Furn. & Fix.	0.00	0.00
<b>Net Value-Furniture, Fixtures &amp; Books</b>	<b>131,455.47</b>	<b>110,742.95</b>
<b>Construction in Progress:</b>		
C i P – Infrastructure Assets:		
3" Mainline Ext. @ Kalagutay, Base Camp, Maramag, Buk.	372,990.25	372,990.25
4" Mainline Ext @ Anahawon to Panadtalan Area, Mar., Buk.	260,240.00	260,240.00
2" Mainline Ext. @ Matunog Area, P6 North Pob., Maramag, Buk.	97,366.00	97,366.00
2" Mainline Extension @ P3 Tubigon, Maramag, Bukidnon	180,189.65	180,189.65
6" Transmission Line Extension @ Villafuerte Spring, San Miguel to Res.#2 Base Camp, Mar., Bukidnon	4,292,123.66	3,115,761.66
Mainline Expansion – Base Camp Home Owner's Association @ Base Camp, Maramag, Bukidnon	61,750.00	0.00
<b>Total - CiP Infrastructure Assets</b>	<b>5,264,659.56</b>	<b>4,026,547.56</b>
CiP – Buildings and Other Structures:		

Paglaum (PF & Pumping) @ Paglaum Village, Base Camp, Mar., Bukidnon	609,489.05	609,489.05
Accounting Office Partition @ MWD Main Office, South Pob., Mar., Buk.	30,771.00	0.00
<b>Total - CiP Buildings &amp; Other Structures</b>	<b>640,260.05</b>	<b>824,449.05</b>
CiP – Furniture and Fixtures:		
Fabrication of Office Tables & Chairs @ Main Office, South Pob., Mar., Buk.	14,650.00	14,650.00
<b>Total - CiP Furniture and Fixtures</b>	<b>14,650.00</b>	<b>14,650.00</b>
<b>Intangible Asset:</b>		
Computer Software	350,000.00	0.00
Less: Accu Amortization-Computer Software	0.00	0.00
Less: Accu. Impairment Losses-Furn. & Fix.	0.00	0.00
<b>Net Value-Furniture, Fixtures &amp; Books</b>	<b>350,000.00</b>	<b>0.00</b>
<b>Net Total – Property Plant &amp; Equipment</b>	<b>₱ 51,591,610.49</b>	<b>₱ 52,374,797.46</b>

#### 10 - Other Non – Current Assets

Particulars	2018	2017
Sinking Fund – Joint Savings Account w/ LWUA <sup>(a)</sup>	7,552,976.05	6,510,093.55
LBP SA# 2101-0730-36		
Special Deposits – Customers’ Deposits <sup>(b)</sup>	449,888.62	450,206.62
LBP SA# 2101-0835-70		
Miscellaneous Special Deposits – Tax Reserve Fund <sup>(c)</sup>	2,739,737.26	2,737,516.15
LBP SA# 2101-0797-60		
Miscellaneous Special Deposits – Earned Leave Fund <sup>(d)</sup>	187,220.21	187,068.44
LBP SA# 2101-0767-36		
<b>Total Other Non – Current Assets</b>	<b>10,929,822.14</b>	<b>9,884,884.76</b>

- 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 of Maramag Water District and the LWUA Manager, WD-Mindanao.
- 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 Land Bank of the Philippines under Account No. 2101-0835-70. The amount includes the interest earned for calendar year, but

immediately transfers to General Fund account the first month following the end of the calendar year.

- c. This amount is intended for the earned leave due to pay for MWD employees upon their separation, resignation, and retirement.
- d. The amount is a reserve fund intended to pay the taxes assessed on the district by the Bureau of Internal Revenue. 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 bureau (BIR) deemed necessary, to avoid cash shortages as to operations. Arbitrations, as to whether the local water district is exempted or not of its income tax, were still in progress as of date. Starting January 2018, the management stopped the monthly deposit of ₱23,000.00.

## 11 - Financial Liabilities – Current Liabilities

Particulars	2018	2017
Accounts Payable		
Various Job Order employees	₱ 28,414.88	₱ 41,239.88
Isengard Security Agency	21,796.88	14,925.00
Atty. Glicerio Anthony S. Cavalida	0.00	10,000.00
SMART Communications, Inc.	0.00	4,094.56
Gaudys Advertising Agency	2,400.00	2,400.00
Central Mindanao University	0.00	2,500.00
First Bukidnon Electric Cooperatives, Inc.	723,929.60	520,144.32
Valencia Copy Center	0.00	1,100.00
Execom Computer Sales & Services	0.00	32,315.00
Caday Enterprises	0.00	2,100.00
Mindanao E.R. Electrical Supply	0.00	7,933.00
Luna's Enterprises	0.00	2,090.00
F.S. Refrigeration & Airconditioning	0.00	4,000.00
Various Watchmen (Reservoir & Pump)	3,200.00	3,200.00
El Elyon Shell Station	13,218.68	19,601.23
DXGT Radyo Abante	2,500.00	0.00
GSFerrolo Construction & Supply	66,250.00	0.00
JHAYCOR Industries, Inc.	171,550.00	0.00
Crystal Electronic Parts & Service Center	7,314.00	0.00
Infomax Enterprise	175,000.00	0.00
Derek C. Asok (Job Order)	2,524.02	0.00
DCTECH Micro Services, Inc.	0.00	74,219.04
<b>Outstanding Balance, December 31</b>	<b>1,218,098.06</b>	<b>741,862.03</b>
Due to Officers and Employees		
Various Regular & Casual employees	62,694.48	39,656.11

(OTP)		
Joby B. Matunog (Mobile Load)	0.00	500.00
Divina G. Abriol (General Assembly)	0.00	4,095.20
<b>Outstanding Balance, December 31</b>	<b>62,694.48</b>	<b>44,251.31</b>
Loans Payable – Domestic (Current Portion)		
LWUA Loans - LA # 3-739 RL	386,304.00	355,991.00
LWUA Loans - NLIF Project (9-0082 NL)	315,204.00	315,204.00
<b>Outstanding Balance, December 31</b>	<b>701,508.00</b>	<b>671,195.00</b>
<b>Total Financial Liabilities (Current)</b>	<b>₱ 1,982,300.54</b>	<b>₱ 1,457,308.34</b>

## 12 - Inter-Agency Payables

Particulars	2018	2017
Due to BIR:		
Tax Withheld – MWD employees	₱ 39,988.34	₱ 55,434.18
Tax Withheld – Suppliers	66,024.03	67,045.25
Tax Withheld – MWD Job Order Employees€	0.00	4,864.36
Tax Due – Franchise Tax	173,647.46	0.00
Due to <b>G S I S</b>	87.79	6,338.38
Due to <b>PAG-IBIG - HDMF</b>	(400.00)	3,832.72
Due to NGA – LWUA (VR2 Project)	3,924,778.74	2,667,504.17
<b>Total Inter-Agency Payables</b>	<b>₱ 4,204,126.36</b>	<b>₱ 2,805,019.06</b>

## 13 - Trust Liabilities

Particulars	2018	2017
Trust Liabilities:		
Sale of Bid Documents to bidders/suppliers -subject for BAC Honorariums & expenses	₱ 125,706.30	₱ 23,000.00
<b>Total Trust Liabilities</b>	<b>₱ 125,706.30</b>	<b>₱ 23,000.00</b>

