



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. I
San Fernando City, La Union
Tel No. (072) 888-5780/888-1320

March 15, 2017

The Board of Directors
Mangaldan Water District
Mangaldan, Pangasinan

Mesdames/Sirs:

We transmit herewith the report on the financial and compliance audit of the accounts and operations of Mangaldan Water District, Mangaldan, Pangasinan, for the year ended December 31, 2016, in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree 1445.

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

We rendered an unqualified opinion on the fair presentation of the Financial Statements as to the financial position of Mangaldan Water District as of December 31, 2016, and its financial performance and cash flows for the year then ended, in accordance with generally accepted accounting principles.

The report consists of four parts: Part I – Audited Financial Statements, Part II – Detailed Observations and Recommendations, Part III – Status of Prior Year’s Audit Recommendations and Part IV – Annexes. The observations and recommendations were discussed with the concerned management officials and staff in an exit conference held on February 23, 2017. Management’s comments are included in the report, where appropriate.

Presented below is the summary of significant observations and recommendations of the District:

1. Aging of Accounts Receivables aged more than 181 days and up were not classified down to their nearest age, such being the basis of setting up the allowance for doubtful accounts does not provide the best estimate to reduce the accounts receivables to its net realizable values contrary to Section 36 of

Philippine Accounting Standards 37, thereby affecting the fair presentation of the receivable account in the financial statements.

We have recommended that management:

➤ Require the Commercial Division to classify down those accounts aged 181 days and up into group of accounts nearest their age belonging to say 1 year, 2 years, 3 years and so on or 1 to 2 years, 3 to 4 years, 5 to 6 years, and so on and provide a certain bracket that will have different provision/allowance rate for allowance for doubtful accounts based on the age groups identified.

➤ Formulate accounting policies to arrive at a reasonable estimate of the allowance for doubtful accounts revising the relatively low rate for provision for doubtful accounts considering factors such as 1) accurate aging of Accounts Receivables; 2) account status; 3) account collectibility; 4) account address/location; and 5) result of client calls and field investigations.

➤ An extensive review and evaluation of the accounts receivables as aged should be undertaken considering all other factors above mentioned before arriving at a reasonable estimate. Improve or increase the provision rate to as high as 50% to 100% particularly to accounts for write off. Policy on the Provision for Doubtful Accounts including policy on Write Off should be initiated/formulated for the approval of the Board and or an oversight body such as LWUA and COA.

2. The grant of Year End Financial Assistance to officials and employees of Mangaldan Water District with a total amount of ₱1,465,024.00 was irregular contrary to COA Circular 2013-003.

We have recommended that Management require all officers and employees of the District to refund the amount of ₱1,465,024.00 Year-End Financial Assistance disbursed without legal basis.

3. The grant of anniversary bonus to the District personnel including the Board of Directors in the total amount of ₱122,000.00 on September 2016 was deemed irregular for lack of legal basis, hence not allowed.

We have recommended that management cause the refund of the anniversary bonus received by the District personnel including Board of Directors for lack of legal basis.

4. Expenditures of the District covered/supported by various Board Resolutions were found in conflict with existing government laws and rules, hence unauthorized and irregular.

We have recommended that approved Board Resolutions should be aligned and harmonized with the prevailing government laws and rules in order to avoid accumulation of suspensions and/or disallowances.

5. The District prior year's tax liabilities assessed by Bureau of Internal Revenue totaling ₱ 9,075,248.40 which have not been settled as of this date may result to legal repercussions if these will not be properly acted upon.

However, it was favorably noted that the District in addition to payment of real property tax and franchise tax amounting to ₱ 957,676.40, the District withheld tax on compensation of employees, suppliers and contractors in accordance with BIR tax laws the total amount of ₱2,137,190.32, ₱169,797.83 of which remain unremitted as of year-end.

We have recommended that Management:


- In reiteration to our previous recommendation, be vigilant always and act immediately on the settlement of the remaining delinquent accounts (60%) after paying the (40%) compromise settlement invoking pertinent provision/s of Revenue Regulations No. 30-2002 dated December 16, 2002 to avoid the BIR from garnishment of the District's deposit accounts and or other legal repercussions.
- Continue with the prompt and regular remittance of withholding taxes and franchise tax within the period prescribed by the BIR Regulation.

Details of other observations and recommendations were discussed in Part II – Audit Observations and Recommendations of the report.

We request that the comments and observations and recommendations contained in the said report be fully addressed and we would appreciate being informed of the action taken in this regard within sixty (60) days from receipt hereof, pursuant to Section 96 of the General Provisions of Republic Act No. 10717, otherwise known as the General Appropriations Act of 2016, by accomplishing the Agency Action Plan and Status of Implementation attached herewith.

We acknowledge the support and cooperation extended to the audit team by the officials and staff of that Water District.

Very truly yours,


LYNN SF. SICANGCO
Regional Director



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. I
San Fernando City, La Union
Tel No. (072) 888-5780/888-1320

March 15, 2017

ENGR. MARCELO M. PETONIO

General Manager
Mangaldan Water District
Mangaldan, Pangasinan

Dear Engr. Petonio:

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 - Formulate accounting policies to arrive at a reasonable estimate of the allowance for doubtful accounts revising the relatively low rate for provision for doubtful accounts considering factors such as 1) accurate aging of Accounts Receivables; 2) account status; 3) account collectibility; 4)account address/location; and 5) result of client calls and field investigations.
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We acknowledge the support and cooperation extended to the audit team by the officials and staff of that Water District.

Very truly yours,


LYNN SF. SICANGCO
Regional Director



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

ON THE

MANGALDAN WATER DISTRICT
Mangaldan, Pangasinan

For The Year Ended December 31, 2016

EXECUTIVE SUMMARY

A. Introduction

Pursuant to the provisions of Presidential Decree 198, as amended, the Mangaldan Water District was formed by virtue of Resolution No. 28, series of 1979 which was passed by the Sangguniang Bayan of the Municipality of Mangaldan on May 12, 1979. The Mangaldan Water District was first operated under the administration of the Municipality of Mangaldan under the name "Mangaldan Water Works Authority."

On October 6, 1980, the Conditional Certificate of Conformance (CCC No. 139) was issued by the Local Water Utilities Administration (LWUA). On March 12, 1992, in the Entry of Final Judgment, the Supreme Court ruling declared all Local Water Districts as government-owned and/or controlled corporation. It became a medium water district on February 15, 1999, re-categorized as Big Water District on September 1, 2004, and eventually as Category C on March 16, 2012. Again, on March 1, 2015, the Water District was re-categorized to Category B.

B. Highlights of Financial Operation

Presented below is the summary of financial highlights of the District for the period ending December 31, 2016.

	2016	2015
Total Income	₱52,527,006.50	₱49,182,701.25
Appropriations	51,192,326.00	48,729,000.00
Expenditures	38,139,825.89	36,002,300.77
Assets	109,207,497.58	95,858,089.14
Liabilities	5,553,886.77	6,669,205.45
Government Equity	103,653,610.81	89,188,883.69

C. Highlights of Operations

Presented below is the summary of operational highlights of the District for the period ending December 31, 2016.

Program/Projects	Budget	Actual	Variance
Supply and delivery of one (1) end suction Centrifugal pump	₱100,000.00	₱55,000.00	₱45,000.00
Supply and deliver of two (2) units submersible deepwell pump	500,000.00	404,670.00	95,330.00
Supply and delivery of three (3) units combination variable frequency speed drive motor control system	1,000,000.00	571,000.00	429,000.00
Supply and delivery of 4" PVC sure-loc riser pipes	200,000.00	142,000.00	58,000.00
Mini expansion of service area	500,000.00	217,072.40	282,927.60

Refurbishing of MAWAD Storeroom	1,000,000.00	495,401.39	504,598.61
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D. Scope of Audit and Methodology

A comprehensive audit was conducted on the accounts and operations of the Mangaldan Water District for the year ended December 31, 2016. The audit consisted of review of operating procedures, inspection of programs and projects, interview with concerned officials and employees, verification, reconciliation and analysis of accounts and such other procedures deemed necessary.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered an unqualified opinion on the fair presentation of the Financial Statements as to the financial position of Mangaldan Water District as of December 31, 2016, and its financial performance and cash flows for the year then ended, in accordance with generally accepted accounting principles.

