



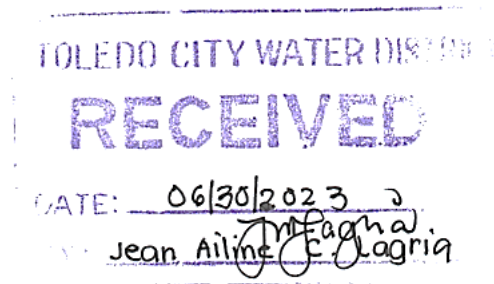
REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. VII
M.J. Cuenco Avenue, Corner V. Sotto Street, 6000 Cebu City

June 27, 2023

THE BOARD OF DIRECTORS

Toledo City Water District
Toledo City, Cebu

Gentlemen:



We are pleased to transmit the Annual Audit Report (AAR) of the Toledo City Water District, for the calendar year (CY) 2022 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Presidential Decree (P.D.) No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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

We conducted the audit in accordance with applicable International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provides a reasonable basis for our opinion.

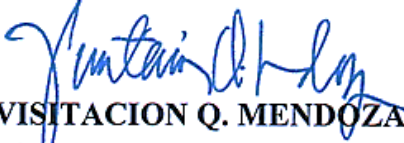
We rendered a qualified opinion on the fairness of presentation of the financial statements (FS) for the year then ended.

The audit observations, together with the recommended courses of action, are discussed in detail in Part II of the report. Likewise, Management's comments are also incorporated in Part II, where appropriate. The Status of Implementation of Prior Years' Audit Recommendations is discussed in Part III of this report.

In a separate transmittal letter of even date, we requested the Manager that the recommendations be immediately implemented and we will appreciate being informed of the action(s) taken thereon by submitting the attached duly accomplished Agency Action Plan and Status of Implementation (AAPSI) within sixty (60) days from receipt of this report.

We express our appreciation for the valuable support and cooperation extended by the Manager and staff of the Toledo City Water District.

Very truly yours,



VISITACION Q. MENDOZA
Director IV

Copy Furnished:

- a. President of the Republic of the Philippines
- b. Vice-President of the Republic of the Philippines
- c. President of the Senate
- d. Speaker of the House of Representatives
- e. Chairperson-Senate Finance Committee
- f. Chairperson-Appropriations Committee
- g. Secretary of the Department of Budget and Management
- h. The Administrator-Local Water Utilities Administration (LWUA)
- i. Governance Commission for Government-Owned or Controlled Corporations
- j. Presidential Management Staff, Office of the President
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- l. University of the Philippines (UP) Law Center (soft copy)
- m. COA Commission Central Library (soft copy)



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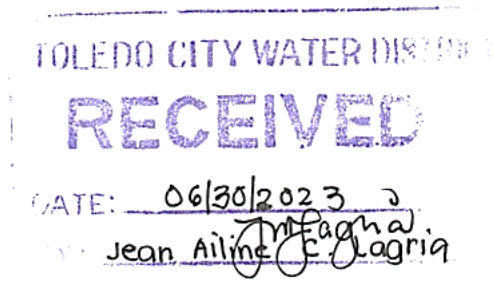
June 27, 2023

MR. EDGARDO G. NICOLAS

General Manager

Toledo City Water District

Toledo City, Cebu



Dear Manager Nicolas:

We are pleased to transmit the Annual Audit Report (AAR) of the Toledo City Water District, for the calendar year (CY) 2022 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Presidential Decree (P.D.) No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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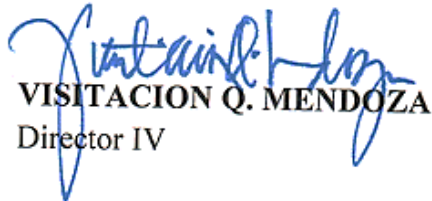
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We request that the recommendations be immediately implemented and we will appreciate being informed of the action(s) taken thereon by submitting the attached duly accomplished Agency Action Plan and Status of Implementation (AAPSI) within sixty (60) days from receipt of this report.

We express our appreciation for the valuable support and cooperation extended by the officials and staff of the Toledo City Water District.

Very truly yours,



VISITACION Q. MENDOZA
Director IV

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TOLEDO CITY WATER DISTRICT

AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION

Audit Observations and Recommendations

For the Calendar Year 2022

As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

Name and Position of Agency Officer Date

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



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

ANNUAL AUDIT REPORT

on the

TOLEDO CITY WATER DISTRICT (TCWD)

For the Year Ended December 31, 2022

EXECUTIVE SUMMARY

A. Introduction

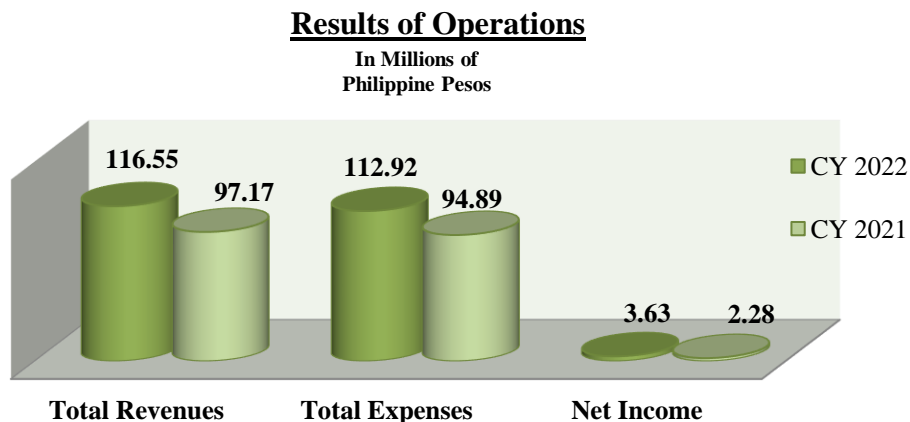
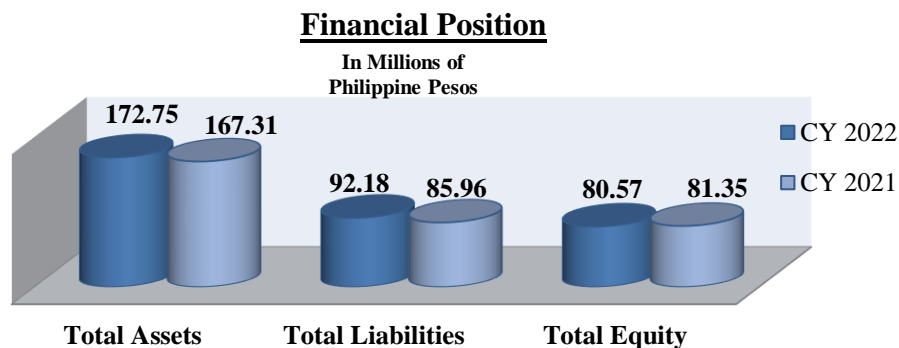
Toledo City Water District (TCWD) is a government-owned and controlled corporation created and existing by virtue of Presidential Decree (PD) No. 198, as amended. A Certificate of Conformance No. 195, was issued by the Local Water Utilities Administration (LWUA) to TCWD on September 30, 2004 validating 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, 2022, the Water District had a total workforce of 85 employees composed of 83 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) 2021 to 2022:



Corporate Operating Budget for CY 2022 aggregating ₱147.52 million was approved through Board Resolution No. 69-2021 on November 11, 2021.

C. Operational Highlights

The following were among the reported accomplishments of the Water District for the year 2022 as compared with that of the same period last year:

Category	CY 2022	CY 2021	Increase/ (Decrease)
Service Connections			
Total Services	20,879	19,327	1,552
Total Active	17,333	16,121	1,212
Total Metered	17,333	16,121	1,212
Water Production			
Pumped	5,534,224 m ³	5,193,345 m ³	340,879 m ³
Gravity	726,199 m ³	784,558 m ³	(58,359) m ³

D. Scope of Audit

The audit covered the financial transactions of TCWD for CY 2022. 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 fairness of presentation of the financial statements of the TCWD in view of the following exceptions noted that need immediate action:

1. The recorded balance of the Land and Land Improvement account as at December 31, 2022 totaling ₱12.232 million is unreliable because the water district still carried the remaining turned-over properties by LGU-Toledo City amounting to ₱306,944.00 which could not be located, hence overstating the said account.
2. The reported balance of the Construction in Progress (CIP) account totaling ₱12,119,917.76 as at year-end was not fairly presented because it included completed projects totaling ₱9,465,885.00 which is contrary to Paragraph 15 of the Philippine

Accounting Standards (PAS) 1 and COA Circular No. 2020-002 dated January 28, 2020.

3. The Water District provided an Allowance for Impairment - Accounts Receivable (AR) in CY 2022 which is ₱863,314.22 lower than what is required in their impairment policy. This is not in conformity with PAS 39, and affects the fair presentation of the AR balance at its estimated realizable value.

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. Several AR totaling ₱15,274,517.21 or 57.24 percent of the total as at December 31, 2022 were due and inactive. This is an indication of low collection efficiency, which is not in keeping with Section 2 of Presidential Decree (PD) No. 1445.

We recommended that Management exert extra effort to intensify the collections and formulate strategies to address the problem of collection/reduction of overdue and inactive accounts. Further, send demand letters periodically and file appropriate legal action, if necessary, against these consumers with overdue and inactive accounts to enforce collections.

