

ANNUAL AUDIT REPORT

on the

TOLEDO CITY WATER DISTRICT (TCWD)

For the Year Ended December 31, 2021



TOLEDO CITY WATER DISTRICT

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **TOLEDO CITY WATER DISTRICT** is responsible for the preparation of the financial statements as of **December 31, 2021**, 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 has audited the financial statements of **Toledo City Water District** in accordance with the Philippine Financial Reporting Standards (PFRS) and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


OSCAR A. REYES
Chairman of the Board
01|31|2022
Date Signed


Delina L. Delos Reyes
Finance Department Manager

11/31/2022
Date Signed


Edgardo G. Nicolas
General Manager

01|31|2022
Date Signed

EXECUTIVE SUMMARY

A. INTRODUCTION

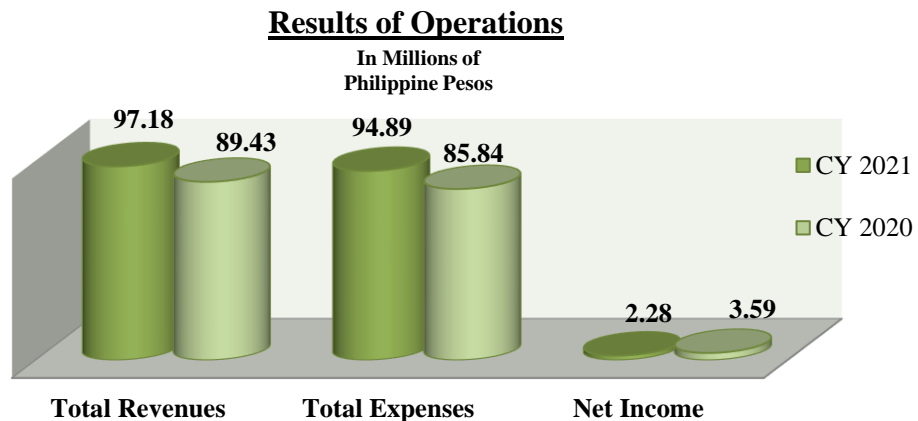
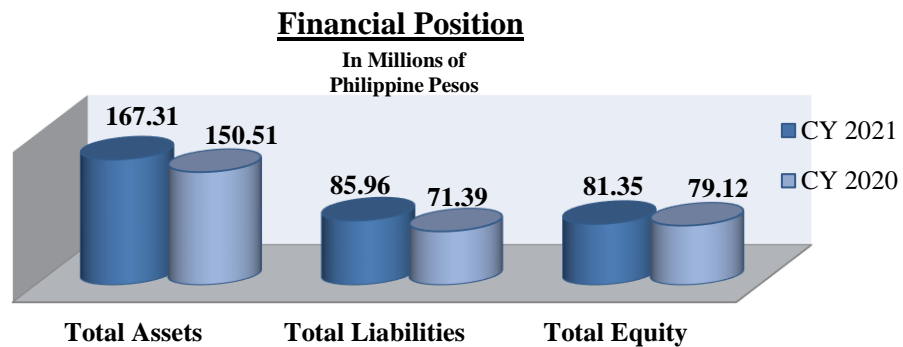
Toledo City Water District (TCWD) is a government-owned and controlled corporation created and existing by virtue of Presidential Decree (PD) No. 198, as amended. A Certificate of Conformance No. 195, was issued by the Local Water Utilities Administration (LWUA) to TCWD on September 30, 2004 validating its operations as one of the water districts of the country. In March 2012, pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters, LWUA has categorized TCWD as Category “B”.

The administration of the Water District and the exercise of its corporate powers are vested exclusively with the Board of Directors and the General Manager as authorized by the Board.

As of December 31, 2021, the Water District had a total workforce of 84 employees composed of 82 regular employees and 2 contract of service workers. The Water District is headed by a General Manager, Mr. Edgardo G. Nicolas.

B. FINANCIAL HIGHLIGHTS

Below is a comparative presentation of the financial conditions and results of operations of the Water District for the Calendar Years (CYs) 2020 to 2021:



Corporate Operating Budget for CY 2021 aggregating ₱153.39 million was approved through Board Resolution No. 76-2020 on November 27, 2020.

C. OPERATIONAL HIGHLIGHTS

The following were among the reported accomplishments of the Water District for the year 2021 as compared with that of the same period last year:

Category	CY 2021	CY 2020	Increase/ (Decrease)
Service Connections			
Total Services	19,327	16,715	2,612
Total Active	16,121	15,417	704
Total Metered	16,121	15,417	704
Water Production			
Pumped	5,193,345 m ³	4,921,255 m ³	272,090 m ³
Purchased Water	784,558 m ³	817,578 m ³	(33,020) m ³

D. SCOPE OF AUDIT

The audit covered the financial transactions of TCWD for CY 2021. The objectives of the audit were primarily to: (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) review on a test basis, the propriety of disbursements and other financial transactions to determine adherence to pertinent laws, rules and regulations and recommend agency improvement opportunities thereon; and (c) determine the extent of implementation of prior years’ unimplemented audit recommendations.

E. INDEPENDENT AUDITOR’S REPORT

The auditor expressed a qualified opinion on the financial statements of the TCWD due to the audit exception as stated in the Independent Auditor’s Report wherein the recorded balance of the Property, Plant and Equipment (PPE) account as at December 31, 2021 with a total cost of ₱214.34 million cannot be relied upon because the Water District still carried in its PPE account the unlocated properties turned-over by the Local Government Unit-Toledo City at the start of the operations of the Toledo City Water District totaling ₱26.27 million.

F. OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

In addition to the above, the following were among the significant findings, with the corresponding audit recommendations, which are discussed in detail in Part II of the herein report:

1. TCWD did not implement projects incorporating risk-reduction and climate change adaptation/mitigation, contrary to Section 37 of the 2021 General

Provisions of the General Appropriations Act (GAA) for fiscal year (FY) 2021. Thus, the readiness and the capability to address or mitigate, if not eliminate risks brought about by disaster/calamities, may not be ensured, as required under Republic Act (RA) No. 10121.

We recommended that the TCWD implement programs and projects incorporating risk-reduction and climate change adaptation/mitigation, as well as formulate a comprehensive disaster risk and management plan to encompass all forms of perils brought about by different calamities, whether natural or man-made, as a tool to carry out response action effectively and efficiently. This will help enable the Water District's capabilities to quickly respond prior to, during and after every disaster.

2. TCWD did not use the forms prescribed under Department of Budget and Management (DBM) Corporate Budget Memorandum (CBM) No. 42 dated November 29, 2019 in the preparation of its Corporate Operating Budget (COB) for CY 2021. This is contrary to DBM Corporate Budget Circular (CBC) No. 22 dated December 1, 2016.

We recommended and Management agreed to require the Budget Division to strictly observe the guidelines and requirements in the preparation of the COB, including the proper use of the budget forms, as prescribed in the DBM Budget Call Memorandum, which is issued annually, such as the Corporate Budget Memorandum No. 42 for FY 2021 budget.

3. The percentage of Non-Revenue Water (NRW) to total water production of TCWD is 31.75% for CY 2021 which is beyond the maximum acceptable rate of 20%, as set under the LWUA Board Resolution No. 444, series 2009 as amended. This reduced the agency's revenue by an estimated amount of ₱10.96 million.

We recommended that Management implement additional preventive measures to reduce the NRW rate to the acceptable maximum level of 20% and accordingly prevent further revenue losses.

Once funds are available, TCWD must immediately implement the repair or re-piping of the old pipelines.

4. Some of the employees of TCWD had net take home pay below the statutory requirement of ₱5,000.00 per month contrary to Section 49 of RA No. 11518 or the GAA of 2021.

We recommended and Management agreed to require the Accounting Division and the Human Resource Division to strictly adhere to the instructions specifically provided in the GAA relative to the required monthly net take home pay for government employees in a particular year.

G. STATUS OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATION

We followed-up the actions taken by Management on the implementation of the 28 prior years' unimplemented audit recommendations and noted that 3 audit findings were merged with the same finding in CYs 2016, 2017 and 2019 reports, 12 were fully implemented, 4 were partially implemented, and 9 were not implemented and as at December 31, 2021.

H. STATUS OF SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Particulars	Balance Dec. 31, 2020	Issued and Settled During the Year 2021		Balance Dec. 31, 2021
		Issued	Settled	
Suspensions	₱127,216.25	0.00	0.00	₱127,216.25
Disallowances	2,251,155.69	0.00	0.00	2,251,155.69
Charges	0.00	0.00	0.00	0.00
Total	₱2,378,371.94	0.00	0.00	₱2,378,371.94



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. VII
M.J. Cuenco Avenue, Corner V. Sotto Street, 6000 Cebu City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Toledo City Water District
Toledo City, Cebu

Qualified Opinion

We have audited the financial statements of the Toledo City Water District (TCWD), which comprise the Statement of Financial Position as at December 31, 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters discussed in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the TCWD as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

The recorded balance of the Property, Plant and Equipment (PPE) account as at December 31, 2021 with a total cost of ₱214.34 million cannot be relied upon because the Water District still carried in its PPE account the unlocated properties turned-over by the Local Government Unit (LGU)-Toledo City at the start of the operations of the Toledo City Water District totaling ₱26.27 million.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Except for the matters described in the *Basis for Qualified 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 of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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 Water District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain 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 guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud, may involve collusion, forgery, intentional omissions, misrepresentations, or other override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TCWD's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.


- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the TCWD’s ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

COMMISSION ON AUDIT

By:


ALITA R. FERNANDO *cy*
State Auditor IV
OIC-Supervising Auditor

30 May 2022

TOLEDO CITY WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
CORPORATE FUND
AS AT DECEMBER 31, 2021
(With Comparative Figures For The Year Ended December 31, 2020)

	Note	2021	2020
ASSETS			
<u>Current Assets</u>			
Cash and Cash Equivalents	4	₱ 7,081,086.19	₱ 9,838,335.85
Receivables	5	15,943,667.61	12,271,492.12
Inventories	6	8,090,162.56	8,010,163.36
Other Current Assets	8	5,025,332.88	3,631,006.14
Total Current Assets		36,140,249.24	33,750,997.47
<u>Non-Current Assets</u>			
Property, Plant and Equipment, Net	7	131,168,813.97	116,761,691.67
Total Non-Current Assets		131,168,813.97	116,761,691.67
TOTAL ASSETS		₱ 167,309,063.21	₱ 150,512,689.14
LIABILITIES AND EQUITY			
LIABILITIES			
<u>Current Liabilities</u>			
Financial Liabilities	9	₱ 23,736,007.23	₱ 12,334,628.08
Inter-Agency Payables	10	1,777,308.12	1,307,729.92
Trust Liabilities	11	74,308.43	115,543.13
Deferred Credits	12	1,699,166.71	1,889,166.67
Provisions	13	5,678,469.56	4,486,156.15
Other Payables	14	520,796.25	425,008.60
Total Current Liabilities		33,486,056.30	20,558,232.55
<u>Non-Current Liabilities</u>			
Financial Liabilities	9	52,471,113.54	50,830,351.87
Total Non-Current Liabilities		52,471,113.54	50,830,351.87
TOTAL LIABILITIES		85,957,169.84	71,388,584.42
EQUITY			
Government Equity		67,536,729.58	67,536,729.58
Retained Earnings/(Deficit)		13,815,163.79	11,587,375.14
TOTAL EQUITY		81,351,893.37	79,124,104.72
TOTAL LIABILITIES AND EQUITY		₱ 167,309,063.21	₱ 150,512,689.14

See accompanying Notes to Financial Statements.

TOLEDO CITY WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures For The Year Ended December 31, 2020)

	Note	2021	2020
INCOME			
Service and Business Income	15	₱ 96,289,594.09	₱ 88,981,634.67
Shares, Grant and Donations	15	887,985.25	447,533.31
Total Income		97,177,579.34	89,429,167.98
EXPENSES			
Personnel Services	16	40,765,245.93	36,431,298.02
Maintenance and Other Operating Expenses	17	38,724,416.99	35,574,945.15
Financial Expenses	18	4,078,572.16	4,160,868.00
Non-Cash Expenses	19	11,324,471.84	9,674,397.37
Total Expenses		94,892,706.92	85,841,508.54
NET INCOME/(LOSS)		₱ 2,284,872.42	₱ 3,587,659.44

See accompanying Notes to Financial Statements.

TOLEDO CITY WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures For The Year Ended December 31, 2020)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue	P	896,403.05	P 907,633.39
Collection of Receivables		90,087,309.72	90,277,853.48
Receipt of Inter-Agency Fund Transfers		927,373.49	898,198.26
Receipt of Intra-Agency Fund Transfers		4,156,425.27	6,849,420.63
Trust Receipts		462,964.00	56,308.43
Other Receipts		399,377.19	392,390.78
Total Cash Inflows		96,929,852.72	99,381,804.97
Adjustments		6,541,976.83	8,724,881.43
Adjusted Cash Inflows		103,471,829.55	108,106,686.40
Cash Outflows			
Payment of Expenses		19,160,040.03	21,094,727.43
Grant of Cash Advances		4,599,279.56	3,226,716.50
Prepayments		1,222,891.79	932,629.88
Payment of Accounts Payable		37,597,487.51	32,932,477.19
Remittance of Personnel Benefit Contributions and Mandatory Deductions		25,346,594.21	21,317,568.41
Release of Intra-Agency Fund Transfers		4,706,132.56	2,162,913.65
Other Disbursements		1,153,065.43	900,863.55
Total Cash Outflows		93,785,491.09	82,567,896.61
Adjustments		6,396,452.16	11,846,779.32
Adjusted Cash Outflows		100,181,943.25	94,414,675.93
Net Cash Provided by (Used in) Operating Activities		3,289,886.30	13,692,010.47
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		5,314,844.41	377,701.78
Total Cash Outflows		5,314,844.41	377,701.78
Net Cash Provided by (Used in) Investing Activities		(5,314,844.41)	(377,701.78)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from Domestic and Foreign Loans		5,215,000.00	-
Total Cash Inflows		5,215,000.00	-
Adjusted Cash Inflows		5,215,000.00	-
Cash Outflows			
Payment of Long-Term Liabilities		2,199,379.39	2,032,656.00
Payment of Interest on Loans and Other Financial Charges		3,747,912.16	4,161,668.00
Total Cash Outflows		5,947,291.55	6,194,324.00
Net Cash Provided by (Used in) Financing Activities		(732,291.55)	(6,194,324.00)
Cash Provided by Operating, Investing and Financing Activities		(2,757,249.66)	7,119,984.69
Add: Cash and Cash Equivalents, January 1		9,838,335.85	2,718,351.16
CASH AND CASH EQUIVALENTS, DECEMBER 31	P	7,081,086.19	P 9,838,335.85

TOLEDO CITY WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Figures For The Year Ended December 31, 2020)

	Retained	Contributed	Government	TOTAL
	Earnings/(Deficit)	Capital	Equity	
Balance at January 1, 2020	₱ 7,974,759.70	₱ -	₱ 67,574,453.58	₱ 75,549,213.28
Changes in Equity for the CY 2020				-
Add/(Deduct):				-
Net Income/(Loss) for the year	3,587,659.44			3,587,659.44
Changes in Accounting Policy				-
Prior Period Errors	(85,864.75)			(85,864.75)
Other Adjustments	110,820.75	-	(37,724.00)	73,096.75
Balance at December 31, 2020	11,587,375.14	-	67,536,729.58	79,124,104.72
Changes in Equity for the CY 2021				
Add/(Deduct):				
Net Income/(Loss) for the year	2,284,872.42			2,284,872.42
Changes in Accounting Policy				-
Prior Period Errors	(147,774.84)			(147,774.84)
Other Adjustments	90,691.07			90,691.07
Balance at December 31, 2021	₱ 13,815,163.79	₱ -	₱ 67,536,729.58	₱ 81,351,893.37

TOLEDO CITY WATER DISTRICT
Notes to Financial Statements
For the year ended December 31, 2021

1. GENERAL INFORMATION/ENTITY PROFILE

Toledo City Water District (TCWD) is a Government Owned & Controlled Corporation created on September 15, 1980 by virtue of the Toledo City's Sanguniang Panlungsod Resolution No. 54 pursuant to the provision of Presidential Decree No. 198 as amended. The Local Water Utilities Administration (LWUA) issued to TCWD a Certificate of Conformance No. 195 on April 20, 1982 validating the entity as one of the water districts of the country. However, the newly established water system was not able to operate as a Water District after its creation for unknown reasons and continued to operate under the management of Toledo City Waterworks of the Local Government.

On October 15, 2001, the TCWD was activated thru Sangguniang Panlungsod Resolution No. 2001-80. Simultaneously, all the existing water system facilities, installations, and obligations integral to the waterworks operation were transferred to the TCWD. The Water district took over full operation of the defunct Toledo Waterworks System on April 2, 2002.

On March 2012, pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters, LWUA has categorized TCWD as Category "B."

Currently, TCWD provides potable water supply system to 16,121 active service connections both residential and commercial establishments in Toledo City and covers 21 component barangays. TCWD's office is located at Sangi, Toledo City, Cebu, Philippines.

The financial statement of Toledo City Water District (TCWD) was authorized for issue on January 31, 2022 as shown in the Statement of Management's Responsibility for Financial Statements signed by Oscar A. Reyes, Chairman of the Board of Directors.

2. STATEMENT COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of TCWD have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) prescribed by the Commission on Audit (COA) through COA Circular No. 2015-003 dated April 16, 2015 and COA Circular No. 2015-010 dated December 1, 2015

The accounting policies have been consistently applied throughout the year.

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

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

Amounts are fully stated up to the last centavo.

The preparation of financial statements in compliance with the PFRS 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 Notes to Financial statement.

Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements, provides framework of financial statements presentation. It requires more specific statement of financial position line items as applicable to the entity. The standard requires presentation of comparative financial statements and information.

PAS 2, Inventories. Inventories are valued at the lower of cost or net realizable value. Cost is determined using the moving average method. Per COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for Government Corporations), property, plant and equipment (PPE) with cost below ₱15,000 are classified as Semi Expendable Inventory.

PAS 16, PPE, provides additional guidelines and clarification on recognition and measurement of items of PPE. It also provides that each part of an item, PPE with a cost that is significant in relation to the total cost of the item shall be depreciated separately. PPE with cost below ₱15,000.00 per COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for Government Corporations) are reclassified as Semi-Expendable Equipment.

PAS 19, Employee Benefits. The objective of this standard is to prescribe the accounting and disclosure of employee benefits (that is all forms of consideration given by an entity in exchange for service rendered by employees). The standard requires an entity to recognize a liability when an employee has provided services in exchange for employee benefits to be paid in the future; and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

PAS 36, Impairment of Assets, provides that an asset is impaired when its carrying amount exceeds its recoverable amount. Indications of impairments are the following: obsolescence or physical damage; asset is held for disposal and there is

evidence that the economic performance of an asset is, or will be, worse than expected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of accounting*

The Water District's financial statements are prepared on an accrual basis in accordance with the PFRS.