## 14 - Other Payables – Current Liabilities

Particulars	2018	2017
Other Payables (Current):		
Retention Fee – Noel Asuncion (Pakyaw)	₱ 5,995.00	₱ 17,874.00
Retention Fee – Juan Alvarez (Pakyaw)	0.00	5,720.00
Performance Bond – MMU Enterprises	0.00	0.00

Performance Bond – AMR Trading	37,348.00	37,348.00
Performance Bond – JHAYCOR Industries, Inc.	228,552.48	228,552.48
Performance Bond – MMU Enterprises & Gen.	72,000.00	0.00
Water Bond – Myrmidon Construction	10,000.00	0.00
Due to MCWD - Steel Forms	20,000.00	20,000.00
<b>Total Other Payables (Current)</b>	<b>₱ 373,895.48</b>	<b>₱ 309,494.48</b>

#### 15 - Financial Liabilities – Non-Current Liabilities

Particulars	2018	2017
Loans Payable – Domestic (Non-Current Portion)		
LWUA Loans - LA # 3-739 RL	₱ 2,188,003.08	₱ 2,574,307.08
LWUA Loans - NLIF Project (9-0082 NL)	6,671,816.41	6,987,020.41
<b>Outstanding Balance, December 31</b>	<b>₱ 8,859,819.49</b>	<b>₱ 9,561,327.49</b>

#### 16 - Provisions

Particulars	2018	2017
Leave Benefits Payable		
Employees ages 55 years old and above	₱ 122,195.69	₱ 233,640.34
Employees ages 45 up to 54 years old	1,111,117.16	895,106.26
Employees ages 35 up to 44 years old	1,094,798.03	954,688.97
Employees ages 34 years old and below	354,700.59	241,602.80
<b>Carrying Amount, December 31</b>	<b>₱ 2,682,811.47</b>	<b>₱ 2,325,038.37</b>

#### 17 - Other Payables – Non-Current Liabilities

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 **Calendar Year 2007** with the deposits treated as other revenues.

Particulars	2018	2017
Other Payables		
Customers' Deposits	₱ 449,423.82	₱ 449,423.82
<b>Carrying Amount, December 31</b>	<b>₱ 449,423.82</b>	<b>₱ 449,423.82</b>

## 18 - Government Equity

Particulars	2018	2017
Government Capital		
Sen. Rodolfo R. Biazon	₱ 6,000,000.00	₱ 6,000,000.00
Cong. Juan Miguel F. Zubiri	500,000.00	500,000.00
Brgy. South Pob., Maramag, Bukidnon	10,000.00	10,000.00
PTO – Malaybalay, Bukidnon	15,000.00	15,000.00
Prov. Gov't. of Bukidnon	110,000.00	110,000.00
Contributed Capital		
Members' Equity – Members' Contribution	842,004.39	842,004.39
<b>Total Government Equity</b>	<b>₱ 7,477,004.39</b>	<b>₱ 7,477,004.39</b>

## 19 - Service and Business Income

Particulars	2018	2017
Service Income:		
<b>Service Fees–Installation, Re-Opening &amp; etc.</b>	<b>₱ 777,665.92</b>	<b>₱ 742,491.08</b>
Business Income:		
Waterworks System Fees (Water Sales):		
Monthly Billings - Concessionaires	34,684,868.77	32,902,751.40
Less: Billing Adjustments (excluding tax adj.)	481,543.13	644,601.75
<b>Net Total – Water Sales</b>	<b>34,203,325.64</b>	<b>32,258,149.65</b>
<b>Interest Income</b>	<b>12,371.01</b>	<b>20,927.67</b>
Fines and Penalties – Business Income:		
Water Bills Due - Penalties	1,486,883.89	1,405,358.88
Penalties for Illegal Tapping	13,360.30	17,323.01
Penalties for Liquidated Damages	325.00	40,678.33
Penalties for Returned Installation Fees	0.00	150.00
<b>Total Fines &amp; Penalties – Business Income</b>	<b>1,500,569.19</b>	<b>1,463,510.22</b>
<b>Total Service and Business Income</b>	<b>₱ 36,493,931.76</b>	<b>₱ 34,485,078.62</b>

## 20 - Personnel Services

Particulars	2018	2017
Salaries and Wages:		
Salaries and Wages - Regular	₱ 7,081,313.66	₱ 6,141,566.00
Salaries and Wages – Casual / Contractual	1,277,408.43	1,360,586.01
<b>Total – Salaries and Wages</b>	<b>8,358,722.09</b>	<b>7,502,152.01</b>



<b>Other Compensation:</b>		
Personnel Economic Relief Allowance (PERA)	796,733.33	769,727.20
Representation Allowance (RA)	282,000.00	282,000.00
Transportation Allowance (TA)	282,000.00	282,000.00
Clothing / Uniform Allowance	198,000.00	160,000.00
Overtime and Night Pay	475,269.92	372,639.08
Year End Bonus	723,199.00	637,486.00
Cash Gift	170,000.00	162,000.00
Other Bonuses and Allowances:		
Mid-Year Bonus	671,685.00	618,324.00
Performance Enhancement Incentives (PEI)	170,000.00	164,000.00
<b>Total – Other Compensation</b>	<b>3,768,887.25</b>	<b>3,448,176.28</b>
<b>Personnel Benefit Contributions:</b>		
Retirement & Life Insurance Premiums (GSIS)	1,018,768.74	915,203.64
Pag-IBIG Contributions	40,000.00	38,600.00
PhilHealth Contributions	98,532.86	78,275.00
Employees Compensation Insurance Premiums	40,000.00	41,500.00
<b>Total – Personnel Benefit Contributions</b>	<b>1,197,301.60</b>	<b>1,073,578.64</b>
<b>Other Personnel Benefits:</b>		
Terminal Leave Benefits	772,340.94	1,203,725.05
<b>Total – Other Personnel Benefits</b>	<b>772,340.94</b>	<b>1,203,725.05</b>
<b>Total Personnel Services</b>	<b>₱ 14,097,251.88</b>	<b>₱ 13,227,631.98</b>

## 21 - Maintenance and Other Operating Expenses

Particulars	2018	2017
<b>Generation, Transmission and Dist. Expenses:</b>		
Power Purchased for Pumping	7,425,740.75	6,096,531.82
Fuel Purchased for Pumping	39,155.76	32,312.46
Chemical, Filtering & Laboratory Supplies Exp.	305,456.99	223,797.50
Transmission & Distribution. Engineering Exp.	942,014.72	650,704.98
Miscellaneous Customer Accounts Expenses	0.00	206,618.89
<b>Total – Generation, Trans. and Dist. Exp.</b>	<b>8,712,368.22</b>	<b>7,209,965.65</b>
<b>Supplies and Materials Expenses:</b>		
Office Supplies Expenses	753,283.88	485,618.31
Fuel, Oil and Lubricants Expenses	526,323.54	383,802.72
Other Supplies and Materials Expenses:		