2. Disbursements for goods and other expenses amounting to ₱266,279.20 were made thru reimbursement instead of payment by checks to the suppliers, contrary to Section 172 of the Government Accounting and Auditing Manual (GAAM), Volume I and the provisions of 2016 Revised Implementing Rules and Regulations (RIRR) of R.A. No. 9184.

We recommended that Management:

- Discontinue the procurement of goods and services thru reimbursement; and to pay the same through check, to avoid suspension and/or disallowance, as the case may be. Transactions which cannot be paid practically in check may be paid using the petty cash fund, where applicable. The BAC shall resort to public bidding and alternative modes of procurement, where applicable, based on the approved annual procurement plan, as required under the RIRR of RA 9184; and
- Instruct the Cashier, as the Agency's withholding agent, to withhold the appropriate taxes for all procured goods and services, to ensure that the government would get what is due to it.

3. Parcels of land acquired by TCWD with a total cost of ₱1.425 million are still not transferred/titled in the name of the Water District. This condition is contrary to Section 39(2) of Presidential Decree (PD) No. 1445. Hence, ownership of these lots is not safeguarded and poses risk of adverse claims from third parties.

We recommended that management fast track the titling of all the parcels of land acquired by the Water District to protect its interests and to avoid legal conflicts.

4. TCWD did not prepare a Septage Management Plan (SMP) as required by Presidential Decree (PD) No. 198 and Republic Act (RA) No. 9275, depriving its concessionaires of a sound waste water treatment and disposal system.

We recommended that Management prepare a concrete SMP as required by the above-mentioned laws, to address wastewater and sanitation concerns of the concessionaires. We also recommended for Management to regularly coordinate and propose a written formal program to the LGU of Toledo City, on the necessity and importance of the SMP in the improvement of water quality, sanitation and public health conditions.

5. The Water District consistently exceeded the maximum acceptable level of 20% of the Non-Revenue Water (NRW) for CY 2022, contrary to Local Water Utilities Administration (LWUA) Board Resolution No. 444, series 2009 as amended, resulting in an estimated forgone revenue from water sales amounting to ₱18,215,540.00 and a significant reduction in water distribution efficiency.

To generate additional revenue and improve efficiency of water distribution to concessionaires, we recommended that Management conduct further investigation/assessment for the main cause/s of the high level of NRW and implement projects/activities that will effectively and efficiently address the reduction of NRW.

G. Status of Prior Year's Unimplemented Audit Recommendations

We followed up the actions taken by Management on the implementation of the 19 prior years' audit recommendations and noted that 3 audit findings were merged with the same findings in CYs 2016, 2017, 2019, 2020 and 2021 reports; 3 were fully implemented; 6 were partially implemented; and 7 were not implemented as at December 31, 2022.

H. Status of Settlement of Audit Suspensions, Disallowances and Charges

Particulars	Balance Dec. 31, 2021	Issued and Settled During the Year 2022		Balance Dec. 31, 2022
		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

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PART I
AUDITED FINANCIAL STATEMENTS

PART II
AUDIT OBSERVATIONS AND
RECOMMENDATIONS

PART III
STATUS OF IMPLEMENTATION OF PRIOR
YEARS'
AUDIT RECOMMENDATIONS

PART IV
ANNEXES



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, 2022, 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, 2022, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

In forming our audit opinion, we considered the following audit observations which are discussed in detail in Part II of the herein report:

1. The recorded balance of the Land and Land Improvement account as at December 31, 2022 totaling ₱12.232 million is unreliable because the water district still carried the remaining turned-over properties by LGU-Toledo City amounting to ₱306,944.00 which could not be located, hence overstating the said account.
2. The reported balance of the Construction in Progress (CIP) account totaling ₱12,119,917.76 as at year-end was not fairly presented because it included completed projects totaling ₱9,465,885.00 which is contrary to Paragraph 15 of the Philippine Accounting Standards (PAS) 1 and COA Circular No. 2020-002 dated January 28, 2020.
3. The Water District provided an Allowance for Impairment - Accounts Receivable (AR) in CY 2022 which is ₱863,314.22 lower than what is required in their impairment policy. This is not in conformity with Philippine Accounting Standards

(PAS) 39, and affects the fair presentation of the AR balance at its estimated realizable value.

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.

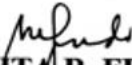

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TCWD's internal control.
- Evaluate the appropriateness of accounting policies 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
State Auditor IV
OIC-Supervising Auditor 

May 16, 2023



TOLEDO CITY WATER DISTRICT

2nd Flr. Terminal Bldg., Baybay I, Poblacion, Toledo City, Cebu

Tel. Nos. (032) 467 8533 / 467 8544 / 467 8388 / 322 6430

Telefax: 0(32) 467 9449

E-mail address: toledocitywd_cebu@yahoo.com.ph

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, 2022**, 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
1/31/2023
Date Signed


Delina L. Delos Reyes
Finance Department Manager
1/31/2023
Date Signed


Edgardo G. Nicolas
General Manager
1/31/2023
Date Signed

TOLEDO CITY WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
CORPORATE FUND
AS AT DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

	Note	2022	2021
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	₱ 7,520,774.48	₱ 7,081,086.19
Receivables	5	18,530,869.66	15,943,667.61
Inventories	6	10,274,698.34	8,090,162.56
Other Current Assets	8	3,920,302.43	5,025,332.88
Total Current Assets		40,246,644.91	36,140,249.24
Non-Current Assets			
Property, Plant and Equipment, Net	7	132,505,884.26	131,168,813.97
Total Non-Current Assets		132,505,884.26	131,168,813.97
TOTAL ASSETS		₱ 172,752,529.17	₱ 167,309,063.21
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	9	₱ 20,384,040.61	₱ 23,736,007.23
Inter-Agency Payables	10	2,229,181.42	1,777,308.12
Trust Liabilities	11	94,308.43	74,308.43
Deferred Credits	12	1,020,553.52	1,699,166.71
Provisions	13	7,101,370.85	5,678,469.56
Other Payables	14	2,457,166.61	520,796.25
Total Current Liabilities		33,286,621.44	33,486,056.30
Non-Current Liabilities			
Financial Liabilities	9	58,895,254.87	52,471,113.54
Total Non-Current Liabilities		58,895,254.87	52,471,113.54
TOTAL LIABILITIES		92,181,876.31	85,957,169.84
EQUITY			
Government Equity		67,536,729.58	67,536,729.58
Retained Earnings/(Deficit)		13,033,923.28	13,815,163.79
TOTAL EQUITY		80,570,652.86	81,351,893.37
TOTAL LIABILITIES AND EQUITY		₱ 172,752,529.17	₱ 167,309,063.21

See accompanying Notes to Financial Statements.

TOLEDO CITY WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

	Note	2022	2021
INCOME			
Service and Business Income	15	₱ 112,320,957.99	₱ 96,289,594.09
Shares, Grant and Donations	15	4,226,104.90	887,985.25
Total Income		116,547,062.89	97,177,579.34
EXPENSES			
Personnel Services	16	46,531,339.70	40,765,245.93
Maintenance and Other Operating Expenses	17	49,941,612.38	38,724,416.99
Financial Expenses	18	4,553,308.57	4,078,572.16
Non-Cash Expenses	19	11,888,755.65	11,324,471.84
Total Expenses		112,915,016.30	94,892,706.92
NET INCOME/(LOSS)		₱ 3,632,046.59	₱ 2,284,872.42

See accompanying Notes to Financial Statements.

TOLEDO CITY WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue	P	1,037,284.04	P 896,403.05
Collection of Receivables		109,934,242.36	90,087,309.72
Receipt of Inter-Agency Fund Transfers		860,578.82	927,373.49
Receipt of Intra-Agency Fund Transfers		6,044,686.19	4,156,425.27
Trust Receipts		1,167,605.43	462,964.00
Other Receipts		545,739.06	399,377.19
Total Cash Inflows		119,590,135.90	96,929,852.72
Adjustments		10,761,245.05	6,541,976.83
Adjusted Cash Inflows		130,351,380.95	103,471,829.55
Cash Outflows			
Payment of Expenses		23,174,220.48	19,160,040.03
Grant of Cash Advances		4,391,586.68	4,599,279.56
Prepayments		955,041.56	1,222,891.79
Payment of Accounts Payable		60,117,369.70	37,597,487.51
Remittance of Personnel Benefit Contributions and Mandatory Deductions		27,350,708.31	25,346,594.21
Release of Intra-Agency Fund Transfers		4,725,176.30	4,706,132.56
Other Disbursements		712,969.71	1,153,065.43
Total Cash Outflows		121,427,072.74	93,785,491.09
Adjustments		9,164,058.99	6,396,452.16
Adjusted Cash Outflows		130,591,131.73	100,181,943.25
Net Cash Provided by (Used in) Operating Activities		(239,750.78)	3,289,886.30
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from Sale/Disposal of Property, Plant and Equipment		108,000.00	-
Total Cash Inflows		108,000.00	-
Adjustments		-	-
Adjusted Cash Inflows		108,000.00	-
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		1,202,231.59	5,314,844.41
Total Cash Outflows		1,202,231.59	5,314,844.41
Net Cash Provided by (Used in) Investing Activities		(1,094,231.59)	(5,314,844.41)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from Domestic and Foreign Loans		9,560,779.00	5,215,000.00
Total Cash Inflows		9,560,779.00	5,215,000.00
Adjusted Cash Inflows		9,560,779.00	5,215,000.00
Cash Outflows			
Payment of Long-Term Liabilities		3,437,984.57	2,199,379.39
Payment of Interest on Loans and Other Financial Charges		4,349,123.77	3,747,912.16
Total Cash Outflows		7,787,108.34	5,947,291.55
Net Cash Provided by (Used in) Financing Activities		1,773,670.66	(732,291.55)
Cash Provided by Operating, Investing and Financing Activities		439,688.29	(2,757,249.66)
Add: Cash and Cash Equivalents, January 1		7,081,086.19	9,838,335.85
CASH AND CASH EQUIVALENTS, DECEMBER 31	P	7,520,774.48	P 7,081,086.19