F. Significant Audit Observations and Recommendations

The District was able to maintain its Non-Revenue Water to 21%, just 1% higher than the acceptable level of 20% as a result of conscientiously monitoring and fixing leakages, always on guard for any illegal tapping and connections, etc. We commended management on this.

However, the following are the significant audit observations and recommendations that affected the performance and operations of the District. These were discussed with the Agency officials concerned during the exit conference and their corresponding comments were incorporated in Part II of the report, where appropriate:

1. Aging of Accounts Receivables aged more than 181 days and up was not classified down to their nearest age, such being the basis of setting up the allowance for doubtful accounts does not provide the best estimate to reduce the accounts receivables to its net realizable values contrary to Section 36 of Philippine Accounting Standards 37, thereby affecting the fair presentation of the receivable account in the financial statements.

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- Continue with the prompt and regular remittance of withholding taxes and franchise tax within the period prescribed by the BIR Regulation.

G. Summary of Audit Suspensions, Disallowances and Charges

As of December 31, 2016, unsettled disallowances amounted to ₱8,361,957.00, ₱7,831,957.50 of which were already decided by COA Regional Office No. I and are now under petition for review in the COA Central Office, while ₱340,000.00 were under appeal. There was no suspension and charge outstanding. Audit disallowances settled by the District on instalment basis during the year amounted to ₱109,000.00.

H. Status of Prior Year's Audit Recommendations

Out of nine prior year's unimplemented audit recommendations; four were fully implemented; four were partially implemented and one was not implemented as of December 31, 2016, which are reiterated in Part II of the Report.

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PART I
AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
City of San Fernando, La Union
**CGS 7-A – Water Districts and
Other Stand Alone Agencies**

INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
Mangaldan Water District
Mangaldan, Pangasinan**

Report on the Financial Statements

We have audited the accompanying financial statements of Mangaldan Water District, which comprise the statement of financial position as of December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Mangaldan Water District as of December 31, 2016, and its financial performance and cash flows for the year then ended, in accordance with generally accepted accounting principles.

COMMISSION ON AUDIT

By:


MARIA CRISTINA N. POSERIO
Supervising Auditor
Audit Group CGS 7-A

February 26, 2017



Republic of the Philippines
MANGALDAN WATER DISTRICT
Serafica St., Mangaldan, 2432 Pangasinan
Tel. Nos: (075) 523-5884; (075) 653-0574

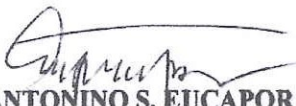
STATEMENT OF MANagements RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **MANGALDAN WATER DISTRICT** is responsible for all information and representations contained in the accompanying Balance Sheet as of December 31, 2016 and the related Statement of Income and Expenses and Cash Flow for the year ended. The Financial Statements have been prepared in conformity with generally accepted state of accounting principle and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

The **MANGALDAN WATER DISTRICT** Board of Directors review the financial statements before such are approved and submitted to the Office of the Local Water Utilities Administration, Balara, Diliman, Quezon City.

The Commission on Audit, in pursuance of its mandate under Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree 1445, has audited the financial statements of the Water District in accordance with laws, COA and INTOSAI standards and applicable generally accepted auditing standards and has expressed its opinion on the fairness of the presentation upon completion of such examination in its report to Creditors.


MR. ANTONINO S. EUCAPOR
Chairman of the Board


ENGR. MARCELO M. PETONIO
General Manager


MS. VIOLETA B. GAYAGA
Div. Manager B- Finance

"Water is life..... Use it Wisely"

**MANGALDAN WATER DISTRICT
STATEMENT OF FINANCIAL POSITION**

As of December 31, 2016

(With comparative figures for 2015)

	ASSETS	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash on Hand (Note 1)	₱ 144,938.25	₱ 207,655.07
Petty Cash Fund (Note 2)	5,000.00	5,000.00
Cash in Bank - Local Currency (Note 3)		
Cash in Bank - Current Account DBP	42,564,951.11	27,091,625.10
Cash in Bank - Savings Account MRB	0.00	1,148,745.20
Cash in Bank - Current Account Landbank-EBCS	267,586.50	980,670.86
Cash in Bank - Time Deposit CD- DBP	3,634,005.86	3,598,764.03
Cash in Bank - Time Deposit Postal -MSF	0.00	650,090.99
Cash in Bank - Time Deposit LB -MSF	3,957,175.49	3,274,040.66
Total Cash	<u>50,573,657.21</u>	<u>36,956,591.91</u>
Receivables		
Account Receivables-General Customers (Note 4)	2,574,791.61	2,498,426.66
Allowance for Doubtful Accounts (Note 12)	272,213.16	270,292.04
Accounts Receivable - Net	2,302,578.45	2,228,134.62
Other Receivables (Note 5)	550,782.05	134,000.00
Total Receivables	<u>2,853,360.50</u>	<u>2,362,134.62</u>
Prepayments		
Prepaid Insurance (Note 7)	96,803.37	100,164.43
Other Deferred Debits (Note 8)	84,051.26	9,722.01
Other current assets (Note 9)	401,434.35	401,434.35
Total Prepayments	<u>582,288.98</u>	<u>511,320.79</u>
Inventories (Note 6)		
Office Supplies Inventory	26,954.73	31,678.12
Accountable forms inventory	143,833.70	195,928.14
Fuel, Oil & Lubricants	13,467.91	21,890.31
Other Supplies Inventory-Chemicals	18,300.00	27,390.00
Construction Materials & Supplies	1,168,774.76	961,771.33
Total Inventories	<u>1,371,331.10</u>	<u>1,238,657.90</u>
Total Current Assets	<u>₱ 55,380,637.79</u>	<u>₱ 41,068,705.22</u>
Non-Current Assets		
Sinking Fund (Note 10)	7,355,988.71	6,799,379.63
	<u>7,355,988.71</u>	<u>6,799,379.63</u>

Property Plant & Equipment (Note 11)

Land	<u>1,688,035.00</u>	<u>1,688,035.00</u>
Land Improvements, net	<u>155,724.36</u>	<u>171,670.98</u>
Land Improvements	178,435.00	178,435.00
Accumulated Depreciation	22,710.64	6,764.02
Accumulated Impairment Losses	0.00	0.00
Infrastructure Assets, net	<u>32,073,222.55</u>	<u>32,788,640.85</u>
Infrastructure Assets	52,629,045.23	51,679,129.33
Accumulated Depreciation	20,555,822.68	18,890,488.48
Accumulated Impairment Losses	0.00	0.00
Buildings & Other Structures, net	<u>5,779,838.89</u>	<u>6,041,350.11</u>
Buildings & Other Structures	8,729,878.23	8,729,878.23
Accumulated Depreciation	2,950,039.34	2,688,528.12
Accumulated Impairment Losses	0.00	0.00
Machinery & Equipment, net	<u>2,684,932.03</u>	<u>3,165,140.80</u>
Machinery & Equipment	8,072,252.23	8,054,684.23
Accumulated Depreciation	5,387,320.20	4,889,543.43
Accumulated Impairment Losses	0.00	0.00
Furnitures & Fixtures, net	<u>227,448.43</u>	<u>278,536.00</u>
Furnitures & Fixtures	628,137.96	628,137.96
Accumulated Depreciation	400,689.53	349,601.96
Accumulated Impairment Losses	0.00	0.00
Library Books, net	<u>70.00</u>	<u>70.00</u>
Library Books	3,400.00	3,400.00
Accumulated Depreciation	3,330.00	3,330.00
Accumulated Impairment Losses	0.00	0.00
Transportation Equipment, net	<u>1,410,893.50</u>	<u>1,454,005.68</u>
Transportation Equipment	3,318,108.67	3,205,061.67
Accumulated Depreciation	1,907,215.17	1,751,055.99
Accumulated Impairment Losses	0.00	0.00
Other Property Plant & Equipment, net	<u>2,090,938.26</u>	<u>2,402,554.87</u>
Other PPE	7,552,960.03	7,139,860.17
Accumulated Depreciation	5,432,021.77	4,737,305.30
Accumulated Impairment Losses	0.00	0.00
Total Property Plant & Equipment	<u>46,111,103.02</u>	<u>47,990,004.29</u>
Construction Work in Progress- Infrastructure Asset	<u>359,768.06</u>	<u>0.00</u>
Total Non-Current Assets	<u>53,826,859.79</u>	<u>54,789,383.92</u>
TOTAL ASSETS	₱ 109,207,497.58	₱ 95,858,089.14