Maintenance Supplies Expenses	190,795.70	13,528.50
Other Supplies Expenses	63,312.22	48,160.98
<b>Total – Supplies and Materials Expenses</b>	<b>1,533,715.34</b>	<b>931,110.51</b>
<b>Labor and Wages:</b>		
Labor and Wages – Job Order Employees	1,335,916.39	1,321,711.48
<b>Total – Labor and Wages</b>	<b>1,335,916.39</b>	<b>1,321,711.48</b>
<b>Repairs and Maintenance:</b>		
Repairs and Maintenance-Land Improvements	7,850.00	0.00
Repairs and Maintenance-Infrastructure Assets	641,280.15	912,868.35
Repairs and Main.-Bldgs. and Other Structures	18,904.00	15,781.26
Repairs and Maintenance-Machinery & Equip.	67,969.44	114,276.05
Repairs & Maintenance-Transportation Equip.	404,473.54	268,780.31
Repairs and Maintenance-Furniture & Fixtures	0.00	75.00
<b>Total – Repairs and Maintenance</b>	<b>1,140,477.13</b>	<b>1,311,780.97</b>
<b>Taxes, Insurance Premiums and Other Fees:</b>		
Taxes, Duties and Licenses	31,148.45	21,767.78
Franchise Tax	731,195.36	634,913.76
Fidelity Bond Premiums	27,000.00	25,500.00
Insurance Expenses	143,732.98	148,529.13
<b>Total – Taxes, Insurance Prem. &amp; Other Fees</b>	<b>933,076.79</b>	<b>830,710.67</b>
<b>General Services:</b>		
Security Services	584,300.35	422,376.07
Other General Services	1,512.00	2,660.00
<b>Total – General Services</b>	<b>585,812.35</b>	<b>425,036.07</b>
<b>Utility Expenses:</b>		
Electricity Expenses	550,824.54	440,752.94
<b>Total – Utility Expenses</b>	<b>550,824.54</b>	<b>440,752.94</b>
<b>Traveling Expenses:</b>		
Traveling Expenses – Local:		
Traveling Expenses – MWD Employees	₱ 309,838.42	₱ 221,514.06
Traveling Expenses – MWD BODs	52,699.80	55,793.60
<b>Total – Traveling Expenses</b>	<b>362,538.22</b>	<b>277,307.66</b>
<b>Training and Scholarship Expenses:</b>		
Training Expenses:		
Training Expenses – MWD Employees	237,700.00	231,900.00
Training Expenses – MWD BODs	58,724.00	91,900.00
<b>Total – Training and Scholarship Expenses</b>	<b>296,424.00</b>	<b>323,800.00</b>

<b>Professional Services:</b>		
Legal Services	58,000.00	61,250.00
Auditing Services	153,357.00	0.00
Other Professional Services	0.00	16,000.00
<b>Total – Professional Services</b>	<b>211,357.00</b>	<b>77,250.00</b>
<b>Communication Expenses:</b>		
Postage and Courier Services	8,923.00	9,742.00
Telephone Expenses:		
Mobile Load/Plan Expenses-GM Agustin	28,735.19	30,995.72
Mobile Load/Plan Expenses-D. Abriol	5,000.00	4,000.00
Mobile Load/Plan Expenses-V. Panganiban	2,500.00	2,000.00
Mobile Load/Plan Expenses-J. Matunog	4,500.00	3,500.00
Mobile Load/Plan Expenses-Office Use	540.00	382.00
Internet Subscription Expenses	44,980.50	24,599.90
Cable, Satellite, Telegraph and Radio Exp.	4,600.00	3,500.00
<b>Total – Communication Expenses</b>	<b>99,778.69</b>	<b>78,719.62</b>
<b>Confidential, Intelligence &amp; Extra. Expenses:</b>		
Extraordinary and Miscellaneous Expenses	48,428.21	76,625.50
<b>Total – Confidential, Intelligence &amp; Extra. Exp.</b>	<b>48,428.21</b>	<b>76,625.50</b>
<b>Survey, Research, Exploration and Dev't Exp.:</b>		
Survey Expenses	24,245.50	2,000.00
<b>Total – Survey, Res., Exp'n and Dev't Exp.</b>	<b>24,245.50</b>	<b>2,000.00</b>
<b>Other Maintenance and Operating Expenses:</b>		
Advertising, Promotional and Marketing Exp.	37,400.00	47,100.00
Representation Expenses	192,492.98	161,000.45
Rent / Lease Expenses	252,164.64	293,916.00
Directors and Committee Members' Fees	488,244.79	459,646.06
Other Maintenance and Operating Expenses:		
Other General Office Expenses	5,000.00	16,735.00
Gender & Development (GAD) Expenses	19,180.00	33,437.50
Risk Reduction Expenses	0.00	0.00
Cultural and Athletic Expenses	64,964.12	38,429.00
Indemnities Expenses	0.00	1,716.00
MWD-Anniversary	211,938.12	215,349.74
Civil Service Month Celebration	58,552.00	36,190.60
December General Assembly	139,218.86	96,148.79
Membership Fee (MAWD, PAWD & etc.)	28,069.08	10,000.00

Financial Assistance	20,000.00	0.00
Excess of Travel, Training & Seminar Fees	2,329.85	0.00
<b>Total – Other MOOE</b>	<b>1,519,554.44</b>	<b>1,409,669.14</b>
<b>Total Maintenance and Other Operating Exp.</b>	<b>₱ 17,354,516.82</b>	<b>₱ 14,716,440.21</b>

## 22 - Financial Expenses

Particulars	2018	2017
Interest Expenses:		
LWUA Loans - LA # 4-1890 RL	₱ 0.00	₱ 73,838.00
LWUA Loans - LA # 3-739 RL	247,275.00	255,036.00
LWUA Loans - NLIF Project (9-0082 NL)	314,188.46	226,194.35
Bank Charges	100.00	250.00
<b>Total Financial Expenses</b>	<b>₱ 561,563.46</b>	<b>₱ 555,318.35</b>

## 23 - Non – Cash Expenses

Particulars	2018	2017
Depreciation:		
Depreciation-Land Improvements	₱ 45,584.28	₱ 45,584.28
Depreciation-Infrastructure Assets	1,984,256.04	1,973,196.04
Depreciation-Buildings and Other Structures	381,958.23	438,044.07
Depreciation-Machinery and Equipment	816,586.90	753,988.16
Depreciation-Transportation Equipment	159,048.54	151,777.32
Depreciation-Furniture, Fixtures and Books	35,428.23	37,030.41
<b>Total Depreciation Expenses</b>	<b>₱ 3,422,862.22</b>	<b>₱ 3,399,620.28</b>

**PART II –**

**AUDIT OBSERVATIONS AND  
RECOMMENDATIONS**

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### Financial and Compliance Audit

1. Six completed projects costing ₱ 5,262,859.56, included under the Construction in Progress (CIP) Account, were still not transferred to the appropriate asset account and there was a variance amounting to ₱ 1,054,068.72 between the Subsidiary Ledger and Engineering record, contrary to Section 112 of Presidential Decree (PD) 1445 and Chapter 10 Section 8 of Government Accounting Manual (GAM).