**TOLEDO CITY WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Retained Earnings/(Deficit)	Contributed Capital	Government Equity	TOTAL
Balance at January 1, 2021	₱ 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
Changes in Equity for the CY 2022				
Add/(Deduct):				
Net Income/(Loss) for the year	3,632,046.59			3,632,046.59
Changes in Accounting Policy	(2,610,476.25)			(2,610,476.25)
Prior Period Errors	(1,802,810.85)			(1,802,810.85)
Other Adjustments				-
Balance at December 31, 2022	₱ 13,033,923.28	₱ -	₱ 67,536,729.58	₱ 80,570,652.86

TOLEDO CITY WATER DISTRICT
Notes to Financial Statements
For the year ended December 31, 2022

1. GENERAL INFORMATION/ENTITY PROFILE

The financial statement of Toledo City Water District (TCWD) was authorized for issue on January 31, 2023 as shown in the Statement of Management's Responsibility for Financial Statements signed by Oscar A. Reyes, Chairman of the Board of Directors.

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 17,333 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.

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 (NRV). Cost is determined using the moving average method. Per COA Circular No. 2022-004 dated May 31, 2022, property, plant and equipment (PPE) with cost below ₱50,000 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 ₱50,000.00 per COA Circular No. 2022-004 dated May 31, 2022 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of accounting*

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

2.2 *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.

2.3 *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.

2.4 *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.

2.5 *Property, Plant and Equipment*

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 ₱50,000.00

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 (5%) 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.

2.6 *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.

2.7 *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.

2.8 *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.

2.9 *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.

2.10 *Borrowing Costs*

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

2.11 *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.

2.12 *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.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2022		2021	
Cash on Hand	₱	462,764.60	₱	359,046.20
Cash in Bank-Local Currency		7,058,009.88		6,722,039.99
Total	₱	7,520,774.48	₱	7,081,086.19

4. RECEIVABLES

Accounts Receivables and Other Receivables

This account consists of the following

	2022	2021
Accounts Receivable	₱ 26,685,492.63	₱ 26,838,057.84
<i>Allowance for Impairment- Accounts Receivable</i>	(15,694,619.92)	(16,319,695.32)
<i>Net Value-Accounts Receivable</i>	10,990,872.71	10,518,362.52
Other Receivables:		
Receivables- Disallowances/Charges	745,141.42	820,249.50
Due from Officers and Employees	0.00	0.00
Due from Non-Government Organization/People's Organization	478,052.95	238,397.73
Other Receivables	6,516,723.32	4,566,578.60
<i>Allowance for Impairment- Other Receivables</i>	(199,920.74)	(199,920.74)
<i>Net Value-Other Receivables</i>	7,539,996.95	5,425,305.09
Total Receivables, net	₱ 18,530,869.66	₱ 15,943,667.61

5.1 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	26,685,492.63	5,324,171.17	826,362.82	1,620,764.84	18,914,193.80

5. INVENTORIES

This account consists of the following:

	2022	2021
Inventory Held for Consumption	₱ 8,090,162.56	₱ 8,010,163.36
Additions/Acquisitions during the year	9,068,011.76	5,895,894.16
Expensed during the year except write-down	(6,883,475.98)	(5,815,894.96)
Total	₱ 10,274,698.34	₱ 8,090,162.56

6. PPE

This account comprises the following:

	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Land Transportation Equipment	Furniture and Fixtures	Leased Assets Improvement	Construction in Progress	Total
As at December 31, 2022									
Carrying Amount, January 1, 2022	₱12,231,616.00	₱99,546,042.60	₱466,877.70	₱5,505,291.99	₱2,908,249.32	₱51,267.82	₱0.00	₱10,459,468.54	₱131,168,813.97
Additions	0.00	1,570,713.15	0.00	1,154,150.24	518,620.00	95,000.00	0.00	14,913,886.65	18,252,370.04
Total	12,231,616.00	101,116,755.75	466,877.70	6,659,442.23	3,426,869.32	146,267.82	0.00	25,373,355.19	149,421,184.01
Cost of Completed Projects	0.00	9,692,929.32	815,068.58	0.00	0.00	186,267.00	781,793.64	(13,253,437.43)	(1,777,378.89)
Reclass/Adjustments:									
Cost	0.00	(10,251,973.72)	(93,186.80)	(4,653,334.46)	(1,243,633.00)	(187,708.00)	0.00	0.00	(16,429,835.98)
Accumulated Depreciation	0.00	6,180,076.23	23,466.75	3,770,899.43	996,807.44	152,089.96	0.00	0.00	11,123,339.81
Impairment Losses	0.00	1,583,382.92	0.00	53,634.49	62,579.58	0.00	0.00	0.00	1,699,596.99
Depreciation	0.00	(7,811,539.00)	(62,168.20)	(1,189,765.06)	(481,103.42)	(4,256.28)	0.00	0.00	(9,548,831.96)
Impairment Loss	0.00	(1,982,189.72)	0.00	0.00	0.00	0.00	0.00	0.00	(1,982,189.72)
Carrying Amount, December 31, 2022 (As per Statement of Financial Position)	12,231,616.00	98,527,441.78	1,150,058.03	4,640,876.63	2,761,519.92	292,660.50	781,793.64	12,119,917.76	132,505,884.26
Gross Cost (Asset Account Balance per Statement of Financial Position)	12,231,616.00	170,399,882.49	1,579,969.28	10,316,822.11	6,536,570.13	418,952.00	781,793.64	12,119,917.76	214,385,523.41
Accumulated Depreciation	0.00	(69,652,189.79)	(429,911.25)	(5,617,877.69)	(3,775,050.21)	(126,291.50)	0.00	0.00	(79,601,320.44)
Accumulated Impairment Loss	0.00	(2,220,250.92)	0.00	(58,067.79)	0.00	0.00	0.00	0.00	(2,278,318.71)
Carrying Amount, December 31, 2022 (As per Statement of Financial Position)	₱12,231,616.00	₱98,527,441.78	₱1,150,058.03	₱4,640,876.63	₱2,761,519.92	₱292,660.50	₱781,793.64	₱12,119,917.76	₱132,505,884.26

	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	0.00	0.00	0.00	0.00	0.00	(139,590.00)	(10,704.00)	(150,294.00)
Accumulated 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, 2020 (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	169,388,213.74	858,087.50	13,816,006.33	7,261,583.13	325,393.00	10,459,468.54	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	₱466,877.70	₱5,505,291.99	₱2,908,249.32	₱51,267.82	₱10,459,468.54	₱131,168,813.97

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.

7. OTHER ASSETS

This account consists of the following:

	2022		2021	
Advances to Officers & Employees	₱	0.00	₱	0.00
Prepayments		0.00		0.00
Deposits		151,698.60		151,698.60
Restricted Funds		3,216,809.26		4,341,698.80
Other Assets		551,794.57		531,935.48
Total	₱	3,920,302.43	₱	5,025,332.88

8. FINANCIAL LIABILITIES

This account consists of the following:

	2022		2021	
<i>Payables</i>				
Accounts Payable	₱	16,454,972.70	₱	20,181,161.93
Due to Officers & Employees		878,791.87		206,372.36
<i>Bills/Bonds/Loans Payable</i>				
Loans Payable-Domestic		3,050,276.04		3,345,472.94
Total Financial Liabilities-Current		20,384,040.61		23,733,007.23
<i>Bills/Bonds/Loans Payable</i>				
Loans Payable –Domestic		58,895,254.87		52,471,113.54
Total Financial Liabilities-Non-Current		58,895,254.87		52,471,113.54
Total Financial Liabilities	₱	79,279,295.48	₱	76,207,120.77

9. INTER-AGENCY PAYABLES

This account consists of the following:

	2022		2021	
Due to BIR	₱	955,962.03	₱	621,240.48
Due to GSIS		1,046,382.84		992,324.97
Due to Pag-IBIG		55,267.79		51,645.57
Due to PhilHealth		92,636.28		54,613.93
Due to Gov't Corporations		78,932.48		57,483.17
Total Inter-Agency Payables	₱	2,229,181.42	₱	1,777,308.12

10. TRUST LIABILITIES

This account consists of the following:

		2022		2021
Guaranty/Security Deposits Payable	₱	43,152.43	₱	43,152.43
Customer Deposits Payable		51,156.00		31,156.00
Total Trust Liabilities	₱	94,308.43	₱	74,308.43