LIABILITIES AND EQUITY

Current Liabilities

Inter Agency Payables:

Due to BIR (Note 14)	169,797.83	151,320.84
Due to GSIS (Note 15)	277,740.52	253,202.10
Due to Pag-ibig (Note 16)	2.60	0.00
Due to Phil. Health (Note 17)	16,725.00	15,600.00

Guarranty Deposits Payable (Note 18)	3,380,668.30	3,339,421.00
Accts. Payable (Note 13)	297,000.00	518,928.47
Bail Bonds Payable (Note 19)	278,125.75	278,125.75
Other Deferred Credits (Note 20)	66,359.66	61,450.18

Total Current Liabilities	₱ 4,486,419.66	₱ 4,618,048.34
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Non-Current Liabilities

Loans Payable (Domestic) (Note 21)	1,067,467.11	2,051,157.11
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Total Non-Current Liabilities	₱ 1,067,467.11	₱ 2,051,157.11
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Equity

Donated Capital (Note 22)	615,720.00	615,720.00
Retained Earnings (Note 23)	103,037,890.81	88,573,163.69

Total Capital	<u>103,653,610.81</u>	<u>89,188,883.69</u>
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TOTAL LIABILITIES & CAPITAL	₱ <u>109,207,497.58</u>	₱ <u>95,858,089.14</u>
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(See Accompanying Notes to Financial Statements)

MANGALDAN WATER DISTRICT
DETAILED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2016
(With Comparative Figures for 2015)

	<u>2016</u>	<u>2015</u>
Waterworks System Fees	₱ 49,729,940.95	₱ 46,342,060.40
Other Business Income	952,596.65	1,077,038.55
Fines and Penalties	1,844,468.90	1,763,602.30
GROSS INCOME	₱ 52,527,006.50	₱ 49,182,701.25
Less: EXPENSES		
Personal Services		
Salaries, Wages-Regular	8,983,457.75	7,918,122.50
Labor & Wages	282,554.30	183,465.67
Personnel Economic Relief Allowance (PERA)	891,000.00	836,181.84
Representation Allowance (RA)	305,328.00	304,260.00
Transportation Allowance (TA)	282,000.00	282,000.00
Clothing Allowance	175,000.00	170,000.00
Productivity Incentive Allowances	85,000.00	85,000.00
Other Bonuses & Allowances	5,420,139.50	4,640,733.00
Honoraria	679,530.00	635,380.00
Overtime	96,367.38	78,232.21
Cash Gift	186,500.00	171,250.00
Year end bonus	767,156.00	690,866.00
Life, Retirement & Insurance Contribution	1,103,635.89	962,054.70
Pag-Ibig Contribution	44,600.00	41,900.00
Phil. Health Insurance	98,437.50	89,175.00
ECC Contribution	44,574.72	41,670.00
Terminal Leave Benefits	402,115.85	388,824.49
Total Personal Services	₱ 19,847,396.89	₱ 17,519,115.41
Maintenance & Other Operating Expenses		
Travelling Expense - Local	188,735.52	148,645.50
Training Expense	65,600.00	57,300.00
Office Supplies	158,911.47	130,666.76
Accountable Forms	329,194.44	320,801.06
Medical, Dental, Laboratory Expenses	103,680.00	61,920.00

Fuel, Oil and Lubricants	437,959.86	474,026.78
Chemical & Filtering Supplies	792,850.00	782,570.00
Electricity	9,145,048.98	9,591,880.00
Other Supplies & Materials (Cooking Gas)	3,757.00	3,049.00
Postage and Courier Services	2,723.00	2,535.00
Telephone Expense - Landline/ Mobile	303,932.61	268,594.55
Internet Subscription	21,989.00	21,895.80
Cable, Satellite, Telegraph & Radio	5,850.00	4,950.00
Membership dues & Comtribution to Organization	21,938.00	25,638.00
Advertising Expense	924.00	4,250.00
Printing & Publication Expense	125,969.00	179,227.00
Rent/ Lease Expense	11,754.00	11,400.00
Representation Expense	251,516.71	283,341.52
Transportation & Delivery expense	8,040.00	50.00
Subscription Expense	13,820.00	14,974.00
Awards/ Rewards Expense	101,592.73	108,456.50
Legal Services	28,500.00	24,300.00
Auditing Services	88,002.75	88,077.75
Consultancy Services	0.00	33,500.00
Other General Services	37,298.81	22,097.17
Culture & Athletes Expense	0.00	0.00
Security Services	667,801.72	642,750.00
Repair & Maintenance-Infrastructure Assets	343,217.31	274,168.01
Repair & Maintenance- Building & other Structures	5,200.00	88,917.00
Repair & Maintenance-Machinery Equipment	121,271.35	61,822.20
Repair & Maintenance - Furnitures & Fixtures	0.00	11,223.74
Repair & Maintenance-Transportation Equipt.	56,762.96	72,502.74
Repair & Maintenance-Other PPE	62,906.16	25,299.00
Donations	40,644.07	27,886.00
Extra Ordinary Expense (EME)	98,400.00	93,999.96
Miscellaneous Expense (GAD)	63,427.85	24,700.00
Taxes, Duties & Licenses	957,676.40	919,112.38
Fidelity Bonds Premium	13,481.25	13,312.50
Insurance Expense	132,435.88	124,015.49
Impairment Loss- Loans and Receivables	1,921.12	6,953.26

Depreciation Expense - Land Improvements	15,946.62	3,051.52
Depreciation Expense - Infrastructure Assets	1,665,334.20	1,615,671.68
Depreciation Expense - Building & Other Structures	261,511.22	260,001.96
Depreciation Expense - Machinery & Equipment	500,356.77	492,774.24
Depreciation Expense - Furnitures & Fixtures	51,087.57	41,920.51
Depreciation Expense - Transportation Equipment	156,159.18	151,732.80
Depreciation Expense - Other PPE	694,716.47	655,151.91
Total	₱ 18,159,845.98	₱ 18,271,113.29
Financial Expenses		
Bank Charges	0.00	200.00
Other Financial Charges (Documentary Stamps)	813.02	2,909.07
Interest Expense (Interest on Long Term Debts)	131,770.00	208,963.00
Total Financial Expenses	132,583.02	212,072.07
TOTAL EXPENSES	₱ 38,139,825.89	₱ 36,002,300.77
Income(Loss) from Operations	₱ 14,387,180.61	₱ 13,180,400.48
ADD: Other Income		
Interest from Savings Account	202,128.72	165,957.85
NET INCOME(LOSS) BEFORE INCOME TAX	₱ 14,589,309.33	₱ 13,346,358.33

See Accompanying Notes to Financial Statements

MANGALDAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
As of December 31, 2016
(With Comparative Figures for 2015)

	<u>2016</u>	<u>2015</u>
Government Equity		
Balance at beginning of period	₱ 615,720.00	₱ 615,720.00
Reclassifications of capital accounts	0.00	0.00
Additions/Deductions	0.00	0.00
Balance at end of period	<u>615,720.00</u>	<u>615,720.00</u>
Retained Earnings		
Balance at beginning of period	88,573,163.69	74,945,293.94
Prior period adjustment	(124,582.21)	281,830.83
Net income/loss for the period	14,589,309.33	13,346,038.92
Balance at end of period	<u>₱ 103,037,890.81</u>	<u>₱ 88,573,163.69</u>
 TOTAL EQUITY	 <u><u>₱ 103,653,610.81</u></u>	 <u><u>₱ 89,188,883.69</u></u>