Section 112 of PD 1445 states that:

*“Each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.”*

Furthermore, Chapter 10 Section 8 of Government Accounting Manual (GAM) states that:

*“During the construction period, all expenses incurred in relation to the construction of the PPE shall be taken up in the books as Construction in Progress (CIP) with the appropriate asset classification. **As soon as the construction is completed, the “Construction in Progress” account shall be reclassified to the proper asset account.**”*

Upon conduct of audit, it was noted that six completed projects costing ₱5,262,859.56 remained in the Construction in Progress Account despite its 100% completion, listed as follows:

<b>Project/Program/ Activity Name</b>	<b>Location</b>	<b>Actual Completion Date</b>	<b>Per Subsidiary Ledger</b>
3" Mainline Extension	Kalagutay, Base Camp, Maramag, Bukidnon	October 2016	P 372,990.25
4" Mainline Extension	Anahawon – Panadtalan, Maramag, Bukidnon	February 2017	260,240.00
2" Mainline Extension	Matunog Area, P6 North Poblacion, Maramag, Bukidnon	February 2017	97,336.00
2" Mainline Extension	P3 Tubigon, Maramag, Bukidnon	March 2017	180,189.65
6" Mainline Extension	From Villafuerte spring to Base Camp Reservoir #2, Maramag, Bukidnon	September 2018	4,292,123.06
Rehabilitation of 6" Mainline	Crossing Kiawal, Base Camp, Maramag, Bukidnon	June 2018	59,950.00
<b>TOTAL</b>			<b>P5,262,859.56</b>

Furthermore, there was a variance amounting to ₱ 1,054,068.72 between the subsidiary ledgers and records from engineering section, details are as follows:

<b>Project/Program/Activity Name</b>	<b>Location</b>	<b>Per Engineering</b>	<b>Per Subsidiary Ledger</b>	<b>Difference</b>
3" Mainline Extension	Kalagutay, Base Camp, Maramag, Bukidnon	P310,051.25	P 372,990.25	(P62,939.00)
4" Mainline Extension	Anahawon – Panadtalan, Maramag, Bukidnon	740,780.00	260,240.00	480,540.00
2" Mainline Extension	Matunog Area, P6 North Poblacion, Maramag, Bukidnon	99,829.00	97,336.00	2,463.00
2" Mainline Extension	P3 Tubigon, Maramag, Bukidnon	221,451.28	180,189.65	41,261.63
6" Mainline Extension	From Villafuerte spring to Base Camp Reservoir #2, Maramag, Bukidnon	4,998,979.80	4,292,123.06	706,856.14
Rehabilitation of 6" Mainline	Crossing Kiawal, Base Camp, Maramag, Bukidnon	220,001.00	59,950.00	160,051.00
Construction of Accounting Office	MWD Main Office, P2 south Poblacion, Maramag, Bukidnon	70,964.00	30,071.00	40,893.00
Distribution Line Expansion	P6A North Poblacion and P9 Base Camp, Maramag, Bukidnon (Base Camp Homeowners Association)	294,432.00	0.00	294,432.00
Mainline and Distribution Line Expansion	Paglaum Village, P9 Base Camp, Maramag, Bukidnon	0.00	609,489.05	609,489.05
<b>TOTAL</b>		<b>P6,956,488.33</b>	<b>P5,902,419.61</b>	<b>P1,054,068.72</b>

Upon inquiry with the management, it was revealed that the problem was due to weakness in the internal control on the release of construction materials. Materials were released in the stockroom even without Requisition and Issue Slip (RIS). Hence, materials were already used in the projects without records of the materials issued/used which resulted in the variance amounting to ₱ 1,054,068.72 between the subsidiary ledger and records from engineering section. Both sections are still reconciling these variances. The Certificate of Project Completion could not be issued until the completion of such reconciliation which is needed to support the transfer from CIP account to the appropriate asset account.

Failure to reclassify completed projects will result in the overstatement of CIP Account and the understatement of Property, Plant and Equipment (PPE) Account. Consequently, it will also result in the understatement of Depreciation Expense and the overstatement of Income for the calendar year. With regard to the unrecorded issuance of construction materials, it will also lead in the overstatement of Construction Materials

account and understatement of CIP account. Collectively, these errors will cast doubt as to the fairness of financial statements.

**Recommendation:**

We recommended that the agency:

- i. Strengthen its control in the requisition and issuance of materials. Requisition and Issue Slip must be prepared upon withdrawal of materials.
- ii. Expedite the reconciliation of the Construction Materials and CIP Account.
- iii. Upon reconciliation, prepare Certificate of Project Completion and transfer the CIP to appropriate PPE account.
- iv. Record the necessary entries for the depreciation of PPE

For Prior Years:

Retained Earnings----- xx  
Accumulated Depreciation-----xx

For Current Year:

Depreciation -----xx  
Accumulated Depreciation-----xx

**Management Comment:**

The management informed the team that it has already reconciled the amount pertaining to labor but had a hard time reconciling the variances on materials since the stock cards were not updated by the Storekeeper. Moreover, source documents (Disbursement Vouchers, Purchase Orders, etc.) were already turned over to COA. Hence, the management asked the permission of the audit team to access the said files, to which the team agreed. The management shall set the date and shall coordinate the same with the audit team for the team’s availability. Moreover, the management also informed the team that the District plans to establish an inventory system to alleviate its current problems on inventory and to make the process easier.

- 2. **Accounts Receivable amounting to P5,273,217.84 per Accounting Records is not fairly presented at its net realizable value as of December 31, 2018 due to inadequate provision of Allowance for Impairment – Accounts Receivable contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016, resulting to overstated current assets and income statement.**

Paragraph 58 of Philippine Accounting Standards (PAS) 39 on trade receivables provides that an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.

Paragraph 63 indicates that if there is objective evidence that an impairment loss has been incurred, the carrying amount of the financial asset shall be reduced either or through the use of an allowable account.



Item 7.1 of COA Circular No. 2016-005 dated December 19, 2016 further emphasized the role of the accountant:

“The Accountant shall conduct regular and periodic verification, analysis, and validation of the existence of the receivables, unliquidated cash advances, and fund transfers, and determine the concerned debtors, accountable officers (regular and special disbursing Officers, collecting officers, cashiers) and the source and implementing government entities concerned.”

Once validation proves accounts receivable could no longer be realized, Item 8.2 to 8.3 laid down the procedure in requesting for write-off accounts:

The Head of the government entity shall file the request for authority to write-off dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA). No filing fee is required;

The request shall be supported by the following documents:

1. Schedule of dormant accounts by accountable officer/debtor/government entity and by account, certified by the accountant and approved by the Head of the Government Entity;
2. Certified relevant documents validating the existence of the conditions, as applicable”

Analysis of the District’s Statement of Financial Position for the Calendar Year ended December 31, 2018 showed a balance of P5,273,217.84 for its Accounts Receivable while the Aging Schedule of Accounts Receivable showed an ending balance of P5,255,495.18, broken down as follows:

	Years in Arrears				Total
	0-1 year	over 1	over 2	over 3	
<b>Active Accounts</b>	P 2,703,665.93	P 61,883.92	P 25,388.10	P 0.00	P 2,790,937.95
<b>Inactive Accounts</b>	273,853.09	182,893.13	174,567.90	1,833,243.11	2,464,557.23
<b>Balance, Dec. 31, 2018</b>	<b>P 2,977,519.02</b>	<b>P244,777.05</b>	<b>P199,956.00</b>	<b>P1,833,243.11</b>	<b>P 5,255,495.18</b>

Hence, an unreconciled amount of P17,722.66 (P5,273,217.84 - P5,255,495.18), a significant decrease from its P357,773.18 variance, as presented in COA’s 2017 Annual Audit Report for the District. This has greatly improved the presentation of the District’s financial position in 2018.