3.2 *Cash and Cash Equivalents*

Cash includes cash on hand and in banks. Cash equivalents are short-term, high liquid investments that are readily convertible to known amount of cash with original maturities of three months or less from date of acquisition and that are subject to an insignificant risk of change in value.

3.3 *Receivables*

Receivables are recognized and carried at original billed amount. Allowance for Impairment-Accounts Receivable is set-up in order to serve as back-up for potential losses on receivables.

3.4 *Inventories*

Construction materials and office supplies inventories are valued at costs and inventoried using the moving average method. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the TCWD.

3.5 *PPE*

Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as PPE, as follows:

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

A PPE item is recognized as an asset if:

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

Measurement and Recognition

An item recognized as PPE is measured at cost. A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent at the recognition date or, for PPE acquired through non cash-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

- a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- b. expenditure that is directly attributable to the bringing of the asset to the location and condition necessary for it to be capable of operation in the manner intended by management; and
- c. 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 the period.

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 Water District recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expense in the statement of comprehensive income as incurred.

Depreciation

Depreciation is a method of allocating the cost of a tangible asset over its estimated useful life. 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.

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 the management.

For simplicity and to avoid proportionate computation, the depreciation is for one month.

Depreciation Method

The straight-line method of depreciation is adopted unless another method is more appropriate for agency operation. The residual value of PPE is deducted in computing for its depreciation.

Estimated Useful Life

TCWD uses the life span of PPE as prescribed by COA in determining the specific estimated useful life for each asset based on its experienced.

Residual Value

TCWD uses residual value equivalent to at least five per cent of the cost of the PPE.

Derecognition

TCWD 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.

3.6 *Provisions, Contingent Liabilities and Contingent Assets*

a. Provisions

Provisions are recognized when TCWD has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

Where TCWD expects some or all of a provision to be reimbursed, for example under insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources economic benefits or service will be required to settle the obligation, the provisions are reversed.

b. Contingent Liabilities

TCWD does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying benefits or service potential is remote.

c. Contingent Assets

TCWD does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of TCWD in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and related revenue is recognized in the financial statements on the period in which the change occurs.

3.7 *Changes in Accounting Policies and Estimates*

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

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

TCWD corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their recovery 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.

3.8 *Revenue from Exchange Transactions*

a. Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable.

b. Rendering of services

TCWD recognizes revenue from rendering of services by reference to the usage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

c. Sale of goods

Revenue from the sale of goods is recognized when significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to TCWD.

3.9 *Budget Information*

The annual budget is prepared on cash basis and is published in the government website. The Budget Utilization Report has also been prepared by the Water District.

3.10 *Borrowing Costs*

For loans borrowed directly by TCWD, the allowed alternative treatment is used.

3.11 *Employee Benefits*

The employees of TCWD are members of the Government Service Insurance System (GSIS) which provides life and retirement insurance coverage.

TCWD recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3.12 *Measurement of Uncertainty*

The preparation of financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include useful life of capital assets, rates for amortization and impairment of assets.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2021		2020	
Cash on Hand	₱	359,046.20	₱	275,505.26
Cash in Bank-Local Currency		6,722,039.99		9,565,830.59
Total	₱	7,081,086.19	₱	9,838,335.85

5. RECEIVABLES

Accounts Receivables and Other Receivables

This account consists of the following

	2021	2020
Accounts Receivable	₱ 26,838,057.84	₱ 24,966,687.52
<i>Allowance for Impairment- Accounts Receivable</i>	(16,319,695.32)	(16,169,675.44)
<i>Net Value-Accounts Receivable</i>	10,518,362.52	8,797,012.08
Other Receivables:		
Receivables- Disallowances/Charges	820,249.50	845,569.96
Due from Officers and Employees	0.00	0.00
Due from Non-Government Organization/People's Organization	238,397.73	105,000.00
Other Receivables	4,566,578.60	2,723,830.82
<i>Allowance for Impairment- Other Receivables</i>	(199,920.74)	(199,920.74)
<i>Net Value-Other Receivables</i>	5,425,305.09	3,474,480.04
Total Receivables, net	₱ 15,943,667.61	₱ 12,271,492.12

Aging/Analysis of Accounts Receivables

Accounts	Total	< 90 days	Past Due		
			91 days to 1 year	Over 1 year to 2 years	Over 2 years and onwards
Accounts Receivable	26,838,057.84	6,168,012.49	185,963.56	337,076.50	20,147,005.29

6. INVENTORIES

This account consists of the following:

	2021	2020
Inventory Held for Consumption	₱ 8,010,163.36	₱ 6,540,694.96
Additions/Acquisitions during the year	5,895,894.16	4,823,922.39
Expensed during the year except write-down	(5,815,894.96)	(3,354,453.99)
Total	₱ 8,090,162.56	₱ 8,010,163.36

7. PPE

This account comprises the following:

	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Land Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
As at December 31, 2021								
Carrying Amount, January 1, 2021	₱1,831,216.00	₱107,462,649.46	₱506,710.00	₱4,554,387.31	₱2,229,031.74	₱68,048.74	₱109,648.42	₱116,761,691.67
Additions	10,400,400.00	1,676,938.12	24,399.50	2,114,459.29	1,026,000.00	0.00	10,360,524.12	25,602,721.03
Total	12,231,616.00	109,139,587.58	531,109.50	6,668,846.60	3,255,031.74	68,048.74	10,470,172.54	142,364,412.70
Cost of Completed Projects	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reclass/Adjustments:								
Cost Accumulated	0.00	0.00	0.00	0.00	0.00	(139,590.00)	(10,704.00)	(150,294.00)
Depreciation	0.00	0.00	0.00	0.00	0.00	125,631.00	0.00	125,631.00
Depreciation	0.00	(8,039,831.71)	(64,231.80)	(1,100,656.80)	(346,782.42)	(2,821.92)	0.00	(9,554,324.65)
Impairment Loss	0.00	(1,553,713.27)	0.00	(62,897.81)	0.00	0.00	0.00	(1,616,611.08)
Carrying Amount, December 31, 2021 (As per Statement of Financial Position)	12,231,616.00	99,546,042.60	466,877.70	5,505,291.99	2,908,249.32	51,267.82	10,459,468.54	131,168,813.97
Gross Cost (Asset Account Balance per Statement of Financial Position)	12,231,616.00	169,382,213.74	858,087.50	13,816,006.33	7,261,583.13	325,393.00	10,459,468.554	214,340,368.24
Accumulated Depreciation	0.00	(68,020,727.02)	(391,209.80)	(8,199,012.06)	(4,290,754.23)	(274,125.18)	0.00	(81,175,828.29)
Accumulated Impairment Loss	0.00	(1,821,444.12)	0.00	(111,702.28)	(62,579.58)	0.00	0.00	(1,995,725.98)
Carrying Amount, December 31, 2021 (As per Statement of Financial Position)	₱12,231,616.00	₱99,546,042.60	₱466,877.10	₱5,505,291.99	₱2,908,249.32	₱51,267.82	₱10,459,468.54	₱131,168,813.97

	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Land Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
As at December 31, 2020								
Carrying Amount, January 1, 2020	₱1,831,216.00	₱97,340,703.84	₱17,687,639.96	₱2,681,122.05	₱1,266,866.08	₱72,327.76	₱1,246,553.87	₱122,126,429.56
Additions	0.00	1,443,447.91	45,700.00	2,660,789.20	1,276,000.00	0.00	109,648.42	5,535,585.53
Total	1,831,216.00	98,784,151.75	17,733,339.96	5,341,911.25	2,542,866.08	72,327.76	1,356,202.29	127,662,015.09
Cost of Completed Projects	0.00	0.00	0.00	0.00	0.00	0.00	(1,246,553.87)	(1,246,553.87)
Reclass/Adjustments:								
Cost	0.00	25,910,314.92	(26,004,030.92)	0.00	(12,921.00)	0.00	0.00	(106,637.00)
Accumulated Depreciation	0.00	(9,245,726.04)	9,268,029.48	0.00	0.00	0.00	0.00	22,303.44
Depreciation	0.00	(7,718,360.32)	(490,628.52)	(738,719.47)	(238,333.76)	(4,279.02)	0.00	(9,190,321.09)
Impairment Loss	0.00	(267,730.85)	0.00	(48,804.47)	(62,579.58)	0.00	0.00	(379,114.90)
Carrying Amount, December 31, 2020 (As per Statement of Financial Position)	1,831,216.00	107,462,649.46	506,710.00	4,554,387.31	2,229,031.74	68,048.74	109,648.42	116,761,691.67
Gross Cost (Asset Account Balance per Statement of Financial Position)	1,831,216.00	167,711,275.62	833,688.00	11,701,547.04	6,235,583.13	464,983.00	109,648.42	188,887,941.21
Accumulated Depreciation	0.00	(59,980,895.31)	(326,978.00)	(7,098,355.26)	(3,943,971.81)	(396,934.26)	0.00	(71,747,134.64)
Accumulated Impairment Loss	0.00	(267,730.85)	0.00	(48,804.47)	(62,579.58)	0.00	0.00	(379,114.90)
Carrying Amount, December 31, 2020 (As per Statement of Financial Position)	₱1,831,216.00	₱107,462,649.46	₱506,710.00	₱4,554,387.31	₱2,229,031.74	₱68,048.74	₱109,648.42	₱116,761,691.67

During the detailed physical count of TCWD's Property, Plant and Equipment (PPE) that was conducted on January 20-21, 2022, a piece of Land with acquisition cost of Php 306,944.00 turned over by the Toledo City LGU and recorded in the books of TCWD in 2002 was still cannot be located. The agency will comply on the guidelines and procedures on the disposition of non-existing PPE items, for the One-Time Cleansing of PPE account balances per COA Circular No. 2020-006 dated January 31, 2020.