MANGALDAN WATER DISTRICT
STATEMENT OF CASHFLOWS
as of December 31, 2016
(with comparative figures for 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash Inflows:		
Collection of Water Bills	₱ 51,508,236.25	₱ 47,974,559.04
Collection of Other Business Income	753,602.42	791,771.85
Interest Income (Net)	144,706.62	115,478.65
Guaranty Deposits	41,247.30	39,337.45
Sale of Materials, Other Fittings	2,569,574.85	2,551,911.31
Refund of Advances	62,868.65	35,908.00
Other Miscellaneous	256,452.73	111,530.89
Total Cash Inflows	<u>55,336,688.82</u>	<u>51,620,497.19</u>
Cash Outflows:		
Payment of Personal Services	13,990,378.01	12,294,182.39
Payment of Operating Expenses	12,823,876.33	13,094,904.98
Payment of Advances	824,514.42	270,000.00
Payment of Deposit to CENPELCO	0.00	27,500.00
Refund of Customer's Deposit	0.00	31,208.00
Payment of Office Supplies/Materials	1,301,084.18	1,350,144.75
Prepayments	105,716.56	106,221.23
Payment of Payables	4,916,984.50	5,038,080.90
Remittances of GSIS/Pag-Ibig/W.tax & Others	5,128,029.76	4,541,896.28
Total Cash Outflows	<u>39,090,583.76</u>	<u>36,754,138.53</u>
Total Cash Provided (Used) by Operating Activities	<u>₱ 16,246,105.06</u>	<u>₱ 14,866,358.66</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Cash Inflow:		
Collection of Bid Document	0.00	6,000.00
Total Cash Inflow	<u>0.00</u>	<u>6,000.00</u>
Cash outflow		
Property Plant & Equipment	549,242.80	4,113,736.20
Const. Work in Progress	464,336.96	387,562.31
Total Cash Outflow	<u>1,013,579.76</u>	<u>4,501,298.51</u>
Total Cash Provided (Used) by Investing Activities	<u>(1,013,579.76)</u>	<u>(4,495,298.51)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of interest on loan	202,161.00	208,963.00
Payment of domestic loan	913,299.00	906,497.00
Total Cash provided (used) by financing activities	<u>₱ (1,115,460.00)</u>	<u>₱ (1,115,460.00)</u>
Transfer for Reserve	500,000.00	500,000.00
Total	<u>500,000.00</u>	<u>500,000.00</u>

Net Cash Inflow (Outflow) used by operating, investing & financing activities	13,617,065.30	8,755,600.05
ADD: CASH AND CASH EQUIVALENTS - BEG.	<u>36,956,591.91</u>	<u>28,200,991.86</u>
CASH & CASH EQUIVALENTS, END	<u>50,573,657.21</u>	<u>36,956,591.91</u>

Cash Balance Breakdown:

Cash on Hand		144,938.25	207,655.07
Working Fund		5,000.00	5,000.00
Cash in Bank	DBP	42,564,951.11	27,091,625.10
	MRB	0.00	1,148,745.20
	EBCS LB	267,586.50	980,670.86
	TD CD DBP	3,634,005.86	3,598,764.03
	TD MSF Postal	0.00	650,090.99
	TD MSF LB	3,957,175.49	3,274,040.66
		<u>50,573,657.21</u>	<u>36,956,591.91</u>

Notes to Financial Statements

I. General Information

a. Agency Background

Pursuant to the provisions of Presidential Decree 198, as amended, the Mangaldan Water District was formed by virtue of Resolution No. 28, series of 1979 which was passed by the Sangguniang Bayan of the Municipality of Mangaldan on May 12, 1979. The Mangaldan Water District was first operated under the administration of the Municipality of Mangaldan under the name "Mangaldan Water Works Authority."

On October 6, 1980, the Conditional Certificate of Conformance (CCC No. 139) was issued by the Local Water Utilities Administration (LWUA). On March 12, 1992, in the Entry of Final Judgment, the Supreme Court ruling declared all Local Water Districts as government-owned and/or controlled corporation. It became a medium water district on February 15, 1999 re-categorized as Big Water District on September 1, 2004, Category C on March 16, 2012 and finally, Category B on March 1, 2015.

b. Objectives:

1. Acquire, install, improve, maintain and operate water supply and distribution system for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of the district;
2. Provide, maintain and operate water collections, treatment and disposal facilities;
3. Conduct such other functions and operations incidental to water resources development, utilization and disposal within the district, as are necessary and incidental to said purpose.

c. Organizational Set-up

The Water District is headed by Engr. Marcelo M. Petonio as General Manager. He is assisted by Ms. Violeta B. Gayaga, Finance Division Manager, Ms. Violeta O. Garcia, Commercial Division Manager and Ms. Marlyn C. de Guzman, Administrative Division Manager. It has 34 regular employees, 2 co-terminus employees, 2 casuals, and 1 job order employee.

Basis of Financial Statements Presentation

The Financial Statements of the Mangaldan Water District as of December 31, 2016 has been prepared in accordance with generally accepted accounting principles and standards.

Summary of Significant Accounting Policies

- a. Mangaldan Water District converted its Financial statements for the years 2016 and 2015 and prepared its first PFRS Financial Statements to comply with the provisions of COA Circular No. 2016-006 dated December 29, 2016. With the shifting from the adoption of the Revised Chart of Accounts for National Government Agencies as per COA Circular No. 2013-002 dated January 30, 2013 to the Revised Chart of Accounts for Government Government Corporations under COA Circular No. 2015-010 dated December 1, 2015, all account titles and account codes were changed and reclassified.
- b. Revenue and Expenses – the accrual method of accounting for income and expense is used which means that income is recognized when earned regardless of when received and expenses are recognized when incurred regardless of when paid.
- c. Depreciation – Provision for depreciation is computed based on the straight line method with partial implementation of COA Circular No. 2003-07 dated December 11, 2003.

II. BALANCE SHEET

Note 1 Cash on Hand

This account represents undeposited collection by the Cashier.

<u>2016</u>	<u>2015</u>
₱ 144,938.25	₱ 207,655.07

Note 2 Petty Cash Fund

This fund is intended to defray petty expenses and is operated on an imprest fund basis.

<u>2016</u>	<u>2015</u>
₱ 5,000.00	₱ 5,000.00

Note 3 Cash in Bank

This pertains to the bank deposits maintained by the Water District broken down on next page:

Current Account:	<u>2016</u>	<u>2015</u>
DBP (CA-0535004056-030)	₱ 42,564,951.11	₱ 27,091,625.10
MRB(CA-10021-10117-9)	0.00	1,148,744.90
LB-EBCS(CA)	<u>267,586.50</u>	<u>980,670.86</u>
Total (Current Account)	42,832,537.60	29,221,040.86
Time Deposit for guaranty payment:		
DBP(0535-004056-160)	3,634,005.86	3,598,764.00
Time Deposit for Retirement Fund:		
Postal Bank (TD No. 010021-000308)	0.00	650,090.99
Land Bank (0495-09)	<u>3,957,175.49</u>	<u>3,274,040.66</u>
Total (Time Deposit)	<u>7,591,181.35</u>	<u>7,522,895.65</u>
TOTAL	₱50,423,718.96	₱ 36,743,936.84

Note 4 Accounts Receivable

This includes all amounts arising from water bills rendered to the customers.

	<u>2016</u>	<u>2015</u>
	₱ 2,574,791.61	₱ 2,498,426.66

Note 5 Other Receivable

This amount represents collectible from CENPELCO and settlement of the outstanding premium arrears to the GSIS covering May 1981 to March 1992

including interest as of July 31, 2016 of eight employees as stated in the Memorandum of Agreement.