11. DEFERRED CREDITS

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

		2022		2021
Other Deferred Credits	₱	1,020,553.52	₱	1,699,166.71
Other Deferred Credits	₱	1,020,553.52	₱	1,699,166.71

12. PROVISIONS

This account consists of the following:

		2021		2021
Leave Benefits Payable	₱	7,101,370.85	₱	5,678,469.56
Total Provisions	₱	7,101,370.85	₱	5,678,469.56

13. OTHER PAYABLES

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

		2022		2021
Other Payables	₱	2,457,166.61	₱	520,796.25
Total Other Payables	₱	2,457,166.61	₱	520,796.25

14. INCOME

These are the composition of this account:

	2022	2021
Service and Business Income		
Waterworks System Fees	₱ 107,151,958.00	₱ 91,031,366.77
<i>Sales Discounts</i>	0.00	0.00
Interest Income	6,132.50	7,815.84
Fines and Penalties – Business	2,211,334.64	1,776,720.44
Income		
Other Business Income	2,951,532.85	3,473,691.04
Total Service and Business	112,320,957.99	96,289,594.09
Income		
Shares, Grants and Donations		
Income from Grants and		
Donations in Kind	4,226,104.90	887,985.25
Total Shares, Grants and	4,226,104.90	887,985.25
Donations		
Total Income	₱ 116,547,062.89	₱ 97,177,579.34

15. PERSONNEL SERVICES

Comprising this account are the following:

	2022	2021
Salaries & Wages		
Salaries & Wages-Regular	₱ 26,102,832.13	₱ 23,290,005.33
Total Salaries & Wages	26,102,832.13	23,290,005.33
Other Compensation		
Personnel Economic Relief		
Allowance (PERA)	1,976,909.10	1,962,000.00
Representation Allowance (RA)	757,750.00	698,250.00
Transportation Allowance (TA)	757,750.00	698,250.00
Clothing/Uniform Allowance	492,000.00	492,499.87
Hazard Pay	0.00	0.00
Honoraria	37,000.00	44,500.00
Longevity Pay	15,000.00	80,000.00
Overtime and Night Pay	569,032.90	679,721.25
Year End Bonus	2,448,950.00	2,116,750.60
Cash Gift	415,500.00	419,250.00
Other Bonuses and Allowances	4,572,572.00	3,270,290.00
Total Other Compensation	12,042,464.00	10,461,511.72

	2022	2021
Personnel Benefits Contribution		
Retirement and Life Insurance	3,221,392.20	2,843,273.61
Premium		
PAG-IBIG Contributions	98,800.00	96,900.00
PhilHealth Contributions	522,561.80	318,701.65
Employees Compensation Insurance		
Premium	97,600.00	96,300.00
Provident Fund/Welfare Fund	0.00	0.00
Contribution		
Total Personnel Benefits		
Contributions	3,940,354.00	3,355,175.26
Other Personnel Benefits		
Terminal Leave Benefits	4,445,689.57	3,658,553.62
Total Other Personnel Benefits	4,445,689.57	3,658,553.62
Total Personnel Services	₱ 46,531,339.70	₱ 40,765,245.93

16. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of the following expenses:

	2022	2021
Total Traveling Expenses	₱ 244,839.00	₱ 44,010.00
Total Training and Scholarship Expenses	282,791.55	195,952.35
Supplies and Materials Expenses		
Office Supplies Expenses	324,336.36	275,329.18
Medical, Dental and Lab. Supplies Exp.	12,264.00	3,700.00
Fuel, Oil and Lubricants Expenses	1,246,544.63	749,854.32
Chemical & Filtering Supplies Expenses	1,012,538.32	1,224,740.00
Other Supplies & Materials Expenses	60,981.00	52,014.11
Total Supplies and Materials Expenses	2,656,664.31	2,305,637.61
Utility Expenses		
Water Expenses	7,452.95	50,944.40
Electricity Expenses	519,572.97	402,582.07
Total Utility Expenses	527,025.92	453,526.47
Communication Expenses		
Postage and Courier Services	4,100.00	4,365.00
Telephone Expenses	260,499.04	263,075.35
Internet Subscription Expenses	141,478.04	138,051.34
Total Communication Expenses	406,077.08	405,491.69
Total Awards/ Rewards, Prizes and Indemnities	316,029.00	26,100.00
Survey, Research, Exploration and Development Expenses		
Survey Expenses	198,356.99	59,600.00

	2022	2021
Research, Exploration, and Development Exp.	350,000.00	440,160.00
Total Survey, Research, Exploration and Development Expenses	548,356.99	499,760.00
Total Generation, Transmission and Distribution Expenses	32,867,850.54	24,022,880.49
Total Extraordinary and Miscellaneous Expenses	798,377.49	927,771.15
Professional Services		
Legal Services	189,473.65	180,000.00
Auditing Services	380,000.00	0.00
Other Professional Services	65,000.00	60,000.00
Total Professional Services	634,473.65	240,000.00
General Services		
Janitorial Services	41,641.82	0.00
Security Services	745,347.14	826,156.07
Total General Services	786,988.96	826,156.07
Repairs and Maintenance		
Repairs and Maintenance-Infrastructure	4,662,293.11	2,750,844.91
Repairs and Maintenance-Buildings and Other Structures	152,207.50	338,335.00
Repairs and Maintenance-Machinery and Equipment	615,238.07	259,089.32
Repairs and Maintenance-Transportation Equipment	363,298.91	191,500.92
Repairs & Maintenance-Furniture & Fixtures	78,687.00	30,263.00
Total Repairs and Maintenance	5,871,724.59	3,570,033.15
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	917,613.74	1,856,319.04
Fidelity Bond Premiums	36,450.00	0.00
Insurance Expense	211,706.05	240,441.21
Total Taxes, Insurance Premiums & Other Fees	1,165,769.79	2,096,760.25
Labor and Wages		
Labor and Wages	438,356.79	600,349.57
Total Labor and Wages	438,356.79	600,349.57
Total Member's Benefits		0.00
Other Maintenance and Operating Expenses		
Advertising, Promotional and Marketing Expenses	0.00	6,517.91
Printing and Publication Expenses	5,420.00	11,930.00
Representation Expenses	158,721.81	29,182.00
Rent/Lease Expenses	1,379,296.66	1,591,742.21

	2022	2021
Membership Dues and Other Contributions to Organization	19,820.00	18,917.00
Donations	0.00	49,048.10
Director's and Committee Member's Fee	658,008.00	662,448.00
Other Maintenance & Operating Expense	175,020.25	140,202.97
Total Other Maintenance and Operating Expenses	2,396,286.72	2,509,988.19
Total Maintenance and Other Operating Expenses	₱ 49,941,612.38	₱ 38,724,416.99

17. FINANCIAL EXPENSES

This account is composed of the following:

	2022	2021
Interest Expenses	₱ 4,539,708.57	₱ 4,074,362.16
Bank Charges	13,600.00	4,210.00
Other Financial Charges	0.00	0.00
Total Financial Expenses	₱ 4,553,308.57	₱ 4,078,572.16

18. NON-CASH EXPENSES

This account is composed of the following expenses:

	2022	2021
Depreciation		
Depreciation-Infrastructure Assets	₱ 7,811,539.00	₱ 8,039,831.71
Depreciation-Buildings & Other Structures	62,168.20	64,231.80
Depreciation-Machinery & Equipment	1,189,765.06	1,100,656.80
Depreciation-Transportation Equipment	481,103.42	346,782.42
Depreciation- Furniture, Fixtures & Books	4,256.28	2,821.92
Total Depreciation Expense	9,548,831.96	9,554,324.65
Impairment Loss		
Impairment Loss-Receivables	129,123.82	150,019.88
Impairment Loss-PPE	1,982,189.72	1,616,611.08
Total Impairment Loss	2,111,313.54	1,766,630.96

	2022	2021
Total Losses	223,506.31	0.00
Discounts and Rebates		
Other Discounts	5,103.84	3,516.23
Total Discounts	5,103.84	3,516.23
Total Non-Cash Expenses	₱ 11,888,755.65	₱ 11,324,471.84

19. PRIOR PERIOD AND OTHER ADJUSTMENTS

Toledo City Water District has determined the following errors.

Description of Prior Period Errors	2022	2021
Billing Adjustments	(208,157.92)	(1,542.20)
Grants & Donations Adjustments	2,661,733.96	0.00
Expense Adjustments	(4,256,386.89)	(146,232.64)
Changes in Accounting Policy	(2,610,476.25)	0.00
Other Adjustments	0.00	90,691.07
Total	(₱ 4,413,287.10)	(₱ 57,083.77)

20. RELATED PARTY TRANSACTIONS

21.1 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, 2022.

21.2 Key Management Personnel Compensation

Particulars	Aggregate Remuneration
Salaries & Wages	₱ 10,732,062.10
Other Compensation	4,569,847.00
Personnel Benefit Contributions	1,167,689.39
Other Personnel Benefits	1,293,017.62
Total	₱17,762,616.11

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

AUDIT OBSERVATIONS AND RECOMMENDATIONS

Financial Audit

1. **The recorded balance of the Land and Land Improvement account as at December 31, 2022 totaling ₱12.232 million is unreliable because the water district still carried the remaining turned-over properties by LGU-Toledo City amounting to ₱306,944.00 which could not be located, hence overstating the said account.**

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 Financial Statements of TCWD as at December 31, 2022 showed the total cost of the Land and Land Improvement account totaling ₱12,231,616.00. Review of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as at December 31, 2022 disclosed that ₱306,944.00 recorded as Land and Land Improvements accounts, remained unlocated during the physical count. These pertain to the remaining 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. Although reported as “Unlocated”, these properties are recorded in the books of TCWD.