8. OTHER ASSETS

This account consists of the following:

	2021		2020	
Advances to Officers & Employees	₱	0.00	₱	132,000.00
Prepayments		0.00		0.00
Deposits		151,698.60		151,698.60
Restricted Funds		4,341,698.80		3,347,307.54
Other Assets		531,935.48		0.00
Total	₱	5,025,332.88	₱	3,631,006.14

9. FINANCIAL LIABILITIES

This account consists of the following:

	2021		2020	
<i>Payables</i>				
Accounts Payable	₱	20,181,161.93	₱	9,957,968.24
Due to Officers & Employees		206,372.36		221,693.84
<i>Bills/Bonds/Loans Payable</i>				
Loans Payable-Domestic		3,345,472.94		2,154,966.00
Total Financial Liabilities-Current		23,736,007.23		12,334,628.08
<i>Bills/Bonds/Loans Payable</i>				
Loans Payable –Domestic		52,471,113.54		50,830,351.87
Total Financial Liabilities-Non-Current		52,471,113.54		50,830,351.87
Total Financial Liabilities	₱	76,207,120.77	₱	63,164,979.95

10. INTER-AGENCY PAYABLES

This account consists of the following:

	2021		2020	
Due to BIR	₱	621,240.48	₱	805,647.51
Due to GSIS		992,324.97		397,470.04
Due to Pag-IBIG		51,645.57		36,709.49
Due to PhilHealth		54,613.93		50,085.93
Due to Gov't Corporations		57,483.17		17,816.95
Total Inter-Agency Payables	₱	1,777,308.12	₱	1,307,729.92

11. TRUST LIABILITIES

This account consists of the following:

		2021		2020
Guaranty/Security Deposits Payable	₱	43,152.43	₱	43,152.43
Customer Deposits Payable		31,156.00		72,390.70
Total Trust Liabilities	₱	74,308.43	₱	115,543.13

12. DEFERRED CREDITS

This account consists of the received donations in kind from Vitens Evides International (VEI):

		2021		2020
Other Deferred Credits	₱	1,699,166.71	₱	1,889,166.67
Other Deferred Credits	₱	1,699,166.71	₱	1,889,166.67

13. PROVISIONS

This account consists of the following:

		2021		2020
Leave Benefits Payable	₱	5,678,469.56	₱	4,486,156.15
Total Provisions	₱	5,678,469.56	₱	4,486,156.15

14. OTHER PAYABLES

This account consists of amounts payable to CFI, UCPB and TCWD Provident Fund of various employees:

		2021		2020
Other Payables	₱	520,796.25	₱	425,008.60
Total Other Payables	₱	520,796.25	₱	425,008.60

15. INCOME

These are the composition of this account:

	2021	2020
Service and Business Income		
Waterworks System Fees	₱ 91,031,366.77	₱ 86,355,075.22
<i>Sales Discounts</i>	0.00	(4,160.83)
Interest Income	7,815.84	9,068.52
Fines and Penalties – Business	1,776,720.44	985,643.15
Income		
Other Business Income	3,473,691.04	1,636,008.61
Total Service and Business Income	96,289,594.09	88,981,634.67
Shares, Grants and Donations		
Income from Grants and Donations in Kind	887,985.25	447,533.31
Total Shares, Grants and Donations	887,985.25	447,533.31
Total Income	₱ 97,177,579.34	₱ 89,429,167.98

16. PERSONNEL SERVICES

Comprising this account are the following:

	2021	2020
Salaries & Wages		
Salaries & Wages-Regular	₱ 23,290,005.33	₱ 21,080,552.31
Total Salaries & Wages	23,290,005.33	21,080,552.31
Other Compensation		
Personnel Economic Relief Allowance (PERA)	1,962,000.00	1,847,000.00
Representation Allowance (RA)	698,250.00	665,375.00
Transportation Allowance (TA)	698,250.00	665,375.00
Clothing/Uniform Allowance	492,499.87	456,000.00
Hazard Pay	0.00	166,317.75
Honoraria	44,500.00	0.00
Longevity Pay	80,000.00	0.00
Overtime and Night Pay	679,721.25	302,330.09
Year End Bonus	2,116,750.60	1,856,685.00
Cash Gift	419,250.00	384,000.00
Other Bonuses and Allowances	3,270,290.00	3,134,940.00
Total Other Compensation	10,461,511.72	9,478,022.84

	2021	2020
Personnel Benefits Contribution		
Retirement and Life Insurance Premium	2,843,273.61	2,517,052.20
PAG-IBIG Contributions	96,900.00	91,100.00
PhilHealth Contributions	318,701.65	294,639.18
Employees Compensation Insurance Premium	96,300.00	91,000.00
Provident Fund/Welfare Fund Contribution	0.00	0.00
Total Personnel Benefits Contributions	3,355,175.26	2,993,791.38
Other Personnel Benefits		
Terminal Leave Benefits	3,658,553.62	2,878,931.49
Total Other Personnel Benefits	3,658,553.62	2,878,931.49
Total Personnel Services	₱ 40,765,245.93	₱ 36,431,298.02

17. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of the following expenses:

	2021	2020
Total Traveling Expenses	₱ 44,010.00	₱ 162,693.87
Total Training and Scholarship Expenses	195,952.35	35,560.00
Supplies and Materials Expenses		
Office Supplies Expenses	275,329.18	168,732.51
Medical, Dental and Lab. Supplies Exp.	3,700.00	0.00
Fuel, Oil and Lubricants Expenses	749,854.32	474,828.02
Chemical & Filtering Supplies Expenses	1,224,740.00	1,005,054.84
Other Supplies & Materials Expenses	52,014.11	34,091.90
Total Supplies and Materials Expenses	2,305,637.61	1,682,707.27
Utility Expenses		
Water Expenses	50,944.40	30,592.00
Electricity Expenses	402,582.07	380,755.07
Total Utility Expenses	453,526.47	411,347.07
Communication Expenses		
Postage and Courier Services	4,365.00	5,571.35
Telephone Expenses	263,075.35	323,007.49
Internet Subscription Expenses	138,051.34	38,317.00
Total Communication Expenses	405,491.69	366,895.84
Total Awards/ Rewards, Prizes and Indemnities	26,100.00	0.00
Survey, Research, Exploration and Development Expenses		
Survey Expenses	59,600.00	19,900.00

	2021	2020
Research, Exploration, and Development Exp.	440,160.00	255,000.00
Total Survey, Research, Exploration and Development Expenses	499,760.00	274,900.00
Total Generation, Transmission and Distribution Expenses	24,022,880.49	23,243,927.90
Total Extraordinary and Miscellaneous Expenses	927,771.15	719,407.27
Professional Services		
Legal Services	180,000.00	180,000.00
Auditing Services	0.00	0.00
Other Professional Services	60,000.00	196,900.00
Total Professional Services	240,000.00	376,900.00
General Services		
Security Services	826,156.07	680,400.00
Total General Services	826,156.07	680,400.00
Repairs and Maintenance		
Repairs and Maintenance-Infrastructure	2,750,844.91	1,617,511.50
Repairs and Maintenance-Buildings and Other Structures	338,335.00	19,428.20
Repairs and Maintenance-Machinery and Equipment	259,089.32	197,272.74
Repairs and Maintenance-Transportation Equipment	191,500.92	156,464.19
Repairs & Maintenance-Furniture & Fixtures	30,263.00	28,720.00
Total Repairs and Maintenance	3,570,033.15	2,019,396.63
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	1,856,319.04	1,839,361.72
Fidelity Bond Premiums	0.00	40,350.00
Insurance Expense	240,441.21	213,372.06
Total Taxes, Insurance Premiums & Other Fees	2,096,760.25	2,093,083.78
Labor and Wages		
Labor and Wages	600,349.57	828,550.10
Total Labor and Wages	600,349.57	828,550.10
Total Member's Benefits	0.00	1,061.52
Other Maintenance and Operating Expenses		
Advertising, Promotional and Marketing Expenses	6,517.91	7,060.00
Printing and Publication Expenses	11,930.00	6,650.00
Representation Expenses	29,182.00	26,181.90
Rent/Lease Expenses	1,591,742.21	1,794,240.80

	2021	2020
Membership Dues and Other Contributions to Organization	18,917.00	17,965.00
Donations	49,048.10	0.00
Director's and Committee Member's Fee	662,448.00	680,208.00
Other Maintenance & Operating Expense	140,202.97	145,808.20
Total Other Maintenance and Operating Expenses	2,509,988.19	2,678,113.90
Total Maintenance and Other Operating Expenses	₱ 38,724,416.99	₱ 35,574,945.15

18. FINANCIAL EXPENSES

This account is composed of the following;

	2021	2020
Interest Expenses	₱ 4,074,362.16	₱ 4,148,568.00
Bank Charges	4,210.00	12,300.00
Other Financial Charges	0.00	0.00
Total Financial Expenses	₱ 4,078,572.16	₱ 4,160,868.00

19. NON-CASH EXPENSES

This account is composed of the following expenses:

	2021	2020
Depreciation		
Depreciation-Infrastructure Assets	₱ 8,039,831.71	₱ 7,718,360.32
Depreciation-Buildings & Other Structures	64,231.80	490,628.52
Depreciation-Machinery & Equipment	1,100,656.80	738,719.47
Depreciation-Transportation Equipment	346,782.42	238,333.76
Depreciation- Furniture, Fixtures & Books	2,821.92	4,279.02
Total Depreciation Expense	9,554,324.65	9,190,321.09
Impairment Loss		
Impairment Loss-Receivables	150,019.88	104,961.38
Impairment Loss-PPE	1,616,611.08	379,114.90
Total Impairment Loss	1,766,630.96	484,076.28
Discounts and Rebates		

	2021	2020
Other Discounts	3,516.23	0.00
Total Discounts	3,516.23	0.00
Total Non-Cash Expenses	₱ 11,324,471.84	₱ 9,674,397.37

20. RELATED PARTY TRANSACTIONS

20.1 Key Management Personnel

The key management personnel of TCWD are the General Manager, the Department Managers of the Administrative and Human Resources Services Department, Finance and Commercial Services Department and Engineering and Operations Department, Division Managers and the members of the governing body. The governing body consists of five members duly appointed by the City Mayor. One of the five positions is still vacant as of December 31, 2021.