<u>2016</u>	<u>2015</u>
₱ 550,782.05	₱ 134,000.00

Note 6 Inventories

This account represents the amount of unissued office supplies and materials:

	<u>2016</u>	<u>2015</u>
Office Supplies	₱ 26,954.73	₱ 31,678.12
Accountable forms inventory	143,833.70	195,928.14
Fuel, Oil & Lubricants	13,467.91	21,890.31
Other Supplies Inventory - Chemicals	18,300.00	27,390.00
Const. Materials Inventory	<u>1,168,774.76</u>	<u>961,771.33</u>
Total	₱ 1,371,331.10	₱ 1,238,657.90

Note 7 Prepaid Insurance

Amount of advanced for insurance premiums of insurable government property.

<u>2016</u>	<u>2015</u>
₱ 96,803.37	₱ 100,164.43

Note 8 Other Deferred Debits

The account composed of book entries due to unreconciled recording of materials received.

<u>2016</u>	<u>2015</u>
₱ 84,051.26	₱ 9,722.01

Note 9 Other Current Assets

The account composed of some other current assets such as equipments considered unserviceable but not totally scrap.

	<u>2016</u>	<u>2015</u>
	₱ 401,434.35	₱ 401,434.35

Note 10 Sinking Funds

The fund is intended for specific long term purposes. It includes, among other debt service reserve, which will be used for loan repayments and operation and maintenance reserve for repairs of damaged WD's facilities.

	<u>2016</u>	<u>2015</u>
Sinking Fund (LBP)	₱ 7,355,988.71	₱ 6,799,379.63

Note 11 Property, Plant and Equipment (net)

This pertains to the assets of the Water District which are used or expected to be used in its normal business operations and have expected useful lives of more than one (1) year, broken down as follows:

	<u>2016</u>	<u>2015</u>
Land	₱ 1,688,035.00	₱ 1,688,035.00
Land Improvement	178,435.00	178,435.00
Infrastructure Assets:		
Electrification, Power and Energy Structures	2,330,273.00	1,759,273.00
Wells, Reservoir and Pumping Station	22,766,947.64	22,690,447.64
Waterways, Aqueducts	27,531,824.59	27,229,408.69
Buildings & Other Structures		
Office Building	8,437,664.63	8,437,664.63
Other Structures	292,213.60	292,213.60

Machinery & Equipment:		
Machinery	5,668,294.00	5,668,294.00
Office Equipment	1,603,101.54	1,572,972.54
IT Equipt. & Software	611,901.94	624,371.94
Comm. Equipment	189,045.75	189,045.75
Furniture and Fixtures	628,137.96	628,137.96
Library Books	3,400.00	3,400.00
Transportation Equipment:		
Motor Vehicle	3,272,085.67	3,159,038.67
Trans. Equipment	46,023.00	46,023.00
Other Prop. Plant & Equip. Equipment	<u>7,522,960.03</u>	<u>7,139,860.17</u>
TOTAL	82,770,252.35	81,306,621.59
Less: Accumulated Depreciation	<u>36,659,149.33</u>	<u>33,316,317.30</u>
Net Property, Plant and Equipment	₱46,111,103.02	₱47,990,004.29

Note 12 Allowance for Doubtful Accounts

Represents the estimated amount of Accounts Receivables which is probable to become uncollectible.

	<u>2016</u>	<u>2015</u>
	₱ 272,213.16	₱ 270,292.04

Note 13 Accounts Payable

Amount of indebtedness from suppliers and others.

	<u>2016</u>	<u>2015</u>
	₱ 297,000.00	₱ 518,928.47

Note 14 Due to BIR

Amount of taxes due for the period including Documentary stamp tax, withheld tax on compensation and others.

<u>2016</u>	<u>2015</u>
₱ 169,797.83	₱ 151,320.84

Note 15 Due to GSIS

This amount represents employee-employer share contributions and other amount withheld for remittance to the GSIS.

<u>2016</u>	<u>2015</u>
₱ 277,740.52	₱ 253,202.10

Note 16 Due to Pag-ibig

The amount represents employee-employer share contributions and other amount withheld for remittance to Pag-ibig.

<u>2016</u>	<u>2015</u>
₱ 2.60	₱ 0.00

Note 17 Due to Philhealth

Employer/employee contributions withheld to be remitted to Phil health Insurance.

<u>2016</u>	<u>2015</u>
₱ 16,725.00	₱ 15,600.00

Note 18 Guaranty Deposit Payable

This comprises the deposit made by the customers before the extension of any service connections as security for the payment of subsequent bill.

<u>2016</u>	<u>2015</u>
₱ 3,380,668.30	₱ 3,339,421.00

Note 19 Performance Bonds Payable

Receipts of cash bond to guarantee the performance of the contract.

	<u>2016</u>	<u>2015</u>
	₱ 278,125.75	₱ 278,125.75

Note 20 Other Deferred Credits

Refunded by SSS for employer-employee contribution.

	<u>2016</u>	<u>2015</u>
	₱ 66,359.66	₱ 61,450.18

Note 21 Loans Payable

This comprises the amount of Loans contracted by the Water District with the Local Water Utilities Administration (LWUA) used to finance various properties.

	<u>2016</u>	<u>2015</u>
Loan Payable – 3-554 RL	₱ 1,067,467.11	₱ 2,051,157.11

Note 22 Donated Capital

This account represents the cost of lot donated by private citizens.

	<u>2016</u>	<u>2015</u>
	₱ 615,720.00	₱ 615,720.00

Note 23 Retained Earnings

This represents the accumulated earnings or losses of the Water District.

	<u>2016</u>	<u>2015</u>
	₱ 103,037,890.81	₱ 88,573,163.69

PART II

**AUDITED OBSERVATIONS AND
RECOMMENDATIONS**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

I. FINANCIAL AND COMPLIANCE AUDIT

1. **Aging of Accounts Receivables aged more than 181 days and up was not classified to their nearest age, such being the basis of setting up the allowance for doubtful accounts does not provide the best estimate to reduce the accounts receivables to its net realizable values contrary to Section 36 of Philippine Accounting Standards 37, thereby affecting the fair presentation of the receivable account in the financial statements.**

The District accounts receivable aged 181 days and up was not classified down into group of accounts nearest their age say those belonging 1 year 2 years, 3 years and so on, or 1 to 2 years 3 to 4 years, 5 to 6 years and so on to achieve a more accurate computation of aging. This in effect significantly understated the amount of provision/allowance as most of these accounts were long overdue for years and years, some of which should have been written off by this time. Non moving accounts for long years, and whose addresses were unknown or businesses closed and where collection efforts proved futile should have been provided even up to 50% to 100%.

The inaccurate aging of the Accounts, as one of the basis for setting up the provision will not reduce the accounts receivables to its net realizable values, thereby significantly affecting the reliability and fair presentation of the receivable account in the financial statements. Uncollected accounts for a number of years should be evaluated extensively as to its collectibility before applying a reasonable provision rate for uncollected accounts.

Section 36 of Philippine Accounting Standards 37 hereby quotes that:

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date”.

We have recommended that management:

- **Require the Commercial Division to classify down those accounts aged 181 days and up into group of accounts nearest their age belonging to say 1 year, 2 years, 3 years and so on or 1 to 2 years, 3 to 4 years, 5 to 6 years, and so on and provide a certain bracket that will have different provision/allowance rate for uncollected accounts based on the age groups identified.**
- **Formulate accounting policies to arrive at a reasonable estimate of the allowance for doubtful accounts revising the relatively low rate for**

provision for doubtful accounts considering factors such as 1) accurate aging of Accounts Receivables; 2) account status; 3) account collectibility; 4) account address/ location 5) result of client calls and field investigations.

➤ An extensive review and evaluation of the accounts receivables as aged should be undertaken considering all other factors above mentioned before arriving at a reasonable estimate. Improve or increase the provision rate to as high as 50% to 100% particularly to accounts for write off. Policy on the Provision for Doubtful Accounts including policy on Write Off should be initiated/formulated for the approval of the Board and or an oversight body such as LWUA and COA.

Management commented that they will refer to the Schedule of Ageing of other government corporations or government banks as a basis for passing a resolution for a more accurate ageing.