However, further verification showed that only P153,358.48 was provided as Allowance for Impairment for the Accounts Receivable despite the fact that inactive account comprises at about 46.89% of the total amount of accounts receivable and that a significant portion of it already aged over three (3) years, as presented in the table above. Thus, a difference computed in the next page:

	<b>Amount</b>
Inactive Accounts, per aging	P 2,464,557.23
Less: Allowance for Impairment – AR	153,358.48
<b>Difference</b>	<b>P 2,311,198.75</b>

Account is classified as inactive from the date of its disconnection and is aged from the date of its reclassification from active to inactive.

Inquiry upon the management revealed that the provision of its Allowance for Impairment is based on a fixed percentage depending on the age of the accounts, as provided below:

<b>Amount</b>	<b>Age</b>	<b>Percentage</b>	<b>Allowance for Impairment</b>
P 2,233,999.63	1-60 days	1%	P 22,340.00
343,510.53	61-180 days	2%	6,870.21
210,981.89	181 – 1 year	3%	6,329.46
2,356,376.10	More than 1 year	5%	117,818.81
<b>P 5,144,868.15</b>			<b>P 153,358.48</b>

The recognition of Allowance for Impairment was done through JV No. 2018-09-15 dated September 30, 2018. Since there was no previous provision for impairment, the computed amount serves as the ending balance for the account. The concerned personnel failed to consider the nature of the AR – whether the accounts are still active or not, in the provision of Allowance for Impairment - AR.

The inadequate provision of Allowance for Impairment overstated the assets and the income of the District, thereby impairing the prudence and transparency in financial reporting. Also, Financial Statements not fairly presented might pose the management to decisions not actually true to the present condition of the District.

**Recommendation:**

We recommended that management a) through the Commercial Section to review the long overdue accounts and assess the collectability thereof; b) through the Accounting Unit, to provide a more appropriate provision for impairment of AR reflecting the result of the Commercial Section’s assessment; c) upon confirmation of actual unrealizable receivables, request for write-off of accounts receivable in accordance to COA Circular No. 2016-005 dated December 19, 2016; and d) to assess its current business strategies and risk management systems to be able to adopt appropriate policies and control measures that will ensure integrity of the reporting process.

**Management Comment:**

The management submitted to further assess the collectability of its receivables, prioritizing the inactive accounts which are long overdue. The Commercial Division shall then coordinate with the Accounting Unit to provide a more accurate provision for impairment.

3. The valuation and reliability of the District’s land account could not be ascertained due to a) difference between the Report of Inventory of Land and the Accounting Books; b) land and land rights amounting to P975,000.00 were not supported with Certificates of Title and c) non-revaluation/appraisal of its land.

a) Difference between the Report of Inventory of Land and the Accounting Books

Section 112 of Presidential Decree (PD) No. 1445 otherwise known as the State Audit Code of the Philippines provides that “each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent law and regulations”

The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by the fiscal or control agencies of the government. This should be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

Review of the District’s records showed a difference between the Accounting Books and the District’s Report on Inventory of Land, as shown below:

Location	Cost	
	Per Books	Per Report on Inventory of Land
Base Camp, Maramag, Bukidnon		**
P-2 South Poblacion, Maramag, Bukidnon	P 150,000.00	P 150,000.00
San Miguel, Maramag, Bukidnon	50,000.00	50,000.00
Tubigon, Maramag, Bukidnon	220,000.00	220,000.00
Danggawan, Maramag, Bukidnon	200,000.00	200,000.00
Kiawal, Base Camp, Maramag, Bukidnon		**
P-5, Anahawon, Maramag, Bukidnon	65,000.00	65,000.00
P-7, Anahawon, Maramag, Bukidnon	0.00	290,000.00
P-8, North Poblacion, Maramag, Bukidnon		***
<b>Total</b>	<b>P 685,000.00</b>	<b>P 975,000.00</b>

\*\* Donated Land

\*\*\* Land Right by virtue of Memorandum of Agreement

As of December 31, 2018, the land account is carried in the Accounting books in the amount of P685,000.00. However, in the Report on Inventory of Land Owned by the District, requested by the Audit Team in compliance to Unnumbered Memorandum dated September 15, 2017 of AsCom Rizalina Q. Mutia regarding inventory of land acquired/owned by Government Corporations, a difference of P290,000.00 was discovered pertaining to the parcel of land located in P-7, Anahawon, Maramag, Bukidnon.

Further verification showed that the parcel of land located at P-2 South Poblacion, Maramag, Bukidnon, was bought in consideration of P90,000.00

instead of the reported P150,000.00, as indicated in the Deed of Sale submitted by the management to support the Report on Inventory of Land.

Inquiry upon the management revealed that the difference of P290,000.00 in the parcel of land located in P-7, Anahawon, Maramag, Bukidnon was not recorded by the former bookkeeper of the District.

The variance between the accounting records and that of the Report on Inventory of Land, had in effect casted doubt as to the validity and accuracy of the reported book balance of the Land account as of December 31, 2018

b) Land and land rights not supported with Certificates of Title

Section 58 of the Presidential Decree No. 1445 (PD 1445) sets forth the audit of assets, one of the objectives followed in the course of audit. It provides that the examination and audit of assets shall be performed with a view to ascertaining their existence, ownership, valuation and encumbrances as well as the propriety of items composing the respective asset accounts, **determining their agreement with records**, proving their accuracy of such records; ascertaining if the assets were utilized economically, efficiently and effectively; and evaluating the adequacy of controls over the accounts. In doing so, the Commission shall give due regard to generally accepted principles of auditing and accounting organizations and systems in determining the audit procedures to be followed, as stated in Section 57 of the same decree.

In view of this, the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS) are the new set of Generally Accepted Accounting Principles (GAAP) issued by the Accounting Standards Council (ASC) to govern the preparation of financial statements. These standards are patterned after the revised International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB).

Under these GAAP, “asset” is defined as a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Examination of the management’s records showed that the District has not registered under the Torrens Title System all its land valued at P975,000.00, based on the Report on Inventory of Land, which are currently used as spring source, pumping station, and site for its buildings or reservoir. The lots were only covered by Deeds of Absolute Sale or Deed of Donation and Memorandum of Agreement, as shown below:

Location	Area (sq.m)	Cost	Date Acquired	Mode of Acquisition	Proof of Ownership
Base Camp, Maramag, Bukidnon	18,000	0.00	June 1991	Donation	Deed of Donation
P-2 South Poblacion, Maramag, Bukidnon	1,200	150,000.00	January 1996	Purchase	Deed of Absolute Sale

Location	Area (sq.m)	Cost	Date Acquired	Mode of Acquisition	Proof of Ownership
San Miguel, Maramag, Bukidnon	450	0.00	February 1991	Donation	Deed of Donation
		50,000.00	January 2009	Purchase	Deed of Absolute Sale
Tubigon, Maramag, Bukidnon	520	220,000.00	June 2010	Purchase	Deed of Absolute Sale
Danggawan, Maramag, Bukidnon	450	200,000.00	March 2015	Purchase	Deed of Absolute Sale
Kiawal, Base Camp, Maramag, Bukidnon	468	0.00	February 1991	Donation	Deed of Donation
P-5, Anahawon, Maramag, Bukidnon	400	65,000.00	December 2003	Purchase	Deed of Absolute Sale
P-7, Anahawon, Maramag, Bukidnon	600	290,000.00	December 2009	Purchase	Deed of Absolute Sale
P-8, North Poblacion, Maramag, Bukidnon		Land Right			Memorandum of Agreement
<b>Total</b>		<b>P 975,000.00</b>			

Inquiry with the management revealed that since this has already been brought up by the previous Audit Team, the management has already submitted the required documents to the Bureau of Lands and Registry of Deeds, waiting for approval.