20.2 Key Management Personnel Compensation

Particulars	Aggregate Remuneration
Salaries & Wages	₱ 8,801,079.00
Other Compensation	4,064,044.00
Personnel Benefit Contributions	1,159,869.19
Other Personnel Benefits	1,060,369.40
Total	₱15,085,361.59

The Board of Directors of TCWD, who are the policy making body of the agency, were entitled to per diems for two meetings attended every month in the performance of their functions. Remunerations for General Manager, Department Managers and Division Managers are likewise included in the table above.

PART II

DETAILED OBSERVATIONS AND RECOMMENDATIONS

Financial Audit

- 1. The Property, Plant and Equipment (PPE) account as at December 31, 2021 with a total cost of ₱214.34 million cannot be relied upon because the Water District still carried in its PPE account the unlocated properties turned-over by the Local Government Unit (LGU)-Toledo City at the start of the operations of the Toledo City Water District totaling ₱26.27 million.**

Paragraph 15 of the Philippine Accounting Standard (PAS) 1 provides for the fair presentation and the required application of International Financial Reporting Standards (IFRS) as follows:

“Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. **Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.** The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.” (Emphasis supplied)

The acquisition cost and carrying amount of the PPE account as at December 31, 2021 aggregated to ₱214.34 million and ₱131.17 million, respectively, composed of the following:

PPE Account	Acquisition Cost (₱)	Accumulated Depreciation (₱)	Accumulated Impairment Losses (₱)	Carrying Amount (₱)
Land	12,231,616.00	0.00	0.00	12,231,616.00
Infrastructure Assets (UPIS)	169,388,213.74	68,020,727.02	1,821,444.12	99,546,042.60
Buildings & Other Structures	858,087.50	391,209.80	0.00	466,877.70
Machinery & Equipment	13,816,006.33	8,199,012.06	111,702.28	5,505,291.99
Transportation Equipment	7,261,583.13	4,290,754.23	62,579.58	2,908,249.32
Furniture & Fixtures	325,393.00	274,125.18	0.00	51,267.82

PPE Account	Acquisition Cost (₱)	Accumulated Depreciation (₱)	Accumulated Impairment Losses (₱)	Carrying Amount (₱)
Construction in Progress	10,459,468.54	0.00	0.00	10,459,468.54
Total	214,340,368.24	81,175,828.29	1,995,725.98	131,168,813.97

Review of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as at December 31, 2021 disclosed that ₱26.27 million or 12.26 per cent of the recorded cost of ₱214.34 million pertain to the properties turned-over by the Toledo City LGU after the Water District took-over the full operations of the defunct Toledo Waterworks System on April 2, 2002. In the RPCPPE, the turned-over properties were reported as “Unlocated”.

This matter has been brought to the attention of the Management in the calendar years (CYs) 2015, 2019 and 2020 Annual Audit Reports (AARs) and reiterated in this year’s audit, as it materially affects the fair presentation of the Water District’s financial statements for the year ended December 31, 2021.

As gleaned from the previous AAR, the properties shown in the table below have consistently been included in the RPCPPE and carried in the books although not seen or located, from the time these were supposed to be transferred to the Water District by LGU-Toledo City.

Year Received from LGU	Particulars	Cost	Carrying Amount
2002	Land and Land Improvements	₱ 306,944.00	₱ 306,944.00
2002	Infrastructure Assets (UPIS)	25,966,306.92	16,214,237.90
	Total	₱26,273,250.92	₱16,521,181.90

Management informed the Audit Team that they wrote to LGU-Toledo City on November 3, 2017, but did not get any reply, particularly from the City Accountant. The Water District sought assistance from LGU-Toledo City in the reconciliation of records related to the turned-over properties. This matter is a major concern that should be given preferential attention in order to fairly present the Water District’s Financial Statements as at year-end.

According to the Accounting Division Manager, the turn-over of PPE happened way back in CY 2002, and the previous accountant who received the turnover is no longer connected with the Water District. The turn-over document contained only the lists of the properties turned-over by LGU-Toledo City, but does not indicate whether these were validated as to its existence, before recording in the books of the Water District.

On January 13, 2020, the Commission on Audit (COA) issued Circular No. 2020-006, to provide guidelines and procedures in the conduct of physical count of PPE; recognition of PPE items found at station; and disposition for non-existing/missing PPE items - for the one-time cleansing of PPE account balances of government agencies. Item 8 thereof provides the procedures, conditions and the documentary requirements for the derecognition of non-existing/missing PPEs without available record of accountability.

The continued inclusion of the non-existing/unlocated properties in the PPE account casts doubt on the reliability of the reported balance of the PPE account as at year-end.

We reiterated our recommendation for Management to assign/designate personnel who will do the tracing, and to obtain the necessary documents of the unlocated properties from the Office of the City Accountant and the Property Officer of LGU-Toledo City, in order to validate the existence and/or conditions of said assets, and to record them appropriately in the books of the Water District.

If no documents can be found, we recommended for Management to request for authority from COA for the derecognition of these properties, by following the procedures and complying with the documentary requirements under COA Circular 2020-006 dated January 13, 2020.

Management's Comment:

During the exit conference on March 30, 2022, the Management commented that they were not able to secure the pertinent documents from the LGU. To resolve this issue, the Management will comply with the recommendation to request for authority from COA for the derecognition of these assets as per COA guidelines.

Compliance Audit

- 2. The Water District did not implement projects incorporating risk-reduction and climate change adaptation/mitigation, contrary to Section 37 of the 2021 General Provisions of the General Appropriations Act (GAA). Thus, the readiness and the capability to address or mitigate, if not eliminate risks brought about by disaster/calamities may not be ensured, as required under Republic Act (RA) No. 10121.**

RA No. 10121 enacted on July 27, 2009, also known as the Philippines Disaster Risk Reduction and Management Act of 2010 provides for the development of policies and plans, and the implementation of actions and measures pertaining to all aspects of disaster risk-reduction and management, including good governance, risk assessment and early warning, knowledge building and awareness raising, reducing risk factors, and preparedness for effective response and early recovery. These shall apply to all levels of government, civil societies, private sectors and all other DRMM stakeholders. Hence, the law seeks to ensure that government agencies give top priority and take adequate and appropriate measures in disaster risk reduction and management.

Moreover, Section 37 of the General Provisions of the General Appropriations Act of FY 2021 states that all agencies of the government should implement projects incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation.

Review of the CY 2021 transactions disclosed that TCWD did not implement projects, programs or activities incorporating risk-reduction, and climate change adaptation/mitigation. Our inquiry also disclosed that the TCWD did not prepare a Disaster Risk Reduction Management plan which would have served as its road map that sets out the planned courses of actions and measures to be carried out; the gaps and challenges which may potentially hinder therefor; as well as the proper delineations of roles and tasks of personnel, before (risk preparedness), during (rescue and relief operation), and after (rehabilitation) the occurrence of the calamity or disaster, in order to mitigate, if not eliminate, the effects thereof.

This contingency plan with a clear mission, vision and goals will enable the TCWD to readily wage appropriate responses encompassing any kind of calamity or disaster in a more systematic, fast and efficient and in a well-coordinated manner.

We learned that TCWD was not able to comply with this requirement since they prioritized the preparation of the Water Safety Plan. The management stated that they will prepare this requirement within the year 2022.

The recent Typhoon Odette in December 2021 brought and inflicted major damages to the TCWD's properties. Per Inventory of Damage on Water Supply Infrastructures Report, an estimated ₱13,448,200 worth of property was damaged by that disaster. Affected were the pumping stations, storage tanks/reservoir, transmission and distribution facilities, support facilities, among others. Consequently, the service of the TCWD was paralyzed after the typhoon due to lack of power, insufficient standby generators for the pumping stations and damages of the systems and structures. Severely affected were the concessionaires since no water was available for their daily needs. As mentioned by the Engineering & Operations Department Manager, it was only on February 15, 2022 that the TCWD fully restored its water distribution to all concessionaires in their service area.

Now is the most compelling time to enhance or upgrade the capabilities to handle all kinds of perils, threats and risks brought about by different kinds of calamities. Water districts are susceptible to the fallouts of the disaster and calamities such as typhoons, which are now more intense as what we had learned and experienced during the recent typhoon Odette. Hence, the need for comprehensive planning and preparation.