2. The grant of Year End Financial Assistance to officials and employees of Mangaldan Water District in a total amount of ₱ 1,465,024.00 was irregular contrary to the herein stated regulations, to wit:

Under COA Circular No. 2013-003 dated January 30, 2013, it enumerates the allowances, incentives, and other benefits commonly granted to official and employees of Agencies covered by the SSL, together with the legal authority for the payment thereof. The Year End Financial Assistance received by the District are not included in the list and are not recognized.

The grant thereof of Year End Financial Assistance (YEFA) partakes of the nature of a Year-End-Benefit(YEB) which is being regulated under Memorandum Order(MO) No.324 dated October 5, 1990 of the Office of the President. Section 3 of said MO prohibits the employees from receiving YEBs from any and all sources in excess of one basic salary and ₱1,000.00 cash gift. Moreover, DBM Budget Circular No.2005-6 dated October 28, 2005, updating the rules and regulations on the grant of year-end bonus and cash gift, prohibits the grant of other benefits which partake the nature of YEBs unless otherwise authorized by the President, as follows:

7.0 Prohibition against Payment of Additional Benefits

“Agencies are hereby prohibited from granting additional benefits other than those authorized under this Circular. Consequently, all administrative authorizations to grant any or other forms of benefits and other similar benefits in 2005 and thereafter which partake of the nature of the YEB that are inconsistent with the declared policy

on the matter shall be rendered nugatory and unenforceable, unless otherwise authorized by the President.

For the CY 2016, the District granted Year End Financial Assistance equivalent to 2 months salary to its officers and employees in the total amount of ₱1,465,024.00 (See Annex A) despite of the lack of legal basis. The payment was based on the Resolution passed and approved by the Board in a Board Resolution No. 33, series of 2016.

We have recommended that Management require all officers and employees of the District to refund the amount of ₱1,465,024.00 Year-End Financial Assistance disbursed without legal basis.

Management commented that they will stop receiving the said benefits prospectively.

- 3. The grant of anniversary bonus to the District personnel including the Board of Directors in the total amount of ₱122,000.00 on September 2016 was deemed irregular for lack of legal basis, hence not allowed.**

Post audit of the disbursement transactions revealed that on September 1, 2016, the 37th Anniversary of the Mangaldan Water District, the District permanent employees including the Board of Directors received anniversary bonus of ₱3,000.00 each and ₱ 1,000.00 for the casual employee or a total of ₱122,000.00. (See Annex B and Annex C).

For the grant of anniversary bonus to the District personnel, the grant of anniversary bonus is not in accordance with the provisions of Administrative Order (A.O.) No. 263 dated March 28, 1996 which limits the payment only to the milestones year. Section 2.3 to 2.6 of the said A.O. provides:

Section 2.3 The Anniversary Bonus authorized under this Order shall be granted only during the milestone years.

Section 2.4 A milestone year refers to the 15th anniversary and to every fifth year thereafter.

Section 2.5 Payment of the Anniversary Bonus shall be in amount not exceeding ₱3,000.00 each employee provided that the employee has rendered at least one (1) year in the same agency as of the date of the milestone year.

Section 2.6 An employee may receive Anniversary only once every 5 years, regardless of transfers from one government entity to another.

Records disclosed that the Water District was created by virtue of Resolution No.28, series of 1979 which was passed by the Sangguniang Bayan of the Municipality of Mangaldan on May 12, 1979 and by virtue of the issued LWUA (Local Water Utilities Administration) Conditional Certificate of Conformance No. 139 dated October 6, 1980. Milestone year of the District will still be on October 6, 2020 and not this year of 2016. Hence payment of anniversary bonus other than on the milestone year of Mangaldan Water District is without legal basis.

On the part of the Board of Directors, being an inorganic body, are only compensated by per diems as embodied in Section 3 of Executive Order No. 65, series 2012 signed on January 2, 2012 "Prescribing Rules to Govern the Compensation of Members of the Board of Directors of Local Water Districts. Salaries, allowances, benefits, etc. are only allowed if authorized by law or approved by the President. Section 3 of Executive Order No. 65 is hereby quoted below:

Section 3. Compensation Structure. The compensation of members of the Board of Directors shall have the following components:

a.) Compensation shall be in the form of per diems and subject to limits as provided for under Sections 4 and 5 hereof;

b.) Compensation in the form of Performance-Based incentives may be allowed and shall be based on a set of performance criteria as provided under Section 9 hereof;

c.) Annual Retainer Fees and Stock Plans shall not be allowed; and

d.) Salaries, Allowances, Benefits, and other Bonuses shall not be allowed unless specifically authorized by law or Charter and approved by the President, provided that the total of the foregoing compensation and per diems shall not exceed the limits stipulated under Sections 4 and 5 hereof.

We have recommended that management cause the refund of the anniversary bonus received by the District personnel including Board of Directors for lack of legal basis.

Management commented that the employees of the District received the anniversary bonus in good faith. Also, they committed that by 2020 the amount of Anniversary bonus received by the employees for CY 2016 will be deducted from the total amount of anniversary bonus to be received by them in the next milestone of the District.

Auditor's Rejoinder:

The District is no longer entitled to receive any amount in 2020, their milestone year, if we grant for humanitarian consideration their request not to disallow the amount of anniversary allowance received at issue, because the amount of anniversary bonus should not be more than ₱ 3,000.00 per entitled employee.

- 4. The grant of rice allowance of ₱1,500.00 per month to each officer/employee is unauthorized and illegal as embodied in Section 9.6 of COA Circular No. 2012-003 dated October 29, 2012 and as enumerated under Section 3.6 and 3.12 of Annex B of same Circular, hence not allowed in audit.**

Section 9.6 of COA Circular No. 2012-003 dated October 29, 2012 provides the Supreme Court affirmation on the decision of the Commission on Audit in the issuance of disallowances on the grant of food allowances, to wit:

“Grant of food allowance, rice subsidy and health care allowance as there is no law authorizing the grant of such allowance (BFAR Employees Union, R.O. VII vs. COA, G.R. No. 169637 dated June 8, 2007) except xxxxxxxx”

Also, illegal expenditures were enumerated in Annex “B” of the same Circular of which the grant of rice allowance are among them, to wit:

Sections 3.6 – Additional benefits paid to officials and employees of GOCCs based on Governing Board resolutions whose power to fix compensation and benefits were revoked under RA No. 6758 effective July 1, 1989 unless subsequently restored (SSS, GR No. 149240 dated July 11, 2002).

Further, it bears emphasizing that the issue on the grant of allowances and benefit to government officials and employees outside those allowed under R.A. No. 6758, have already been settled in the case of De Jesus, et.al.vs. Commission on Audit, G.R. No. 127515 and De Vera vs. Commission on Audit, G.R. No. 127544, May 10, 2005, where the Supreme Court held, thus:

“xxx the rice allowance subject of the instant dispute is one of such benefits that may be given separately to LWUA officials and employees as long as it has been granted to incumbents as of July 1, 1989 and not been integrated into the standardized salary rates. The second sentence of Section 12 thereof, which is quoted again below for easy reference, expressly to recognizes its continuous grant in accordance with the principle of non-diminution of pay;

Section 12.Consolidation of Allowance and Compensation. Such other additional Compensation whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized”

The Supreme Court further ruled that:

“Finally xxx. As explained before, under Section 12 of R.A. No. 6758, the only requirement for the continuous grant of allowance and fringe benefits on top of the standardized salary rates are as follows: (1) the employee must be an incumbent as of July 1, 1989; and (2) the allowance or benefit was not consolidated in the standardized salary rate as prescribed by R.A. No. 6758. “

For the CY 2016, the Mangaldan Water District paid rice allowance of ₱1,500.00 each month for each officer/employee or ₱ 45,000.00 for 30 recipient officers/ employee/s.

Based on the above stated decisions made by the Commission on Audit and affirmed by the Supreme Court, the said rice allowance is not allowed except to those incumbent granted of the allowance as of July 1, 1989 and if the rice allowance was not consolidated in the standardized salary rate as prescribed by R.A. No. 6758.