This matter has been brought to the attention of the Management in the previous Annual Audit Reports (AARs) and reiterated in this year’s audit, as it affects the fair presentation of the Water District’s financial statements for the year ended December 31, 2022.

The previous AAR showed that the total amount of unlocated properties transferred to the Water District by LGU-Toledo City amounted to ₱26,273,250.92. Bulk of these properties

have been identified/classified as transmission and distribution lines and are included in the Infrastructure Assets account. Only the remaining ₱306,944.00 are still not seen or located.

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 nonexisting/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 recommended that Management exert sustained efforts to locate/trace the remaining unlocated properties, 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:

The Management explained that this pertains to the cost of lots which are included in the Toledo City LGU turned-over assets in 2002 with no valid supporting documents. The TCWD Management will request for COA authority for the derecognition of these properties by complying with the documentary requirements under COA Circular 2020-06 dated January 13, 2020.

2. The reported balance of the Construction in Progress (CIP) account totaling ₱12,119,917.76 as at year-end was not fairly presented because it included completed projects totaling ₱9,465,885.00 which is contrary to Paragraph 15 of the PAS 1 and COA Circular No. 2020-002 dated January 28, 2020.

Paragraph 15 of the PAS 1 provides for the fair presentation and compliance with IFRSs.

The Revised Chart of Accounts issued under Annex C of COA Circular No. 2020-002 dated January 28, 2020 provides for the description of the following CIP accounts:

Account Number / Normal Balance	Account Title / Account Description
10698020 / Debit	Construction in Progress – Infrastructure Assets This account is debited to recognize the accumulated cost or other appropriate value of infrastructure assets <u>which are still in the process of construction or acquisition</u> . This account is credited upon reclassification to the appropriate infrastructure assets account <u>upon completion, and/or adjustments</u> .
10698030 / Debit	Construction in Progress – Buildings and Other Structures This account is debited to recognize the accumulated cost or other appropriate value of buildings and other structures <u>which are still in the process of construction or development</u> . This account is credited upon classification to the appropriate buildings and other structures account <u>upon completion, and/or adjustments</u> . (Underscoring ours).

Review of the CIP account balances as reflected in the Water District’s financial statements and the quarterly report on government projects/programs/activities as at December 31, 2022 disclosed the inclusion of completed projects totaling ₱9,465,885.00. These were not yet transferred/reclassified to the appropriate Property, Plant and Equipment (PPE) account, as follows:

Table 1- Completed projects that are still booked under the CIP account

Project Name	Date Completed	Total Cost
Well Construction at Sitio Avocado, Brgy Dumlog	April 20, 2022	₱ 1,428,600.00
Well Construction at Brgy Sam-ang	April 20, 2022	1,955,490.00
Distribution Pipe at Sangi	November 14, 2022	1,630,844.96
Pro-poor Project Phase 2- South Section (Brgy.Ibo to Brgy. Awihao)	September 20, 2022	4,450,950.04
Total		₱ 9,465,885.00

Our inquiry revealed that the projects listed above are already paid and used in the operations; and the certificates of completion were already issued for these projects. Hence, these should have been reclassified to its appropriate PPE accounts.

However, the accounting department deferred the reclassification because the above first three (3) projects are part of the ₱25 million loan of the water district from LWUA. But only ₱12 million was released to TCWD as of year-end. They are still waiting for the release of the remaining loan balance to start/complete the other projects and decided that adjustments/reclassification be made at once upon completion of all the related projects.

Paragraph 55 of PAS 16 provides that, “Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.”

We would like to point out that construction projects which have been completed and already used should be charged with depreciation expense the month following its completion date. Thus, with this omission, the depreciation expenses for CY 2022 had been understated, causing an overstatement in the reported income. The CIP account as of December 31, 2022 is overstated by ₱9,465,885.00, while the appropriate Property, Plant and Equipment (PPE) accounts are understated by the same amount.

We recommended and Management agreed to require the Accounting Department to draw the Journal Entry Voucher for the reclassification of the completed projects from the CIP account to the appropriate PPE account/s. Thereafter, require the computation of the monthly depreciation expense.

- 3. The Water District provided an Allowance for Impairment - Accounts Receivable (AR) in CY 2022 which is ₱863,314.22 lower than what was required in their impairment policy. This is not in conformity with PAS 39, which affects the fair presentation of the AR balance at its estimated realizable value.**

The following are relevant provisions of PAS 39 on Financial Instruments:

“Par.58. An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.

Par. 59. A financial asset or a group of financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Xxxx ... Objective evidence that a financial asset or group of assets is impaired includes

observable data that comes to the attention of the holder of the asset about the following loss events:

- a. Significant financial difficulty of the issuer or obligor
- f. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of the assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - i. Adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments...)
 - ii. Xxx

Par. 63. Xxx.... The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the profit or loss.”

Board Resolution No. 93-2022 was issued providing the computation of allowance for doubtful accounts based on the aging of the accounts, as follows:

Age of Account	Percentage (%)
AR Customers: (Active Accounts)	
1 – 90 days	1
91 days – 1 year	5
Over 1 year – 2 years	25
Over 2 years – 3 years	30
Over 3 years and onwards	40
Inactive Accounts	90
AR – Local Government Unit (LGU)	90

The financial statements of TCWD showed AR balance as at December 31, 2022 totaling ₱26,685,492.63. Based on the approved impairment policy, TCWD should have a ₱16,557,934.14 balance on its Allowance for Impairment–AR as of December 31, 2022, composed of: ₱10,694,940.75 for AR Customers; and ₱5,862,993.39 for AR-LGU. However, the Subsidiary Ledgers (SL) show that only ₱129,123.82 was set up as additional allowance for impairment for AR-Customers for CY 2022, resulting in the total year-end balance of only ₱15,694,619.92, which is lower by ₱863,314.22 than the total allowance that should have been set up as at year-end. The allowance for impairment was derived by multiplying the AR balances at year-end by the corresponding percentages provided in the Water District’s Impairment Policy. The details of the computation are shown below:

Table 2 Computation of Allowance for Impairment – AR as of December 31, 2022

Age of Accounts Receivable	Percentage (%)	AR Balances	Allowance for Impairment – AR (Should Be) [c] (a*b)	Allowance for Impairment – AR Balance (SL) [d]	Variance (c-d)
	[a]	[b]			
AR- Customers (Active Accounts):					
1 – 90 days	1	5,099,925.45	50,999.25		
91 days – 1 year	5	665,185.70	33,259.29		
Over 1 year – 2 years	25	1,131,584.46	282,896.12		
Over 2 years – 3 years	30	218,893.53	65,668.06		
Over 3 years & onwards	40	2,975,603.45	1,190,241.38		
AR- Customers (Inactive Accounts)	90	10,079,862.94	9,071,876.65		
Total AR – Customers		20,171,055.53	10,694,940.75	9,831,626.53	863,314.22
LGU (Active & Inactive)	90	6,514,437.10	5,862,993.39	5,862,993.39	0.00
TOTAL		₱ 26,685,492.63	₱ 16,557,934.14	₱ 15,694,619.92	863,314.22

Further verification revealed that TCWD used the rates for the active customer accounts, instead of applying the required 90% for all inactive accounts. Consequently, the recorded Allowance for Impairment is ₱863,314.22 lower than what should have been if 90% was used, as required in their impairment policy.

Hence, the water district’s Impairment Loss account and the Allowance for Impairment – Accounts Receivable account for CY 2022 are understated by ₱863,314.22. Thereby, overstating the income and asset accounts by the same amount, which is contrary to the provisions for the impairment and uncollectibility of financial assets as required in PAS 39, and the fair presentation of the financial statements.

We recommended and Management agreed to observe and implement the allowance set in its Impairment Policy to fairly present the AR balance at its realizable value, in conformity with PAS 39.

Compliance Audit

4. **Several Accounts Receivable (AR) totaling ₱15,274,517.21 or 57.24 percent of the total as at December 31, 2022 were due and inactive. This is an indication of low collection efficiency, which is not in keeping with Section 2 of Presidential Decree (PD) No. 1445. Thus, depriving the Water District of additional funds that could help sustain its operations.**

Section 2 of PD 1445 provides that, “It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.”

Review of the TCWD’s Aging of AR disclosed that the Water District has a total active accounts of only ₱11,410,975.42 or 42.76 percent of the total accounts receivable as at December 31, 2022. The details are as follows:

Table 3 Aging of AR for CY 2022

Age of Account	Active (a)	Inactive (b)	AR as of December 31, 2022 (c)
AR – Customers:			
1-90 days	₱ 5,099,925.45	₱ 224,245.72	₱ 5,324,171.17
91 days – 1 year	665,185.70	161,177.12	826,362.82
Over 1 – 2 years	1,131,584.46	489,180.38	1,620,764.84
Over 2 – 3 years	218,893.53	347,946.20	566,839.73
Over 3 years	2,975,603.45	8,857,313.52	11,832,916.97
AR – Local Government Unit (LGU)	1,319,782.83	5,194,654.27	6,514,437.10
Total	₱ 11,410,975.42	₱ 15,274,517.21	₱ 26,685,492.63
	42.76% (a/c)	57.24% (b/c)	100.00% (a+b)

The table above shows a substantial amount of overdue accounts which have been inactive for several years already. The inactive accounts totaled ₱15,274,517.21 or 57.24 percent of the total AR as at December 31, 2022. These accounts represent the unpaid water bills of several concessionaires whose water services were already disconnected.