We recommended that the TCWD implement programs and projects incorporating risk-reduction and climate change adaptation/mitigation, as well as formulate a comprehensive disaster risk and management plan to encompass all forms of perils brought about by different calamities, whether natural or man-made, as a tool to carry out response action effectively and efficiently. This will help enable

the Water District's capabilities to quickly respond prior to, during and after every disaster.

Management's Comment:

The Management commented during the exit conference that they will be participating in the 5-day seminar/workshop on drafting an emergency response plan to be conducted by the Performance Enhancement of Water Utilities in the Philippines (PEWUP) on April 4-8, 2022. They added that the formulating of the agency comprehensive disaster risk and management plan will be implemented within CY 2022.

3. TCWD did not use the forms prescribed under Department of Budget and Management (DBM) Corporate Budget Memorandum (CBM) No. 42 dated November 29, 2019 in the preparation of its Corporate Operating Budget (COB) for calendar year (CY) 2021. This is contrary to DBM Corporate Budget Circular (CBC) No. 22 dated December 1, 2016.

DBM CBC No. 22 dated December 1, 2016 on the Submission of the Corporate Operating Budget (COB) for CY 2017 and thereafter provides that the DBM forms prescribed under the Corporate Budget Memorandum or Corporate Budget Call issued annually shall be used in the preparation of COB

On the other hand, DBM CBM No. 42 dated November 29, 2019 was issued in order to facilitate the timely formulation and submission of the GOCC's budget proposals for CY 2021. One of the purposes of CBM No. 42 is to prescribe the budget preparation guidelines, forms, instructions and calendar of activities to be followed in the preparation of the CY 2021 Budget Proposals. Annex B of DBM CBM No. 42 enumerates the Budget Forms that are required to be prepared by GOCCs.

The COB for CY 2021 of the TCWD aggregating ₱153,394,161.64 was approved through Board Resolution No. 76 series of 2020. Review thereof disclosed that the guidelines and forms prescribed in DBM CBM No. 42 were not observed.

Although the following Budget Forms were attached to the COB, however that the templates used were not in accordance with what are required under DBM CBM No. 42.

1. Income Statement
2. Balance Sheet
3. Detailed Statement of Cash Flows
4. Projected Billed Connections
5. Projected Metered Sales
6. Projected Billings on Service Connections
7. Projected Other Services Income
8. Projected Production Demand
9. Cost of Purchased Water
10. Projected Power Purchased for Pumping

11. Collection on Accounts Receivable & Metered Sales
12. Schedule of Franchise Tax
13. Schedule of Salary & Compensation
14. Annual GAD Plan and Budget
15. CAPEX Projects 2021
16. Annual Procurement Plan-CSE
17. Project Procurement Management Plan

We also noted that the following budget forms were not attached to the COB:

1. DBM Form No. 700- Corporate Objectives, Priorities and Performance Measures
2. DBM Form No. 701- Proposed Provisions, if any
3. DBM Form No. 702-C- Statement of Accounts Payable to Suppliers or Trade Creditors
4. DBM Form No. 702-D-Statement of Borrowings
5. DBM Form No. 702-A-Schedule of Investments, if any
6. DBM Form No. 703-C- Staffing Summary
7. DBM Form No. 703-D-Details of Maintenance and Other Operating Expense
8. DBM Form No. 703-E- Details of Financial Expenses
9. DBM Form No. 705-Comparative Sources of Funds
10. DBM Form No. 705-A- National Government Support, if any
11. DBM Form No. 706- Uses of Funds by Expense Class
12. DBM Form No. 707- Summary of Out-year Requirements
13. DBM Form No. 708- Convergence Programs and Projects
14. DBM Form No. 709-Proposal for New or Expanded Locally-Funded Projects
15. DBM Form No. 710-Proposal for New Foreign-Assisted Projects, if any
16. DBM Form No. 711-Climate Change Expenditures
17. DBM Form No. 712- Summary of RDC Inputs and Recommendations on GOCC New and Expanded Programs and Projects, if any
18. DBM Form No. 713-Report of CSO's Inputs and Ongoing New Spending Projects and Activities, if any
19. BP Form No. 201-Summary of Obligations and Proposed Programs/Projects
20. BP Form No. 201 – Schedule A: Obligations by Object of Expenditures, Maintenance and Other Operating Expenses
21. BP Form No. 201 – Schedule B:Obligations by Object of Expenditures, Financial Expenses
22. BP Form No. 201 – Schedule C: Obligations by Object of Expenditures, Capital Outlays

Inquiry from the Accounting Division Manager disclosed that Management has not utilized the prescribed budget forms, pending their verbal queries from DBM on the proper accomplishments thereof.

As a result, the TCWD's COB in FY 2021 is not compliant with budget regulations due to non-preparation of the required budget forms. This may hinder the oversight bodies

in determining whether the proposed expenditures are in accordance with the guidelines and supported with realistic estimates of receipts.

We recommended and Management agreed to require the Budget Division to strictly observe the guidelines and requirements in the preparation of the COB, including the proper use of the budget forms, as prescribed in the DBM Budget Call Memorandum, which is issued annually, such as the Corporate Budget Memorandum No. 42 for FY 2021 budget.

Management’s Comment:

The Management replied that this will be implemented in CY 2022.

- 4. The percentage of Non-Revenue Water (NRW) to total water production of TCWD is 31.75% for CY 2021 which is beyond the maximum acceptable rate of 20%, as set under the Local Water Utilities Administration (LWUA) Board Resolution No. 444, series 2009 as amended. This reduced the agency’s revenue by an estimated amount of ₱10.96 million.**

The LWUA Board of Trustees Resolution No. 444, series of 2009, approved the reduction of the maximum acceptable NRW from the existing 25% to 20%, which is applicable to all Water Districts, to further improve efficiency and financial viability.

LWUA Memorandum Circular No. 014-10 dated December 2, 2010 states that there is a need for Water District to reduce the Non-Revenue Water (NRW) in order to enhance its operational efficiency and improve its financial viability. All Water Districts are therefore enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy. Depending on the condition of operation, the water meters should be tested for its accuracy after five (5) years of utilization.

The Non-Revenue Water is water that has been produced and “lost” before it reaches the customer due to either or in combination with the following: theft, evaporation, faulty metering, poor data gathering, and especially leakage. Simply put, NRW represents the difference between the volume of water put into a water distribution system and the volume that is billed to customers.

Review and verification of the Monthly Data Sheet disclosed that the NRW rate of the Water District has reached to 31.75% in CY 2021 as shown below, which exceeded the maximum tolerable level of 20%.

Water Production (in cubic meter)	5,977,903
Total Billed (in cubic meter)	4,079,909
Non-Revenue Water (NRW)	1,897,994
Percentage of NRW	31.75%

NRW are considered losses of the Water District which greatly affects its operational efficiency and financial viability. Had the NRW over maximum acceptable level for CY 2021 totaling 702,413 cu. m. been sold at ₱156.00 for every 10 cu.m. (the minimum rate applicable for residential), the water district could have generated at least ₱10,957,643 from such water sales, as presented below:

NRW (in cubic meter)	1,897,994
Less: 20% maximum acceptable NRW level (based on water production)	1,195,581
Excess of NRW over maximum acceptable level	702,413
Multiplied by minimum water rate	₱ 156.00/10 cu.m
Water Sales Revenue	₱ 10,957,643

Major causes of NRW as determined by the Management were leakages from main and distribution lines. These old pipelines are said to be more or less 40 years old and need immediate repair or re-piping. However, due to budget or funding constraint, the said proposed repair/re-piping could not be implemented.

Additional revenue which could have been generated, had the NRW been sold. This could have resulted to operational efficiency and thus be utilized to fund its operations and activities.

We recommended that Management implement additional preventive measures to reduce the NRW rate to the acceptable maximum level of 20% and accordingly prevent further revenue losses.

Once funds are available, TCWD must immediately implement the repair or re-piping of the old pipelines.

Management’s Comment:

The Management stated during the exit conference that for CY 2022, TCWD will be prioritizing the source development projects in the East, Central and South sections of Toledo City. The NRW Reduction Capital Expenditures (CAPEX) Programs will be the top most priority of the District in CY 2023-2025 to be funded from LWUA or Land Bank loan. Additionally, the Management is waiting for the completion and turn-over of the DPWH project in Poblacion, Toledo City that will significantly decrease TCWD’s NRW since the old and dilapidated pipelines in the said area causes NRW of about 40%.

5. Some of the employees of TCWD had net take-home pay below the statutory requirement of ₱5,000.00 per month contrary to Section 49 of RA No. 11518 or the GAA of 2021.

Section 49 of the General Provisions of the 2021 GAA provides that in no case shall the authorized deductions reduce the employees’ monthly net take home pay to an amount lower than Five Thousand Pesos (₱5,000).

Verification of the paid payrolls for regular employees in CY 2021 revealed that there were some employees whose net take home pay fell below the minimum amount required by law. To illustrate, the computation of August 2021 net take home pay for the said employees are presented in **Annex A**.

Various loans and provident fund contributions were included as deductions from salaries and other benefits accruing to the employees of TCWD. Thus, the net take home pays of the affected employees were below the statutory requirement of ₱5,000.00. The Accounting Division should see to it that the net take home pay of their employees are not be below the mandated amount. They should institute controls so that the deductions from salaries must be sufficient enough for an employee to receive a net take home pay that is not below the mandated amount as prescribed by law in a given year.