The documents of conveyance (e.g. Deed of Absolute Sale, Deed of Donation) are prima facie evidences of the ownership of the land. However, the ownership of the land could not be absolutely established due to the absence of Transfer Certificate of Title (TCT) for these lots. Under the law, TCT is the best evidence and absolute proof of ownership of the land since it is an unassailable proof of ownership. Without it, the above untitled lots could be subject to possible adverse claims by third parties that will be detrimental to the interest of the District and ultimately to the interest of its concessionaires.

Moreover, delay in the processing of transfer of title would mean piling of penalties, interests and charges annually and would entail unnecessary use of the District's fund which could be avoided.

Further, along with the ownership over the property is the right to possess, use and dispose of the property which is enforceable against the whole world. This indicates 'control', a criteria used in the recognition of asset. Thus, without the absolute control to these parcels of land, casts doubt to the District's right over the properties and reliability of the Land account.

c) Non-provision of revaluation and/or appraisal value of its land

Paragraphs 31 and 32 of Philippine Accounting Standards (PAS) No. 16 provide that:

31. *After recognition as an asset, an item of Property, Plant, and Equipment, **whose fair value can be measured reliably shall be carried at a revalued amount**, xxx. Revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.*

32. *The fair value of land and buildings is usually determined from the market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. The fair value of items of plant and equipment is usually their market value determined by appraisal.*

Moreover, COA Resolution No. 89-17 dated March 17, 1989 also provides that:

“xxx, the revaluation shall be done by an independent appraiser or expert **every after five (5) years** (on fixed assets existing as of the end of the fifth year), or even before the five-year period ends, whenever there is a currency devaluation or price increase which raises price levels (based on the Consumer Price Index) xxx.”

Further review showed that the District carries all its parcels of land at cost in its accounting records as of December 31, 2018. Moreover, donated lots were not provided with cost, since they were acquired without consideration.

Inquiry upon the management revealed that these lots were not appraised from their respective acquisition dates since it has been the practice of the District to carry all its properties at cost. However, the management is very much obliged to adhere to the above-cited provisions and coordinate with the LGU-Maramag Assessor's Office for the conduct of such appraisal, to establish the assessed value in the books of accounts.

Improved accuracy, fairness, and transparency of valuation leads to greater confidence and reduce financial risk for the users of the District's financial statements. Land, in general, is an appreciating asset, compared to the other items in Property, Plant, and Equipment which depreciates. Donated lots, although acquired without consideration, still holds value then, equivalent to the fair value at the time of acquisition. The non-revaluation and/or appraisal of land did not reflect its value at present, thus, rendering the fair presentation of Land account doubtful.

#### **Recommendation:**

We recommended the management:

1. Through the Accounting Unit and Property Section, a) to reconcile the difference between their respective records; and b) update the list of PPE and lapsing schedule reflecting the correct amounts;
2. To Periodically follow-up the status of its papers in the Land Management Bureau and Land Registry Authority to speed up the titling of the land under its

name, to validate its ownership and to protect the interest of the District from adverse claims by unscrupulous parties; and

3. a) Immediately conduct appraisal of all its land by hiring an independent and qualified appraiser or expert as required under PAS 16 and COA Resolution No. 89-17 and every five (5) years thereafter, and b) adjust the carrying amounts of the affected assets in the District's books once the results of the appraisal are obtained.

**Management Comment:**

The management explained that the prolonged titling of land was due to the piecemeal demand of requirements by the LMB and LRA. However, they assured the team that they will constantly follow-up the status of the District's papers to speed up the process. Nevertheless, the management adheres to the recommendation of the Audit Team and shall reconcile respective records with the Accounting Section.

4. **The District registered a year-to-date (YTD) rate of 51% for its Non-Revenue Water (NRW) for the Calendar Year 2018, which is well above the maximum acceptable level of NRW of 20% as prescribed under LWUA Resolution No. 444, series of 2009, with estimated monetary loss equivalent to P23,089,194.00, thus affecting the District's efficiency level and financial viability.**

The Local Water Utilities Administration (LWUA) Board of Trustees has passed Board Resolution no. 444, series of 2009, approving the reduction of the maximum acceptable non-revenue water from the existing 25% to 20%, applicable to all Water Districts to further improve their efficiency level.

Moreover, LWUA Memorandum Circular No. 014-10 dated December 2, 2010 provides that there is a need for Water Districts to reduce the Non-Revenue Water in order to enhance its operational efficiency and improve the financial viability, thus, all Water Districts are enjoined to periodically conduct performance audit of water meters being used by customers to enhance its accuracy.

Verification of the records of the District showed that its Non-Revenue Water (NRW) as of December 31, 2018 accounts for 51 percent of its total water production from the start of the year, thus still holding a high rate compared to its 49 percent of NRW in 2017, as shown below:

Month	2017			2018		
	Total Water Production (in m <sup>3</sup> )	Non -Revenue Water (in m <sup>3</sup> )	Non-Revenue Water (in percentage)	Total Water Production (in m <sup>3</sup> )	Non -Revenue Water (in m <sup>3</sup> )	Non-Revenue Water (in percentage)
January	262,567	132,632	51%	280,646	151,437	54%
February	242,594	112,288	46%	243,442	112,445	46%
March	243,511	123,888	51%	256,948	129,845	51%
April	259,688	125,665	48%	264,214	121,720	46%

Month	2017			2018		
	Total Water Production (in m <sup>3</sup> )	Non -Revenue Water (in m <sup>3</sup> )	Non-Revenue Water (in percentage)	Total Water Production (in m <sup>3</sup> )	Non -Revenue Water (in m <sup>3</sup> )	Non-Revenue Water (in percentage)
May	267,682	135,332	51%	277,608	146,235	53%
June	261,355	137,303	53%	247,725	112,450	45%
July	248,627	114,866	46%	266,831	135,974	51%
August	250,909	120,937	48%	286,506	154,416	54%
September	249,755	121,865	49%	299,488	158,056	53%
October	262,819	134,813	51%	296,733	163,467	55%
November	255,237	121,574	48%	291,399	148,699	51%
December	265,915	132,772	50%	283,445	138,386	49%
<b>YTD</b>	<b>3,070,659</b>	<b>1,513,935</b>	<b>49%</b>	<b>3,294,985</b>	<b>1,673,130</b>	<b>51%</b>
<b>Minimum Rate per cu.m /10 m<sup>3</sup></b>		P 13.80			P 13.80	
<b>Estimated loss</b>		<b>P20,892,303.00</b>			<b>P23,089,194.00</b>	

The 51 percent NRW for CY 2018, equal to 1,673,130 cubic meters of the total supply of 3,294,985 cubic meters, leads to an estimated monetary loss equivalent to P23,089,194.00, which could have been used to fund other much needed programs of the District.

Inquiry with the Engineering Division revealed that the non-revenue water remains to be the main problem plaguing the District. The high non-revenue water is mainly attributed to the leaks in the mainline and tapping point which were undetected since the source of these leaks is not visible on the surface. These leaks are difficult to detect since the supply pipes are usually buried 2 meters below the ground surface. Second, there had been a lot of road widening activities in the municipality which damaged some of the District's service line. To mitigate this problem, the management already bought leak detection equipment in early 2019, as included in the District's Annual Procurement Plan for CY 2019.