Our inquiry with the Division Manager B of the Commercial Services Department revealed that it was only in CY 2019 when demand letters were sent to inactive accounts.

The presence of high percentage of inactive accounts is an indication that the Management has yet to exert full efforts to collect all its receivables. Non-collection of the receivables foregoes the opportunity to realize additional funds that could help sustain the operations of the Water District.

We recommended for Management to exert extra effort to intensify the collections and formulate strategies to address the problem of collection/reduction of overdue and inactive accounts. Further, send demand letters periodically and file appropriate legal action, if necessary, against these consumers with overdue and inactive accounts to enforce collections.

Management's Comment:

Management commented that before the COVID 19 pandemic, demand letters were sent out to disconnected/inactive accounts. It was supposed to resume in 2022 but due to typhoon ODETTE in December 2021, it was not materialized. With the approval of the management, sending of collection/demand letters will be continued as soon as possible. Furthermore, they have an on-going corrections and negotiations to active accounts with unpaid arrears. Management will continue to take appropriate action to collect/reduce the accounts with overdue/arrears.

For the Accounts Receivable turned-over by LGU in 2002 which are inactive for more than 10 years and which have not been verified due to lack of supporting documents, Management will request for the write off and comply with the requirements of COA Circular No. 2016-005 dated December 19, 2016.

- 5. Disbursements for goods and other expenses amounting to ₱266,279.20 were made thru reimbursement instead of payment by checks to the suppliers, contrary to Section 172 of the Government Accounting and Auditing Manual (GAAM), Volume I and the provisions of 2016 Revised Implementing Rules and Regulations (RIRR) of R.A. No. 9184. As a result, the efficiency and economy in the procurement process could not be ensured. Further, the government was at a loss since taxable transactions were not subjected to the withholding of appropriate taxes, due to the improper disbursement procedure.**

Section 172 of the GAAM, Volume I states that:

“General Principles – Ideally, cash should be handled under the general principles of the imprest system, to wit:

- a. xxx
- b. All payments must be made by check
- c. Only payments in small amounts maybe through the petty cash fund xxx.”

Pertinent provisions of the 2016 RIRR of R.A. No. 9184 are as follows:

“Section 7.1. All procurement shall be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity. Consistent with government fiscal discipline measures, only those considered crucial to the efficient discharge of governmental functions shall be included in the Annual Procurement Plan (APP).

Section 10. All procurement shall be done through competitive bidding, except as provided in Article XVI of this IRR

Section 48.1. Subject to the approval of the Head of the Procuring Entity, and whenever justified by the conditions provided in this Act, the procuring entity may resort to any of the alternative methods of procurement provided in this rule.”

Post-audit of the selected transactions of the Water District for CY 2022 showed that various purchases totaling ₱266,279.20 were paid thru reimbursement to the employees. These payments are summarized in **Annex A**. The Agency’s practice of procuring of goods and services seemed to be in emergency mode as suppliers were paid immediately upon purchase due to the availability of cash, ignoring the proper procurement procedures.

Management explained that these items or materials were needed for the immediate needs of the office and facilities, like repairs, replacement of defective or damaged items, equipment for the newly hired personnel when there’s no extra equipment available, equipment for the newly rented Customer Inter-Action Center and goods that are only available for on-line purchase using credit or debit cards.

We would like to remind Management that the items were included in their CY 2022 Annual Procurement Plan (APP). Because these were included in the APP/PPMP, there is no reason for them to buy in reimbursement basis, since these have been planned.

Moreover, reimbursement is not one of the modes of procurement provided in the 2016 RIRR of R.A. No. 9184. Thus, efficiency and economy in the procurement of goods and services was not ensured.

Further, payments of goods and services thru reimbursement prevented the Water District from withholding the appropriate taxes. Revenue Memorandum Order No. 23-2014 dated June 20, 2014 provides that all government offices including government-owned or controlled corporations xxx are constituted as withholding agents for purposes of the creditable tax required to be withheld on the following:.

- Income payments to its local/resident supplier of goods and local/resident supplier of services other than those covered by other rates of withholding tax. –

Supplier of goods - One percent (1%)
Supplier of services - Two percent (2%)

- On withholding of goods and services from VAT registered suppliers/payees – Five percent (5%) of the gross payment
- On purchases of goods and services from Non-VAT registered suppliers/payees – Three percent (3%) of the gross payment

The withholding of taxes and subsequent remittance to the BIR could ensure the collection of additional sources of revenue for the national government to fund its various projects.

We recommended and Management agreed to:

- 1. Discontinue the procurement of goods and services thru reimbursement; and to pay the same through check, to avoid suspension and/or disallowance, as the case may be. Transactions which cannot be paid practically in check may be paid using the petty cash fund, where applicable. The BAC shall resort to public bidding; and alternative modes of procurement, where applicable, based on the approved annual procurement plan, as required under the RIRR of RA 9184; and**
- 2. Instruct the Cashier, as the Agency’s withholding agent, to withhold the appropriate taxes for all procured goods and services, to ensure that the government would get what is due to it.**

6. **Parcels of land acquired by TCWD with a total cost of ₱1.425 million are still not transferred/titled in the name of the Water District. This condition is contrary to Section 39(2) of PD No. 1445. Hence, ownership of these lots is not safeguarded and poses the risk of adverse claims from third parties.**

The examination and audit of assets includes ascertaining their existence, ownership and valuation as well as evaluating the adequacy of controls over the account, among others, pursuant to Section 58 of PD No. 1445.

Lots purchased should be evidenced by pertinent Transfer Certificate of Titles (TCTs) pursuant to Section 39(2) of PD No. 1445 which states that “In the case of deeds to property purchased by any government agency, the Commission shall require a certificate of title entered in favor of the government or other evidence satisfactory to it that the title is in the government.”

Our examination of the Land account disclosed that parcels of land purchased by the water district with a total cost of ₱1,425,200.00 were not yet registered/titled under the name of TCWD as of December 31, 2022. The details are as follows:

Item No.	Date Acquired	Location / Purpose	Lot No.	Area (in sq. meters)	Acquisition Cost
1	04.11.2012	Tubod, Toledo / Tubod 2 Deepwell	Psd-07-041903 Portion of Lot No.772-B	382	382,000.00
2	03.31.2014	Sitio Tunnel, Brgy. Poblacion Toledo / Tunnel Deepwell	905-A of Sub. Plan Bsd - 07-069249	79	276,500.00
3	03.31.2014	Sitio Tunnel, Brgy. Poblacion Toledo / Tunnel Deepwell	905-C of Sub. Plan Bsd - 07-069249	59	206,500.00
4	06.11.2014	Sitio Tunnel, Brgy. Poblacion Toledo / Tunnel Deepwell	905-C of Sub. Plan Bsd -07-009249	39	136,500.00
5	12.08.2014	Tubod, Toledo / Tubod 1 Deepwell	771	289	375,700.00
6	11.27.2015	Portion of Lot 2-A-1 Psd 07-079682 located at Brgy. Media Once, Toledo /construction of surge tank	Portion only	16	48,000.00
		TOTAL			₱1,425,200.00

The above lots are recorded in the books of the water district but titles are not yet transferred to the name of TCWD. Our inquiry revealed that Item No. 1 needs to be specifically traced since it is a portion of Lot No. 772-B. Tax Declaration for Item No. 2 is under TCWD's name, however, the WD is still waiting for the owner to provide subdivision plan. For Items 3, 4 & 5 the Certificates Authorizing Registration (CARs) are available. Per Management's status update, TCWD cannot transfer portion of a Certificate of Land Ownership Award (CLOA)-titled lot, per Department of Agrarian Reform (DAR). For Item No. 6, the owner is deceased with no heirs and relatives cannot provide the original title.

Ownership over parcels of land becomes unassailable only when it is evidenced by an Original Certificate of Title (OCT) or a Transfer Certificate of Title (TCT). The absence of the titles (TCTs) on the purchased lots may pose problems on absolute ownership which can safeguard the water district's interest from any untoward action that the seller may do in the future.

We recommended and Management agreed to fast track the titling of all the parcels of land acquired by the Water District to protect its interests and to avoid legal conflicts.

7. TCWD did not prepare a Septage Management Plan (SMP) as required by PD No. 198 and RA No. 9275, depriving its concessionaires of a sound waste water treatment and disposal system.

PD No. 198 dated May 25, 1973 or Provincial Water Utilities Act of 1973, as amended by PD No. 768 and 1479; and RA No. 9286, provide for the creation, operation, maintenance and expansion of reliable and economically viable and sound water supply and wastewater disposal system for population centers of the Philippines as a national policy of high priority.