We have recommended that Management stop the practice of paying the monthly rice allowance to each officer/employee, pursuant to COA Circular No. 2012-003 dated October 29, 2012.

Management commented that they will comply with the recommendation and will stop receiving the said benefits effective 2017. 2018

- 5. Expenditures of the District covered/supported by various Board Resolutions were found in conflict with existing government laws and rules, hence unauthorized and irregular.**

Board Resolution No.24, series of 2016 – Approving the Grant of Anniversary Bonus for the Year 2016, ₱ 110,000.00 to District personnel, and ₱12,000.00 to the Board of Directors.

The grant of anniversary bonus is not in accordance with the provisions of Administrative Order (A.O.) No. 263 dated March 28, 1996 which limits the payment only to the milestones year which is every 15th anniversary and every 5th year thereafter. The District was created by virtue of the issued LWUA (Local Water Utilities Administration) Conditional Certificate of Conformance No. 139 dated October 6, 1980. Milestone year of the District will still be on October 6,

2020, or its 40th year. This year 2016 was only its 37th year which is not a milestone.

On the part of the Board of Directors, being an inorganic body, are only compensated by per diems as embodied in Section 3 of Executive Order No. 65, series 2012 signed on January 2, 2012. Salaries, allowances, benefits, etc. are only allowed if authorized by law or approved by the President.

Board Resolution No. 33, series of 2016 – Approving the Grant of Year End Financial Assistance equivalent to two months basic salary to officials and employees of Mangaldan Water District in a total amount of ₱ 1,465,024.00.

The grant violates COA Circular No. 2013-003 dated January 30, 2013 which enumerates the allowances, incentives, and other benefits commonly granted to official and employees of Agencies covered by the SSL, together with the legal authority for the payment thereof. The Year End Financial Assistance received by the District are not included in the list and are not recognized.

The grant thereof of Year End Financial Assistance (YEFA) partakes of the nature of a Year-End-Benefit(YEB) which is being regulated under Memorandum Order(MO) No. 324 dated October 5, 1990 of the Office of the President. Section 3 of said MO prohibits the employees from receiving YEBs from any and all sources in excess of one basic salary and ₱1,000.00 cash gift. Moreover, Section 7 of DBM Budget Circular No. 2005-6 dated October 28, 2005, updating the rules and regulations on the grant of year-end bonus and cash gift, prohibits the grant of other benefits which partake the nature of YEBs unless otherwise authorized by the President.

It should be emphasized that LWDs are subject to the jurisdiction of the COA. It is an absurd situation that by the mere act of issuing a Resolution, can put to naught the broad and extensive powers granted to the COA by the Constitution. This will prevent the COA from discharging its duty to audit financial transactions. The function of the Board is limited only to policy making and not in the detailed management of the District which may cause disadvantage to the government.

Unauthorized and irregular expenditures tend to accumulate if payments thereon are based on Board Resolutions which are in conflict with existing government laws and rules. To this effect, suspensions/disallowances may eventually pile up, to the detriment of the government.

We have recommended that Board Resolutions being approved should be aligned and harmonized with the prevailing government laws and rules in order to avoid accumulation of suspensions and/or disallowances.

Management commented that they are entitled to the benefits received for CY 2016 because it is pursuant to DBM Circular.

Auditor's Rejoinder:

Our discussion was clear in the 2nd paragraph that DBM issuances/circulars regulating Year-end benefits being received by employees was itself the basis of this audit observation as discussed above.

II. GENDER AND DEVELOPMENT

- 6. The lack of information and awareness of Management on Gender and Development (GAD), non-preparation of GAD plans and program, and non-reporting of accomplishments and expenses relative thereto were not in accordance with Section 10.1 of Joint Circular 2012-01 of the PCW-NEDA-DBM and Memorandum Circular No. 2015-03 of Philippine Commission on Women (PCW), thus resulting in the non- attainment of the objectives of the GAD.**

Section 10.1 of Joint Circular 2012-01 of PCW-NEDA-DBM states that:

“Attached agencies, attached government-owned and controlled corporations (GOCCs), bureaus and regional offices and all other concerned shall submit their annual GAD Accomplishment Reports (ARs) to their respective line departments or central offices. The agency GAD Focal Point System (FPS) shall prepare the annual GAD AR based on the PCW- endorsed GAD Plans and Budget (GPB) adjusted to the approved General Appropriations Act (GAA) following the form prescribed in Annex B. Activities completed until the end of the year may be included in the final GAD AR of agency submitted to PCW in January.”

Examination/ verification of submitted GAD budget for the year 2016, and analysis as to extent of its accomplishment as well as compliance with the pertinent laws and regulations disclosed the following deficiencies:

1. No GAD Focal Point System/ Officer was designated by the District who shall prepare the annual GAD plan, program and budget to catalyze and facilitate the institutionalization of gender mainstreaming and women's empowerment in pursuant to the parameters set under Section 4.1 and Section 10.1 of the aforementioned Joint Circular.

Likewise, Section 4.1 of the same Joint Circular states that:

Creation and/or strengthening of the GAD Focal Point System: As required by the MCW and the following PCW Memorandum Circular 2011-01, all agencies should have an institutionalized and functional GAD Focal Point System (GFPS).

2. GAD plans and programs for the year 2016 were not prepared showing the Agency's GAD objectives as well as the activities to be conducted in order to address the necessary GAD related issues. Hence, no GAD plans and program for CY 2016 were submitted to LWUA contrary to the provision of Paragraph 2 of Memorandum Circular No. 2015-03.

Paragraph 2 of Memorandum Circular No.2015-03 hereby quotes that:

*"In the case of Water Districts, the Local Water Utilities Administration (LWUA), which exercises regulatory jurisdiction over Water Districts, is set to be the preliminary reviewer of the water district GAD plans and budget. Water Districts shall prepare their GPBs following the GAD planning and budgeting cycle provided in the PCW-NEDA-DBM Joint Circular 2012-01 and shall **submit the same to the LWUA** through the Gender Mainstreaming Monitoring System (GMMS) platform. The LWUA shall review whether the identified gender issues and corresponding GAD programs, activities and projects (PAPs) of water districts are appropriate based on the parameters set under the aforementioned joint circular and are aligned with the water district's mandates, as well as the sector's GAD goals and objectives. The LWUA shall then forward the reviewed GPBs to the PCW for final review and endorsement."*

3. Management did not prepare its GAD Accomplishment report with the corresponding funds utilized for GAD activities. However, verification of the Agency's approved budget and further inquiry disclosed that out of the approved budget of ₱500,000.00 allotted for the Gender and Development, ₱63,427.85 were spent on food, resort services and rental for Team Building held on June 9, 2016.

Section 7 of Joint Circular 2012-01 hereby quotes that:

The following expenses may not be charged to GAD Budget UNLESS they are justified as clearly addressing a specific gender issue:

7.1 Physical, mental & health fitness including purchase of equipment and information dissemination materials.

7.2 Social, rest, recreation activities

7.3 Religious activities and implementation of cultural projects

7.4 Construction expenses

We have recommended that Management:

- **Assign a GAD Focal Point System that shall prepare the agency's GAD plan and budget (GPB) designed to address certain gender issues strictly adhering to the provisions of Section 10 of Joint Circular 2012-01.**
- **Direct the concerned Agency Head to require their GAD Focal Point System to :**
 - a.) **Ensure the implementation of Annual GAD Plan and the utilization of the GAD Budget of the Agency and submit the corresponding report to the LWUA for review.**
 - b.) **Coordinate with the Budget Officer and prepare the accomplishment report for the year containing actual accomplishments as well as the corresponding financial resources utilized in compliance with par.2 of Memorandum Circular No. 2015-03 of Philippine Commission on Women (PCW).**
- **Regularly undertake orientations that will develop their employees in relation to GAD related laws and commitments.**

Management commented that they had just sent some of their employees to GAD seminar. They also committed to comply with the recommendations.