The non-revenue water is water that has been produced and is "accounted for" before it reaches the customer, typically measured as the volume of water lost as a share of net water produced. High levels of NRW lead to low levels of efficiency. When treated water is lost, water collection, treatment and distribution costs increase while water sales decrease. Water District solely depends on its water sales and other miscellaneous service revenue. Thus, high levels of NRW are detrimental to the financial viability of the District, as well as to the quality of water itself.

**Recommendation:**

We recommended that management a) properly address its persistently high Non-Revenue Water by further enhancing the District's measures and programs which may include the rehabilitation of its old pipelines and the employment of modern technology like Variable Frequency Drives (VFD) and Soft Starter Motor Control System which can



be attributed in the reduction of NRW, to mitigate further revenue loss and promote operational efficiency and financial viability of the District, and b) coordinate with the Department of Public Works and Highways and its contractors as regards the damaged service lines of the District.

**Management Comment:**

The Management informed the team that they have already requested technical assistance from LWUA for the NRW Reduction Program. Also, on January 2019, the District has procured leak detection equipment, resulting to the discovery of leakages from old pipelines buried 1-2 meters below the ground; where 5% of leakages have already been found and resolved. Moreover, the management happily apprised the team that the Maramag WD was chosen as one of the five (5) recipients from Mindanao out of the 30 WDs in the Philippines for the NEDA sponsored feasibility study for the NRW Reduction Program. Early this year, the NEDA Consultants already conducted ocular inspection on the District's water system facilities. The data gathered shall form part of the FS which is expected to be finished within the year.

**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.

**GENDER AND DEVELOPMENT (GAD)**

- 5. The District has no established Gender and Development Sex-Disaggregated Database to effectively plan and implement their sectoral programs on GAD, contrary to PCW-NEDA-DBM Joint Circular No. 2012-01 and PCW Memorandum Circular No. 2014-05 dated November 28, 2014.**

PCW-NEDA-DBM Joint Circular No. 2012-01 provides that the agency shall develop or integrate in its existing database GAD information to include gender statistics and sex disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation.

PCW Memorandum Circular No. 2014-05 dated November 28, 2014 further mandates all government agencies to generate timely, accurate and sex-disaggregated data to facilitate gender mainstreaming as a strategy for implementing RA 9710 or the Magna Carta of Women and attaining its objectives. This will be used to monitor the agency's compliance to the President's Social Contract No. 13 which commits to transform the government from lack of concern for certain disparities and shortfalls, to the promotion of equal gender opportunity in all spheres of public policies and programs.

Contrary to the above provision, the District has no established Gender and Development Sex-disaggregated Database (GAD-SDD) to effectively plan and implement their sectoral programs on GAD.

Inquiry with the management revealed that the GAD-SDD was not yet established due to inadequacy of funds and staff to gather the necessary data. However, as one of the

continuing efforts of the District to increase gender responsiveness of plans and programs, the development of GAD-SDD was already identified in the District's GAD Plan and Budget (GPB) for CY 2016-2018 as an issue or GAD mandate to be addressed. In this pursuit, the District allocated P30,000.00 sourced from its Corporate Fund to conduct surveys in 15 barangays as inputs to the database system.

GAD-SDD serves as an essential element in formulating agency GAD plan, program, and budget in response to the gender gaps and issues faced by the clients and constituencies. In the absence of the sex-disaggregated database, there will be no inputs to serve as bases in performance-based gender responsive planning.

**Recommendation:**

We commended the management for its continuing efforts to gender responsiveness, for identifying the need to develop GAD-SDD and allocating further the amount of P30,000.00 for the conduct of survey as initial step for the development of its GAD-SDD. Consequently, we recommended the management to pursue the development and maintenance of a GAD-SDD to institutionalize gender mainstreaming; and to regularly collect and generate sex-disaggregated data and statistics in support of the indicators relevant to the District. The data shall be stored and maintained, updated as needed, and used in the District's policy and program development to address gender issues, particularly in the preparation of their annual GAD plans and budgets and accomplishment reports.

**Management Comment:**

The management commented that the District has already conducted initial steps in data gathering for the establishment of the said database. Applicants for new installations were given survey form to be used for the GAD-SDD. Moreover, the management committed to escalate its efforts to abide with the provisions cited.

**STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

As of December 31, 2018, the District has a remaining balance of unsettled Notice of Disallowances (ND) totaling ₱ 490,699.00 (**Appendix A**).

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

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the eighteen (18) prior years' audit recommendations, nine (9) were fully implemented and nine (9) were partially implemented as shown below:

Ref.	Audit observations	Audit Recommendations	Status of Implementation
<b>CY 2017</b>			
1	No physical inventory was conducted for items under Property, Plant, and Equipment (PPE) amounting to P82,860,883.22 with a net book value of P47,299,946.64 net of land and inventories amounting to P3,689,483.58, contrary to Section 102 of PD 1445 and COA Circular No. 80-124 dated January 18, 1980, thus their existence and accuracy were not ascertained.	Take immediate action on the conduct of COMPLETE physical inventory of all the property, plant, and equipment and inventories and on the reconciliation of the same with accounting records. Likewise, we reiterate the sanction provided in COA Circular No. 80-124 for non-compliance.	<i>Fully Implemented</i>
2	The District's Accounts Receivable with an amount of P4,791,532.09 as of year-end was not stated at net realizable value due to non-provision for allowance for impairment contrary to Philippine Accounting Standards (PAS) I and to Sections 9 and 10 of Chapters 5 and 7 respectively of the Government Accounting Manual (GAM) I, thus affecting the overall fairness and reliability of the financial statements presentation.	(1) Set up Allowance for Impairment for Accounts Receivable, and (2) to reconcile the balance per book and per aging schedule of Accounts Receivable-Customers to present the account fairly in the Financial Statements in compliance with the above provisions.	<i>Fully Implemented</i>

Ref.	Audit observations	Audit Recommendations	Status of Implementation
3	Various completed projects with a total budgeted cost of P1,792,911.68 were not transferred to its appropriate asset account and were still recorded in the Construction in Progress (CIP) account, thereby understating the Property Plant and Equipment account and its total annual depreciation and overstating the equity account/income statement.	To (a) apprise the Engineering Division from which required documents and status reports emanate of the above provisions to remind them of the significance of the timely transmittal of these documents to the Accounting Division for the capitalization of the completed projects and (b) require the immediate reconciliation of variances between Engineering and Accounting to effect the necessary adjustments.	<i>Partially Implemented</i>  On-going reconciliation between the Engineering and Accounting Division
4	The District failed to impose the correct amount of liquidated damages from the billings of the suppliers for their failure to meet the delivery period, in violation of Section 68 of the 2016 Revised IRR of RA 9184.	Bids and Awards Committee, to be cautious in the computation of its liquidated damages from suppliers/contractors on the delay on their delivery of goods or in the execution of the terms of the approved contract for infrastructure projects.	<i>Fully Implemented</i>
5	The procurement of Generator Set 80 KVA was done through shopping instead of competitive bidding in the total amount of P754,000.00 in violation to Rule XVI Section 52 and Annex H under Specific Guidelines of the 2016 Revised IRR of RA 9184.	Bids and Awards Committee to strictly comply with the provisions of 2016 Revised IRR of RA 9814 on procurement of supplies and materials through shopping. Procurement below the threshold but are not classified as ordinary or regular office supplies should follow the Small Value under Negotiated Mode of Procurement.	<i>Fully Implemented</i>
6	The District registered a year-to-date (YTD) rate of 49% for its Non-Revenue Water (NRW) as of November 30, 2017,	Formulate more effective control measures or implement improvements to mitigate further revenue losses and promote operational efficiency in compliance	<i>Not Implemented</i>