Section 5 of PD 198 provides that, Local Water Districts may be formed with the following purpose:

- a) acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such districts,
- b) providing, maintaining and operating wastewater collection, treatment and disposal facilities, and**
- c) conducting such functions and operations incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose. (Emphasis supplied)

Moreover, RA q9275 also known as the Philippine Clean Water Act of 2004 and approved on March 22, 2004 provides for a comprehensive water quality management in line

with the State's policy of economic growth in a manner consistent with the protection, preservation and revival of the quality of our fresh, brackish and marine waters.

The Department of Health (DOH), in coordination with other government agencies, shall formulate guidelines and standards for the collection, treatment and disposal of sewage including guidelines for the establishment and operation of centralized sewage treatment system.

Section 8.6 of the Implementing Rules and Regulations (IRR) of the Philippine Clean Water Act of 2004 provides that:

8.6 Role of Water Supply Utilities. In the case of HUCs, non-HUCs and LGUs where water districts, water utilities and LGU water works have already been constituted and operational, **the water supply utility provider shall be responsible for the sewerage facilities and the main lines pursuant to PD 198** and other relative laws. In areas where there are no existing facilities, the LGUs, water districts or water utilities may adopt septage management program or other sanitation alternatives.

Despite the above laws, the water district has not yet prepared its SMP. As per inquiry with the Division Manager of the Finance Services Department, TCWD is not yet capable to implement such program since this requires a substantial amount of investment. Therefore, they are dependent on the LGU if this program will be implemented or not. Further inquiry revealed that the water district has mentioned this verbally to the LGU. Allegedly, the latter did not show interest.

The absence of proper septage management may result in waste water being discharged by different households and commercial establishments to leak and flow to our river systems and ultimately contaminate the water supply system, which is detrimental to public health and the environment.

We recommended that Management prepare a concrete SMP as required by the above-mentioned laws, to address wastewater and sanitation concerns of the concessionaires. We also recommended for Management to regularly coordinate and propose a written formal program to the LGU of Toledo City, on the necessity and importance of the SMP in the improvement of water quality, sanitation and public health conditions.

Management's Comment:

The Management commented regarding the above observation and recommendation, as follows:

1. Septage Management Plan will be irrelevant if not implemented and execution of the SMP requires intensive capitalization to build the necessary infrastructure. Taking into consideration that TCWD is **financially challenged**, the priority of the management is to focus its available resources to improve the efficiency of the water system operations which requires hefty investment.
 2. Apparently, the SMP implementation will require regulation and ordinance from the local government to sustain. The LGU has the financial capacity to implement the SMP since they are also mandated by law. Hence, TCWD is looking forward to collaborating with the LGU in the implementation of the SMP. TCWD initiated meeting with the city government for the possible partnership however, SMP is seemingly the least of the LGU priority for now.
 3. Based on the above premises, the viability of the TCWD SMP is contingent to the LGU SMP implementation.
- 8. The Water District consistently exceeded the maximum acceptable level of 20 percent of the Non-Revenue Water (NRW) for CY 2022, contrary to Local Water Utilities Administration (LWUA) Board Resolution No. 444, series 2009 as amended, resulting in an estimated forgone revenue from water sales amounting to ₱18,215,540.00 and a significant reduction in water distribution efficiency.**

The LWUA Board of Trustees Resolution No. 444, series of 2009, approved the reduction of the maximum acceptable NRW from the existing 25 percent to 20 percent, 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 the need for Water District to reduce the NRW in order to enhance its operational efficiency and improve its financial viability.

The NRW 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.

Verification of the Monthly Data Sheet (MDS) of TCWD showed that, from January to December of CY 2022, the Water District consistently exceeded the 20 percent maximum acceptable level of NRW as set under LWUA Board Resolution No. 444, series 2009 as amended, the details are shown in **Annex B**.

It can be gleaned in Annex B that the water production of TCWD reached 6,260,423 cubic meters (cu.m.) for the whole year of CY 2022, of which 4,097,561 cu.m. or an average of 65.45 percent were billed to customers. As a result, TCWD had a total NRW of 2,162,862 cu.m. for the year 2022 or an average of 34.55 percent, equivalent to an estimated unnecessary expense of ₱8,261,537.12.

TCWD previously commented that they are waiting for the completion of the DPWH project in Poblacion, Toledo City that will significantly reduce their NRW. However, to date, this project is not yet completed.

Further inquiry disclosed that for CY 2022, the water district was not able to implement major projects to address the reduction of NRW. Management believes that the high NRW can be attributed to the leakages from the old main distribution lines, which in some instances, they considered shutting down water pumps at night. However, the NRW for CY 2022 still increased by 264,868 cu.m. or 2.80 percent as compared to CY 2021, despite the remedy done by TCWD. The details are shown below:

	2021	2022	Remarks
a. Water Production (in cu.m.)	5,977,903	6,260,423	
b. Total Billed (in cu.m.)	4,079,909	4,097,561	
c. Non-Revenue Water [a-b]	1,897,994	2,162,862	Increased by 264,868 cu.m.
d. Percentage of NRW [c-a]	31.75%	34.55%	Increased by 2.80%
e. Maximum Acceptable Level [20% * a]	1,195,581	1,252,085	
f. Excess of NRW over maximum acceptable level [c-e]	702,413	910,777	
g. Water Sales Revenue	₱10,957,642.80	₱18,215,540.00	
<i>used the minimum water rates applicable for residential</i>	@ ₱156/10cu.m. [₱15.60 * f]	@ ₱200/10cu.m. [₱20.00 * f]	

Had TCWD sold the excess of NRW over maximum acceptable level for CY 2022 totaling 910,777 cu.m at ₱200.00 per 10 cu.m., the minimum rate applicable for residential, the water district could have earned additional revenue from water sales amounting to

₱18,215,540.00. This additional revenue could have been used to fund other programs/activities that would help TCWD serve its concessionaires better.

It is also important to emphasize that although the LWUA has prescribed a 20 percent maximum acceptable level of NRW, still these are considered losses of TCWD which could greatly affect its operational efficiency and financial viability.

To generate additional revenue and improve efficiency of water distribution to concessionaires, we recommended that Management conduct further investigation/assessment for the main cause/s of the high level of NRW and implement projects/activities that will effectively and efficiently address the reduction of NRW.

Management's Comment:

Management explained that:

1. Majority of the water losses is due to pipeline leakage. The pipelines laid particularly in the Central Section are already more than 60 years old and it is a substantial threat to our water system. In spite of the potential benefits, NRW reduction is not a simple matter to implement and this is the most important reason why the Water District was not able to address for so many years.
2. Maintaining pipeline network integrity and protecting against leaks and malicious theft are the biggest priorities of TCWD to reduce non-revenue water. The recent approved LBP loan will help us financially in implementing the major NRW Reduction Capital Expenditure (CAPEX) programs.

Gender and Development (GAD)

TCWD submitted their CY 2022 GAD Plan and Budget and Accomplishment Report to LWUA. The budget allocation of TCWD for GAD programs, projects and activities for CY 2022 was ₱7,777,800.00 or about 5.27 percent of the total budget of ₱147,524,411.44. However, the utilization of the GAD budget was only ₱6,904,637.98 or 88.77 percent.

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	₱ 464,371.98
1601-C	Withholding Tax –Compensation	2,173,090.67
1600	VAT	2,505,663.94
2551-M	Franchise Tax	1,882,765.24
Total		₱ 7,025,891.83

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 2022:

Transactions Covered by the Remittance	Amount
GSIS Life and Retirement Premiums (Government Share)	₱3,179,052.72
GSIS Life and Retirement Premiums (Personal Share)	2,384,319.54
GFAL	3,057,573.36
Consolidated Loan Repayments	674,826.00
Multi-Purpose Loan	1,548,395.58
Emergency Loan	546,796.15
Computer Loan	207,482.63
Employees Compensation Contributions	97,500.00
Policy Loan	27,200.00
Educational Assistance Loan	17,116.93
Total	₱11,740,262.91

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, 2022:

Particulars	Balance Dec. 31, 2021	Issued and Settled During the Year 2022		Balance Dec. 31, 2022
		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

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We followed up the actions taken by Management on the implementation of the 19 prior years' audit recommendations and noted that 3 audit findings were merged with the same findings in CYs 2016, 2017, 2019, 2020 and 2021 reports, 3 were fully implemented, 6 were partially implemented, and 7 were not implemented and as at December 31, 2022. 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>
<p>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.</p>	<p>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.</p> <p>If no documents can be found, we recommended for Management to request for authority from</p>	<p>CYs 2021, 2020, 2019 and 2017 AAR</p>	<p>For compliance of the One-Time Cleansing of PPE accounts as per COA guidelines.</p>	<p>Partially Implemented</p> <p>Properties totaling ₱306,944.00 remained unlocated as of December 31, 2022.</p> <p>Not Implemented</p> <p>Reiterated in this year's audit report</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
	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.			
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	We recommended that the TCWD implement 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.	CY 2021	Management has already prepared the Emergency Response Plan as of December 31, 2022.	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>
(RA) No. 10121.				
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.	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.	CY 2021	Management already used the prescribed forms as stated in the DBM CBC No. 22 based on the submitted copy of their COB.	Fully Implemented The submitted COB for CY 2022 used the prescribed forms as per DBM Memorandum.
4. The percentage of Non-Revenue Water (NRW) to total water production of TCWD is 31.75% for CY 2021 which is	We recommended that Management implement additional preventive measures to reduce the NRW rate to the acceptable maximum level of	CYs 2021, 2019 2017 2016 AAR	Management did not have an adequate funding to implement major NRW capital expenditure (Capex) projects. Moreover, their compliance with	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>
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.	20% and accordingly prevent further revenue losses. Once funds are available, TCWD must immediately implement the repair or re-piping of the old pipelines.		the documentary requirements for the release of LWUA clearance for the application for loan from the Landbank of the Philippines is still on-going. The proceeds of the loan will be used to fund the major NRW capex projects.	
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.	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.	CYs 2021, 2020 and 2017 AAR	Six of the 83 employees still had a net take-home pay below the statutory requirement of ₱5,000.00.	Partially Implemented There are still employees with net take home pay below the statutory requirement of ₱5,000.00 per month.
6. The results of the physical count of inventories	We recommended and Management agreed to direct the Property and	CYs 2020 and	The report for the remaining shortage was not yet submitted to	Not Implemented The Audit Team is still waiting for the