Management commented that they have taken action to resolve this concern. In fact there were members of the Provident Fund who withdrew their membership in order to pay-out their loan obligations with the Provident Fund particularly those who have problematic net take home pay. For those remaining employees, they will discuss with the Board of Trustees of the Provident Fund not to include deductions of their loans effective March 2022.

The general intent of this legal mandate is to motivate and encourage employees to use their credit lines with existing lending institutions wisely and discourage them to spend more than what their means would allow.

We recommended and Management agreed to require the Accounting Division and the Human Resource Division to strictly adhere to the instructions specifically provided in the GAA relative to the required monthly net take home pay for government employees in a particular year.

Management's Comment:

During the exit conference, the Management mentioned that once the 3rd tranche of the SSL 5 is implemented in CY 2022, the employees who will be receiving net take home pay below ₱5,000.00 due to existing loan amortizations will be reduced to 2% and will be fully implemented in CY 2023 upon the implementation of the 4th tranche SSL 5. TCWD delayed the implementation of the 3rd tranche of the SSL 5 due to financial constraint. However in June 2022, the LWUA-approved new water rates will be implemented and this will support the funding for the said salary increase. The Management has also implemented a strict monitoring and control of the approval of loans of the employees.

Gender and Development (GAD)

TCWD submitted their CY 2021 GAD Plan and Budget and Accomplishment Report to LWUA and has prepared sex-disaggregated data to support their CY 2021 GPB.

The budget allocation of TCWD for GAD programs, projects and activities for CY 2021 was ₱8,650,060.30 or about 5.63 percent of the total budget of ₱153,550,639.17. However, the utilization of the GAD budget was only ₱4,318,739.54 or 49.93 percent due to the delays in the implementation of the Pro-Poor project.

We recommended that Management fully implement the activities identified in their GPB in order to achieve its objectives.

Compliance with Tax Laws

The regulations of the BIR on the withholding of required taxes were substantially complied with by TCWD. The withheld taxes were remitted regularly to the BIR along with the franchise tax due from TCWD as seller of water. The details of the taxes remitted to the BIR during the year are as follows:

Code	Tax Description	Amount
1601-E	Expanded Withholding Tax	₱419,359.96
1601-C	Withholding Tax –Compensation	1,756,135.30
1600	VAT	1,877,526.65
2551-M	Franchise Tax	1,784,021.64
Total		₱5,837,043.55

Compliance with Republic Act 8291 (GSIS Act of 1997)

TCWD has consistently deducted from the salaries of their employees the mandatory GSIS Life and Retirement insurance premiums (personal share) and loan repayments. These deductions and the government share for the employees' insurance premiums were remitted to the GSIS on time. The following were remitted in CY 2021:

Transactions Covered by the Remittance	Amount
GSIS Life and Retirement Premiums (Government Share)	₱3,067,648.08
GSIS Life and Retirement Premiums (Personal Share)	2,297,950.78
GFAL	3,171,569.64
Consolidated Loan Repayments	1,275,766.65
Multi-Purpose Loan	990,862.36
Emergency Loan	637,005.39
Computer Loan	105,216.31
Employees Compensation Contributions	103,900.00
Policy Loan	46,700.00
Educational Assistance Loan	33,683.85
Total	₱11,730,303.06

Status of Settlement of Audit Suspensions, Disallowances and Charges

The following table shows the outstanding audit suspensions, disallowances and charges of TCWD as of December 31, 2021:

Particulars	Balance Dec. 31, 2020	Issued and Settled During the Year 2021		Balance Dec. 31, 2021
		Issued	Settled	
Suspensions	₱ 127,216.25	0.00	0.00	₱ 127,216.25
Disallowances	2,251,155.69	0.00	0.00	2,251,155.69
Charges	0.00	0.00	0.00	0.00
Total	₱2,378,371.94	0.00	0.00	₱2,378,371.94

Bulk of the above disallowances are under appeal.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We followed up the actions taken by Management on the implementation of the 28 prior years' audit recommendations and noted that 3 audit findings were merged with the same finding in CYs 2016, 2017 and 2019 reports, 12 were fully implemented, 4 were partially implemented, and 9 were not implemented and as at December 31, 2021. The details are as follows:

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
1. The Water District still carried in its Property, Plant and Equipment (PPE) account the unlocated properties turned over by the Local Government Unit (LGU)-Toledo City at the start of the operations of the Toledo City Water District (TCWD) totaling ₱26.31 million and non-disclosure of the condition of these properties in the Notes to Financial Statements. Thus, the recorded balance of the PPE account	We recommended and Management agreed to assign/designate personnel who will do the tracing, and to obtain the necessary documents of the unlocated properties from the Office of the City Accountant of LGU-Toledo City, in order to validate the existence and conditions of said assets, and to record them appropriately in the books of the Water District. If still unlocated, we recommended and Management agreed to request for authority from COA for the derecognition of these properties by following the procedures and complying with the documentary requirements under	CYs 2020, 2019 and 2017 AAR	Unable to obtain the turned over documents from Toledo City LGU Accounting Department The District shall comply with the requirements of COA Circular 2020-006 - One-Time Cleansing of PPE Accounts	Not Implemented Reiterated in this year's audit report

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
as at December 31, 2020 with carrying amount of ₱116.76 million cannot be relied upon.	COA Circular 2020-006 dated January 13, 2020 on the one-time cleansing of PPE account balances.			
2. The results of the physical count of inventories showed shortages and overages aggregating ₱0.61 million and ₱0.63 million, respectively, when compared with the supplies ledger cards maintained by the Accounting Division, thus the existence, accuracy and reliability of the Inventories account balance of ₱8.01 million as at December 31, 2020 could not be ascertained contrary to PAS 1.	We recommended and Management agreed to direct the Property and Accounting Divisions to account for the shortages/overages or discrepancies that were noted during the CY 2020 physical count, in order to determine proper disposition, as these may represent losses of the Water District that must be recouped from the person/s liable or may require adjusting entries only, to fairly state the reported balance of the Inventories account as at year-end.	CYs 2020 and 2019 AAR	The remaining Inventory shortage of ₱526,988.43 was temporarily booked as Other Deferred Charges per JEV No. 21-04-0278 dated April 30, 2021 while awaiting result of reconciliation by the Warehouse/ Inventory In-Charge. For booking to proper account not later than March 31, 2022	Not Implemented The shortages/ discrepancies were not yet accounted as of December 31, 2021.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
3. Unserviceable properties recorded under the PPE account with carrying amount of ₱3.59 million were still not disposed as at December 31, 2020 contrary to Section 79 of Presidential Decree (PD) No. 1445, Department of Budget and Management (DBM) Manual on Disposal of Government Property, Section 7 of COA Circular No. 89-296 dated January 27, 1989. This condition is disadvantageous to the Water District as it may result in substantial decrease of the properties' economic value due to physical deterioration.	We recommended and Management agreed to hasten the disposal of these unserviceable properties to prevent further deterioration pursuant to Section 79 of PD No. 1445 and Section 7 of COA Circular No. 89-296 and eventually derecognize these from the books of the Water District.	CYs 2020 and 2016 AAR	Inspection and Disposal Report not yet submitted by the Committee To require submission of the report not later than March 31, 2022	Not Implemented No disposals were made as of December 31, 2021.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
4. The Water District paid annual water charges to the National Water Resources Board (NWRB) aggregating ₱25,530.05 contrary to the decision rendered by the Department of Justice (DOJ) on Office of the Secretary of Justice (OSJ) Case No. 01-2010 dated March 29, 2012, thus the payment is without legal basis.	We recommended and Management agreed to make representations to NWRB for the refund of the payment made for the annual water charges for lack of legal basis. Henceforth, we recommended and Management also agreed to stop the payment of annual water fees and other charges to NWRB.	CY 2020 AAR	Management stopped the payment of the annual water fees billed by NWRB effective Jan., 2021. A request for refund was also sent to NWRB however the latter replied that this matter has been endorsed to the Office of the President and the COA Chairperson.	Fully Implemented The Water District complied with the audit recommendations.
5. The Water District purchased a service vehicle costing ₱1.20 million without securing prior approval from DBM contrary to the provisions of DBM Budget Circular No. 2019-002.	We recommended and Management agreed to follow up the approval from the DBM on the purchase of service vehicle to avoid suspension in audit and henceforth, strictly follow the regulations particularly those activities/projects that require approval from concerned	CY 2020 AAR	The Management has already made several follow-ups to the DBM	Not Implemented No proofs of the follow-ups made to DBM were provided to the Audit Team as of December 31, 2021