Ref.	Audit observations	Audit Recommendations	Status of Implementation
	<p>which is well above the maximum acceptable NRW of 20% as prescribed under LWUA Resolution No. 444, series of 2009, thus affecting the District's efficiency level and could mean revenue lost.</p>	<p>with the standards set by the LWUA.</p>	
	<b>CY 2016</b>		
7	<p>The validity and existence of other Receivables amounting to P 329,940.13 could not be ascertained due to the absence of supporting documents to prove the legality and propriety of the District's claims against various creditors.</p>	<p>Require the management to carry out the following remedial measures in compliance to Section 111(1) of PD.1445.</p> <ol style="list-style-type: none"> <li>1. Direct the management to submit an explanation as to the efforts exerted towards reconstruction of the amounts recorded as Other Receivables, and to present all pertinent supporting documents.</li> <li>2. Conduct thorough evaluation if such accounts are uncollectible or not; and request for write-off, if proven uncollectible after submission of proof that these accounts are indeed uncollectible and needed to be written off.</li> </ol>	<p><i>Partially Implemented</i></p> <p>The management will finalize the amount to be written off and will submit the same to the audit team for appropriate action.</p>
8	<p>Physical count of Property, Plant and Equipment (PPE) includes items not included in the list of PPE showing significant differences of the amounts as presented in the books contrary to Philippine Accounting Standards (PAS) 1.</p>	<p>Instruct the accounting and property sections to update the list of PPE and its lapsing schedule to reflect the correct amounts to recognize those assets found during the physical count and recognize the related Depreciation expenses for depreciable assets which are not included in the said list and to present fairly the said accounts in accordance with PAS 1.</p>	<p><i>Partially Implemented</i></p>

Ref.	Audit observations	Audit Recommendations	Status of Implementation
9	The district incurred expenses in the total amount of P120,171.93 during its General Assembly and Christmas Party for CY 2016 despite insufficient allocation for mandatory restricted asset as required under Title II Section 41 of PD 198 and despite Administrative Order No. 103 dated August 31, 2004 on adoption of austerity measure in government.	We recommend to Management to:  a. Strictly comply with Section 41, Title II of PD 198 in the disposition of revenue by allocating at least 50% of the income after contractual & statutory deductions and current operating expenses; and  b. Observe AO 103 series of 2004 by allocating and disbursing prudent amount for basic activities that do not fall under the core functions of the district.	<i>Fully Implemented</i>
<b>CY 2015</b>			
10	Accounts Receivable amounting to P 4,394,002.48 as at year-end was not stated at net realizable value due to non-provision for allowance for impairment contrary to Philippine Accounting Standards (PAS) I and Section 66 of the New Government Accounting System (NGAS) Manual Volume I.	We recommended and management agreed to provide allowance for impairment of the accounts receivables based on the percentage and ageing of accounts in order to present the account fairly in the financial statement in compliance with PAS I and Section 66 of the NGAS Manual Volume I.	<i>Fully Implemented</i>
11	Accounts Receivable – customers amounting to P 4,394,002.48 as of December 2015 was doubtful due to unreconciled balance of P 100,670.70 between the Accounting and Commercial divisions, contrary to Philippine Accounting Standards (PAS) I.	We recommended to management to instruct the Accounting/Commercial Divisions to reconcile the difference of ₱ 100,670.70 and adhere strictly to the provisions of (PAS) I.	<i>Fully Implemented</i>

Ref.	Audit observations	Audit Recommendations	Status of Implementation
12	The District failed to conduct the annual physical count of the property, plant, equipment and inventories contrary to Philippine Accounting Standard (PAS) No. 2 and Section 490 of the Government Accounting and auditing Manual Volume 1.	We recommended and management agreed to strictly comply with PAS No. 2 and Section 490 of the GAAM Volume 1 to conduct physical count on all the District's PPE including Inventory of Supplies and Materials at least once a year. Prepare the RPCPPE and RPCI after conducting the year-end inventory and submit the same to the audit team. It is likewise recommended that the Inventory Accounts section be required to conduct immediate reconciliation for every variance noted during the physical inventory of PPE and Materials and Supplies.	<i>Fully Implemented</i>
13	The District's Non - Revenue Water (NRW) representing the unaccounted water from January to December 2015 was registered at 49.98 percent is way above the 20 percent acceptable level prescribed by LWUA Memorandum Circular No. 004-10.	We recommended and management agreed to continue exerting effort through its programs and make it a priority to reduce its NRW to an acceptable level as provided for by LWUA Memorandum Circular No. 004-10.	<i>Partially Implemented</i>  The management already requested technical assistance from LWUA for the NRW Reduction Program and also procured leak detection equipment resulting to the discovery of leakages from old pipelines.
	<b>CY 2013</b>		
14	The book balance of Materials and Supplies Inventory (Account 131) remained unreconciled with the inventory report having a variance of	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	<i>Fully Implemented</i>



Ref.	Audit observations	Audit Recommendations	Status of Implementation
	<p>₱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.</p>	<p>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 inventory report to have a fair presentation of account balance.</p>	
15	<p>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.</p>	<p>Require the concerned district officials to submit the required authority to travel. Strictly comply 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.</p>	<p><i>Fully Implemented</i></p>
	<p><b>CY 2012</b></p>		
16	<p>The district has an unliquidated cash advances totaling ₱135,855.26 as of December 31, 2012.</p>	<p>a. 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>b. Submit a letter-request to the Commission on Audit for possible write off of cash advances of government employees who are already</p>	<p><i>Partially Implemented</i></p> <p>Only P27,500.00 of this amount remained to be unliquidated</p>

Ref.	Audit observations	Audit Recommendations	Status of Implementation
		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.	
17	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>  The management constantly follows-up the status of the District's papers to speed up the process
18	₱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 Commission on Audit.	<i>Partially Implemented</i>  Ongoing reconciliation

**PART IV –  
APPENDIX**

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

<b><u>Notice of Disallowance:</u></b>			
<b>ND No.</b>	<b>Date Issued</b>	<b>Particulars</b>	<b>Amount</b>
ND 2016-01 (15)	March 1, 2016	MWD Employees	₱ 25,100.00
ND 2015-01 (2014)	April 30, 2015	MWD employees educational tour	177,818.00
ND 2014-001 (CY 2013)	June 23, 2014	BOD	52,875.00
ND 2016- 01 (13)	March 3, 2016	MWD Employees	100,000.00
ND 2016-02 (12)	March 3, 2016	MWD Employees	119,906.00
ND 2016- 02	August 3, 2016	Davao City Water District	9,000.00
ND 2016-03	August 3, 2016	Engr. Victor R. Panganiban; Albert R. Sedenio; Haiji Val I. Sinet	6,000.00
<b>Total</b>			<b>₱490,699.00</b>

Noted by:

**MILA V. BANAAG**  
State Auditor IV  
Audit Team Leader