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
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.	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.	2019 AAR	Accounting as of December 31, 2022.	submission of the report on the remaining shortages for evaluation.
7. 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	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	CYs 2020 and 2016 AAR	The disposal of the unserviceable properties was recorded per books on August 31, 2022.	Fully Implemented The disposal was recorded per JEV No. 22-08-0821 dated 08/31/2022.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
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.	derecognize these from the books of the Water District.			
8. 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		Not Implemented Management has not secured the approval from the DBM as of December 31, 2022.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
	oversight agencies prior to initiating its procurement.			
9. 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 Item 4.3 of DBM Budget Circular No. 2020-01 dated March 24, 2020.	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	Management continues to collect thru payroll deduction from the accountable officers. As of Dec 31, 2022, the remaining unreturned balance is ₱11,250.00.	Partially Implemented Not yet fully refunded as of December 31, 2022.
10. The TCWD's GAD Plan and Budget (GPB) for CY 2020 was formulated without conducting a review of sex-disaggregated	We recommended and Management agreed to fully implement the activities identified in their GPB in order to achieve its objectives.	CY 2020 AAR	An on-going survey is conducted for the potential beneficiaries of Phase 2 of the Pro-Poor Project. Management is yet to implement	Partially Implemented The utilization of the CY 2022 GAD budget was ₱6,904,637.98 or 88.77 percent of the Corporate Operating

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
<p>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 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.</p>			<p>the Phase 2 of Pro-Poor Project on the 2nd quarter of 2023.</p>	<p>Budget for CY 2022.</p>
<p>11. The Water District could</p>	<p>Management secure approval</p>	<p>CY 2019</p>	<p>Management received</p>	<p>Not Implemented</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
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.	from LWUA on the grant of a special water rate to BWD.	AAR	instruction from LWUA that the special water rate no longer requires the latter's approval. However, this was not covered with a Memorandum of Agreement (MOA) and approved by the Board of Directors.	Management has no written proof that the approval from LWUA for the special water rate is no longer necessary since no MOA or written instructions were submitted to the Audit Team for evaluation.
12. 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	<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. Continue the filing of appropriate legal cases against these overdue and inactive accounts to enforce collections and</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, such as:</p> <p>a) On-going collection of past due accounts</p> <p>b) On-going review of inactive accounts for possible filing of cases</p>	<p>Partially implemented</p> <p>Reiterated in this year's audit report. In CY 2019, demand letters were sent to long overdue accounts.</p> <p>The total inactive accounts of TCWD as of December 31, 2022 was ₱15,274,517.21 or 57.24 percent.</p> <p>Partially Implemented</p> <p>Management has already started filing cases to inactive accounts. However, the total past due (over 3 years) accounts is still</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken by Management</i>	<i>Auditor's Validation Results</i>
sustained in their operations.	ensure that monitoring is likewise undertaken on the status of the case/s already filed in court.			₱11.833 million as at December 31, 2022.
13. 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	Request for approval of a special rate was sent to LWUA on January 15, 2021, but received no response. Ensure that special water rates are covered by a Memorandum of Agreement and approved by the Board of Directors.	Not Implemented Management has no written proof that the approval from LWUA for the special water rate is no longer necessary since no MOA or written instructions were submitted to the Audit Team for evaluation.
14. The PPE account with a balance of ₱138.72 million as at December 31, 2015 cannot be fully relied upon due to the	Management fast track the titling of all the parcels of land acquired by the Water District to protect its interests as a Transfer of Certificate of Title	CY 2015 AAR CYs 2009 - 2012 QAR	Management monitors compliance with the timely submission of the required documents.	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>
<p>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.</p>	<p>establishes absolute ownership.</p>			

Annex A

TOLEDO CITY WATER DISTRICT

Toledo City, Cebu

Purchases Through Reimbursement

CY 2022

Check Date	Check No.	Payee	Particulars	Amount
11/03/22	360632	Mary Desiree Cabante	Purchase of MAA 2252 Goodride Tire	₱ 3,000.00
11/09/22	360638	Edgardo G. Nicolas	1 unit SGH Tab 5G lite blue with free keyboard	21,990.00
11/09/22	360646	Roseller T. Nunez	Purchase of Enduranz 9 plate battery	4,580.00
10/11/22	360525	Mary Desiree Cabante	Purchase of 12 pcs rattan plastic chairs and 4 folding tables	18,253.20
10/11/22	360531	Ma. Stinele A. Patangan	1 unit Dell 3511 i5 laptop	41,041.00
10/13/22	360541	Mary Desiree Cabante	1 unit Skyworth 32" LED Android TV	11,990.00
09/06/22	360380	Joanah Lourdes Villardar	3 pcs 100W LED floodlight and other materials	10,899.00
08/10/22	360249	Edgardo G. Nicolas	1 unit Huawei Matebook D15	37,999.00
08/16/22	360270	Jean Ailine C. Lagria	Purchase of Microsoft 365 Family	4,699.00
08/22/22	360319	Ma. Stinele A. Patangan	3 un HK Vision Turbo HD Camera	3,930.00
08/31/22	360361	Ma. Stinele A. Patangan	Replacement of Duplo risograph machine sensor image	17,000.00
07/20/22	360155	Ma. Stinele A. Patangan	1 pc floodlight 100W LED	3,800.00
06/22/22	360016	Ma. Stinele A. Patangan	D-Link UTP cable for CCTV cameras	7,450.00
06/23/22	360036	Jean Ailine C. Lagria	Purchase of 1 unit L310 printer	11,600.00
05/12/22	359861	Joanah Lourdes Villardar	Purchase of 1 box D-Link UTP	7,300.00
05/19/22	359882	Ma. Stinele A. Patangan	15 sheets marine plywood, ½ for warehouse repair	14,995.00
05/20/22	359889	Mary Desiree Cabante	10 pcs universal gang outlet and other materials	4,220.00
05/24/22	359894	Mary Desiree Cabante	Scanner assembly Epson L360 printer	1,900.00
05/24/22	359895	Mary Desiree Cabante	1 printer head Epson L3110 printer	3,400.00
05/30/22	359921	Jean Ailine C. Lagria	12 gallons QDE Davies for repainting of old container van	9,516.00
3/22/22	348045	Roseller T. Nunez	1 pc ignition and other parts	9,270.00
03/28/22	348068	Arlene V. Mercader	Purchase of Microsoft 365 Family	4,699.00
02/18/22	347926	Mary Desiree Cabante	Purchase of Microsoft 365 Family	4,699.00
02/18/22	347927	Ariel Abella	Purchase of Microsoft 365 Family	4,699.00
01/26/22	347869	Mary Desiree Cabante	10 pcs 15 watts LED tubes for Cebeco Office	3,350.00
			Total	₱266,279.20

Annex B

TOLEDO CITY WATER DISTRICT

Toledo City, Cebu
Non Revenue Water
CY 2022

Month	Production (cu. m) (a)	Production Cost (b)	Billed Water (cu. m) (c)	NRW (cu. m) (d) [a-c]	NRW Percentage (e) [d/a]	Peso Value of NRW (f) [b/a x d]
January	303,719	1,329,688.31	212,980	90,739	29.88%	₱ 397,257.29
February	486,996	1,709,313.46	296,490	190,506	39.12%	668,659.43
March	460,507	1,421,635.54	313,696	146,811	31.88%	453,221.63
April	571,671	1,527,307.50	371,328	200,343	35.05%	535,247.31
May	534,866	1,824,020.61	337,769	197,097	36.85%	672,147.77
June	580,054	1,773,627.13	380,705	199,349	34.37%	609,548.07
July	546,776	1,735,067.22	366,133	180,643	33.04%	573,228.80
August	542,180	3,084,751.66	355,656	186,524	34.40%	1,061,234.68
September	559,047	2,333,781.00	383,031	176,016	31.49%	734,791.17
October	543,783	2,409,045.94	358,577	185,206	34.06%	820,492.30
November	577,486	2,399,251.80	365,949	211,537	36.63%	878,862.05
December	553,338	2,393,474.69	355,247	198,091	35.80%	856,846.62
Total	6,260,423	23,940,964.86	4,097,561	2,162,862	34.55%	₱ 8,261,537.12