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
Procurement were not complied with by TCWD. Thus, contrary to the procurement law and wanting of any assurance that the winning suppliers are eligible to enter into a contract with the government.	enumerated in Appendix A of Annex H of the 2016 Revised IRR of RA No. 9184 are complied with prior to the award of the contract.			
8. Copies of the perfected contracts and supporting documents for various procurements aggregating ₱3.304 million were not submitted to the Audit Team within the prescribed period contrary to COA Circular 2009-001 dated February 12, 2009, thus prevented the timely conduct of contract review by the Auditor.	We recommended and Management agreed to ensure that the Audit Team is furnished with copies of contracts within the period prescribed under COA Circular 2009-001 to enable the Audit Team to timely conduct the necessary legal and auditorial review.	CY 2020 AAR	The required submission of perfected contracts and supporting documents has been complied by the Procurement In-Charge	Fully Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
9. The Water District still allowed its employees to receive net take home pay of less than the statutory requirement of ₱5,000.00 per month contrary to the provisions of Section 47 of RA No. 11465 or the General Appropriations Act (GAA) of 2020.	We recommended and Management agreed to require the Accounting Division to strictly adhere with the instructions specifically provided in the GAA relative to the required monthly net take home pay for government employees in a particular year.	CYs 2020 and 2017 AAR	30% are still not compliant as of December 31, 2021 To implement strict policy in approving loans of employees	Not Implemented Reiterated in this year's audit report
10. The payment of COVID-19 hazard pay aggregating ₱57,250.00 to the personnel of the Water District who reported for work during the Modified General Community Quarantine (MGCQ) status of LGU-Toledo City is contrary to the provisions of Section 1 of Administrative Order (AO) No. 26 and	We recommended and Management committed to refund the payment of hazard pay totaling ₱57,250.00 for the month of September 2020 and ensure that the COVID-19 hazard pay shall be granted only to those authorized to receive the said grant in accordance with the guidelines issued by the DBM and COA.	CY 2020 AAR	Continue to collect thru payroll deduction from the accountable officers. Remaining balance of ₱30,250.00 as of Dec 31, 2021. To be fully refunded in CY 2023.	Partially Implemented Not yet fully refunded as of December 31, 2021.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
Item 4.3 of DBM Budget Circular No. 2020-01 dated March 24, 2020.				
11. The TCWD's GAD Plan and Budget (GPB) for CY 2020 was formulated without conducting a review of sex-disaggregated data and gender analysis of the policies, programs and projects, thus casting doubt whether gender gaps and challenges were correctly identified and addressed contrary to Sections 36 and 37, Chapter VI of RA No. 9710, otherwise known as the Magna Carta of Women. Moreover, the utilization of GAD Budget was only 14.07 per cent	<p>We recommended and Management agreed to require the GFPS to conduct a gender analysis of policies, programs and projects and a review of sex-disaggregated data, to be able to identify priority gender issues or GAD agenda, before formulating a GPB as mandated under PCW Memorandum Circular No. 2018-04 dated September 19, 2018. Thereafter, maintain and regularly update the GAD Database.</p> <p>We also recommended and Management agreed to fully implement the activities identified in their GPB in order to achieve its objectives.</p>	CY 2020 AAR	<p>The sex-disaggregated data for the Pro-Poor Project was already prepared to support the GAD activity</p> <p>Delayed implementation of the project</p>	<p>Fully Implemented</p> <p>Sex-disaggregated data was already submitted</p> <p>Not Implemented</p> <p>The utilization of the CY 2021 GAD budget was only ₱4,318,739.54 or 49.93 percent.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
of the GAD Budget for CY 2020, thus depriving the intended beneficiaries of the benefits that could have been derived had the GAD Budget was fully utilized.				
12.The recorded balance of the Property, Plant and Equipment (PPE) account as at December 31, 2019 aggregating ₱184.71 million cannot be relied upon due to the non-recognition of impairment loss on certain PPE accounts although indications of impairment existed, thus, the affected PPE accounts are carried at more than their recoverable amount which	Management require the Disposal Committee to expedite the preparation of the Appraisal Report and submit a copy to the Accounting Division for the proper recognition of the impairment loss, if any.	CYs 2019 2017 AAR	Management complied with recommendation on the recognition of impairment loss.	Fully Implemented Management has already recognized Impairment Loss as of December 31, 2021

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
is contrary to PAS 36.				
13. The Construction in Progress (CIP) account totaling ₱1.25 million as at December 31, 2019 was composed of supplies and materials intended for projects which were discontinued by TCWD due to lack of permits/ clearances. This circumstance is contrary to paragraph 15 of PAS 1 and COA Circular No. 2015-010, thereby misstating the CIP account by the same amount. Moreover, the discontinuance of these projects exposes the procured materials to loss and deterioration, thus wasting	Management submit to the Audit Team the result of inventory count of the materials for these projects, for further review and evaluation, as the transactions may warrant further audit action pursuant to COA Circular 2009-006 dated September 15, 2009 or COA's Rules and Regulations on Settlement of Accounts.	CY 2019 AAR	The necessary accounting entry was made on Feb. 27, 2020 per JEV Nos. 20-02-0110 & 20-02-0111.	Fully Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
the scarce resources of the government.				
14. The Water District could have generated additional revenue of ₱0.61 million in CY 2019 had the applicable rate been applied to Balamban Water District's (BWD) bulk water supply service connection.	Management secure approval from Local Water Utilities Administration (LWUA) on the grant of a special water rate to BWD. Henceforth, Management ensure that LWUA's approval is obtained prior to the grant of water rates which are not in accordance with the LWUA approved rates.	CY 2019 AAR	BOD Resolution and request letter for submission to LWUA	Not Implemented There was no letter request submitted yet to LWUA for the water rates given to BWD. Fully Implemented No additional special rate granted by TCWD in CY 2021
15. The percentage of Non-Revenue Water (NRW) for CY 2019 was 32% of the total water production or 6.67% higher than the maximum acceptable rate of 30% as set under LWUA Memorandum Circular No. 011-18.	Management continue to implement additional preventive measures to eventually reduce the NRW rate to the acceptable maximum level of 30% or even lower, and accordingly prevent further revenue losses.	CYs 2019 2017 2016 AAR	Management has already started CAPEX projects to lower the NRW rate.	Not Implemented Reiterated in this year's audit report

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
16. The existence of several overdue and inactive accounts totaling ₱11.791 million or 44.30% of the A/R balance as at December 31, 2018 is an indication of poor collection efficiency which contravenes Section 2 of Presidential Decree (PD) No. 1445. Thus, depriving the Water District of additional funds that could help sustained in their operations.	<p>Management:</p> <p>a. exert extra effort to intensify the collections and formulate/ devise strategies to address the problem of collection/ reduction of overdue and inactive accounts;</p> <p>b. instruct the concerned personnel in charge in the collection of receivables to maintain record/s that will facilitate the monitoring of the action taken by Management for each overdue/ inactive account and the status of the subsequent action/s taken thereon;</p> <p>c. Continue the filing of appropriate legal cases against these</p>	CY 2018 AAR	<p>Management continues to undertake analysis of inactive accounts based on status and availability of source documents to ensure effective prevention, management and recovery practices.</p> <p>Management has already instructed the personnel in-charge of the A/R to maintain proper monitoring of the receivables.</p> <p>Management is now making initial steps in filing appropriate charges against long overdue and</p>	<p>Partially implemented</p> <p>Demand letters were sent to long overdue accounts.</p> <p>The total inactive accounts of TCWD as of December 31, 2021 was ₱10,689,746.50.</p> <p>Fully Implemented</p> <p>Monitoring record was already maintained.</p> <p>Partially Implemented</p>

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	overdue and inactive accounts to enforce collections and ensure that monitoring is likewise undertaken on the status of the case/s already filed in court.		inactive accounts. In fact, TCWD has already filed a case to one inactive account.	Management has already started filing cases to inactive accounts. However, the total past due (over 3 years) accounts is still ₱12.903 million as at December 31, 2021.
17. The Water District did not secure an approval from LWUA for the grant of "special" water rate of ₱15.00 per cubic meter for its bulk water sales to Cebu Energy Development Corporation. This arrangement, using the latest LWUA approved water rates, is grossly disadvantageous to the government.	Management reassess the water rate granted to the aforementioned concessionaire and thereafter secure approval from LWUA on the use of a special water rate considering that the water rate agreed upon is not in the LWUA approved water rates for TCWD.	CY 2018 AAR	Management had already submitted their request for approval of the special water rate to LWUA on January 15, 2021.	Partially Implemented Management is awaiting approval from LWUA.
18. The PPE account with a balance of ₱138.72	Management fast track the titling of all the parcels of land acquired by the	CY 2015 AAR	Management monitors compliance with the timely	Not Implemented No land has been titled under the

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million as at December 31, 2015 cannot be fully relied upon due to the non-titling of land in the name of TCWD that were recorded in the books of accounts which renders the claimed ownership of the Water District assailable and poses risk of adverse claims.	Water District to protect its interests as a Transfer of Certificate of Title establishes absolute ownership.	CYs 2009 - 2012 QAR	submission of the required documents.	name of TCWD as at December 31, 2021.
19. The ₱73.71 million project which was funded by a LWUA loan granted in 2009 was still reported as 50% completed mainly because the loan released to the Water District was only about 52.43% of the approved amount, an issue which has to be revisited/	Management revisit all the agreements and events on the ₱73.71 loan from LWUA so that new measures can be decided by top management and the BOD on how to complete the project which supposed to be fully covered/funded by the said loan.	CY 2014 AAR	The project will be completed thru the implementation of the approved ₱25M LWUA Loan. Project is on-going to be completed on 2022	Fully Implemented

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<p>resolved to ensure completion of the project and proper re-evaluation of the project accomplishment per component as this may affect the accounting treatment of the completed components, if any.</p>				
<p>20. The cash deposited for Debt Service Reserve and Operation and Maintenance Reserve is still very much below the requirement under the loan agreement with LWUA. This situation is not only an "event of default" under the loan contract but may also deprive the water district of adequate/read y cash resources for</p>	<p>Management secure from LWUA updated statements on the required "reserves" for its outstanding loans so that TCWD can appropriately allocate/deposit the amount in the Joint Savings account maintained for the purpose.</p>	<p>CYs 2009 - 2012 QAR</p>	<p>Management is continually depositing in the Land Bank of the Philippines Joint Saving Account to build up the cash reserve requirement.</p> <p>Based on the monthly computation prepared by the Accounting Division, TCWD was already compliant with 3% required debt service reserve.</p>	<p>Fully Implemented</p> <p>Copy of the monthly computation was received.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
extraordinary repairs and replacement of facilities.				