III. COMPLIANCE WITH TAX LAWS

7. **The District prior year's tax liabilities assessed by Bureau of Internal Revenue totaling ₱9,075,248.40 which have not been settled as of this date may result to legal repercussions if these will not be properly acted upon.**

However, it was favorably noted that in addition to payment of real property tax and franchise tax amounting to ₱957,676.40, the District withheld tax on compensation of employees, suppliers and contractors in accordance with BIR tax laws the total amount of ₱2,137,190.32, ₱169,797.83 of which remain unremitted as of year-end.

The prior year's tax liabilities of the District assessed by the BIR totaling ₱9,075,248.40, previously, in a decision promulgated on April 19, 2011, BIR denied MAWAD's protest against the assessments assailing MAWAD's arguments point by point from No. 1 to VIII in the latter's protest letter dated November 14, 2007 requesting for reconsideration.

We narrate the latest updates that on November 15, 2015, Management undertook the necessary action to follow up and discuss the result of their request for reconsideration relative to their tax liabilities for 2001 and 2002, but was not given due course due to the absence of the case docket when management had a formal appointment with the Revenue District Office of the BIR Revenue District Office No.4 in Calasiao, Pangasinan on October 1, 2015. On October 22, 2015, management representatives were sent to have a scheduled appointment with the new Revenue District Officer, but who was not able to meet them as she was having a meeting with the other officials. They were endorsed to Mr. Laurence Glen Timbresa and Mr. Jefferson Sajonas of the BIR Collection Section, who advised them that for whatever action that they have taken thereon, the District will be forwarded with information and guidance. This is a reiteration of prior year's audit observation. To date, no development has taken place on the matter discussed above.

However, verification disclosed that the out of the District taxes withheld and payable amounting to ₱2,137,190.32, ₱1,967,392.49 were paid during the year 2016, leaving an outstanding balance of ₱169,797.83 as of December 31, 2016.

The outstanding balance of Due to BIR as of December 31, 2016 amounting to ₱169,797.83 was remitted to the Bureau of Internal Revenue last January 4, 8 and 9, 2017 within the period prescribed by the regulation.

We have recommended that Management:

- **In reiteration to our previous year's recommendation, be vigilant always and act immediately on the settlement of the remaining delinquent accounts (60%) after paying the (40%) compromise settlement invoking pertinent provision/s of Revenue Regulations No. 30-2002 dated December 16, 2002 to avoid the BIR from garnishment of the District's deposit accounts and or other legal repercussions.**
- **Continue with the prompt and regular remittance of withholding taxes and franchise tax within the period prescribed by the BIR Regulation.**

Management commented that they already filed an application for compromise settlement of the tax assessed by the BIR and that they already paid 40% as compromise.

Auditor's Rejoinder:

Vigilance and close monitoring on the matter with the BIR as above mentioned should be observed accordingly.

IV. STATEMENT OF AUDIT OF SUSPENSIONS DISALLOWANCES AND CHARGES

As of December 31, 2016, unsettled disallowances amounted to ₱8,361,957.00, ₱7,831,957.50 of which were already decided by COA Regional Office No. I and are now under petition for review in the COA Central Office, while ₱340,000.00 were under appeal. There was no suspension and charge outstanding. Audit disallowances settled by the District on instalment basis during the year amounted to ₱109,000.00.

PART III

**STATUS OF PRIOR YEARS'
AUDIT RECOMMENDATIONS**

PART III - STATUS OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Presented below is the summary of status of prior year's audit recommendations of the District for the period ending December 31, 2016.

*Not in period
priority of
to implement*

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>1. The Year End Financial Assistance granted to officials and employees of Mangaldan Water District in a total amount of ₱ 1,712,790.00 lacks legal basis, hence irregular.</p> <p>We have recommended that Management require all officers and employees of the District to refund the amount of ₱ 1,712,790.00 Year -End Financial Assistance disbursed without legal basis.</p>	Under Appeal.	X		X	
<p>2. Corporate funds of the Water District were deposited to a private bank, despite the accessibility of a Government Financial Institution (GFI) within the 20 kilometer radius, nor prior approval was also secured from the Department of Finance, hence resulting to a weak internal control over safeguarding of cash and exposes fund to probable loss due to possible bank's bankruptcy.</p> <p>We have recommended that Water District deposit and maintain accounts with GFIs accessible within the 20 kilometers radius, in accordance with DOF Circular No. 001-</p>	Complied per Board Res. No.8 S. 2016 dated May 13, 2016.	X			

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>2015 dated June 1, 2015. Otherwise, prior approval shall be obtained from the DOF if deposits are maintained with a proposed/private bank.</p> <p>In requesting for prior approval, the Requesting Agency shall submit the following specific requirements to the DOF pursuant to Section 55 of the DOF Circular.</p> <p>b. In the case of GOCC, it shall submit I) a copy of the Board Resolution authorizing the GOCC deposit funds with the (proposed) bank; II) its latest audited financial statements issued not more than 18 months at the time of the submission of the request; III) its latest Schedule of Cash and Short-Term investment Balances; and IV) a Summary of its Daily Collection Report for the last 3 months.</p> <p>d. In case where security and safety are the reasons for opening and maintaining an account in a (proposed) bank, the Requesting Agency shall submit an Independent Report or Certification from the Philippine National Police Provincial Office confirming the existence of the security risks.</p> <p>e. The (proposed) bank's latest CAMEL's rating issued by the</p>					

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>BSP;</p> <p>f. Vicinity map showing the location and distance between the Requesting Agency, and the proposed bank;</p> <p>h. Other information that the DOF may require in the course of the evaluation.</p> <p>The Cashier shall also be watchful not to deposit and maintain a deposit with the private bank in excess of ₱ 500,000.00 to protect the District from risk of possibility of not recovering the deposit exposure in full amount.</p>					
<p>3. Reconciliation of the discrepancy of ₱ 10,191.35 between the Aging Schedule and the General Ledger is remote due to the billing and collection system's lack of facility to generate an Aging Schedule showing concessionaire's individual receivable balances exclusive of penalties, casting doubt on the accuracy and reliability of accounts receivable balances in violation of Section 12 of the Manual on NGAS, Volume II.</p> <p>We have recommended that management:</p> <p>a. Contract an Information Technology (IT) expert or a programmer to install a facility in the District's billing and</p>	<p>The discrepancy of ₱ 10,191.35 was already reconciled and adjusted as per JEV #6-140 dated June 10, 2016.</p>		X		<p>Partially implemented pending installation of a facility in the District's billing and collection system to segregate penalties from the Accounts Receivables-water sales in the Aging Schedule.</p>

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>collection system that will generate an Aging Schedule of Concessionaires' individual receivable balances excluding penalties.</p> <p>b. Once the required facility is installed, reconcile the discrepancy between the Aging Schedule and the General Ledger. Henceforth, any unlocated discrepancy shall be maintained to assure records of future receivable transactions on water meter bills are reconciled.</p>					
<p>4. Property, Plant and Equipment were not properly tagged and coded which hindered the proper identification of the assets.</p> <p>We have recommended that management:</p> <p>a. Properly label or tag its PPE for proper identification to facilitate accurate inventory taking and reconciliation with the books.</p> <p>b. Subject all concerned employees to orientation by requiring attending training / seminar on property and supplying management to keep them updated.</p>		X			
<p>5. There was no submitted Statement of Budget Utilization at the end of each month as prescribed under the New Government Accounting</p>	<p>Management is already complying with the given recommendation</p>	X			

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>System for Corporate Manual, thus, the correctness of the reported unutilized/ deficit budget during the year was not ascertained.</p> <p>We have recommend that the Accountant prepare the Statement of Budget Utilization at the end of each month following format prescribed under the NGAS for Corporate Manual in order to closely monitor expenditures/charges during the year.</p>					
<p>6. The District allocated ₱1,000,000.00 or 2.18 percent of its total budget appropriation for Gender and Development for CY 2015, out of which only an amount of ₱ 24,700.00 was spent for GAD activities. The District did not also formulate and prepare its GAD Plan and Accomplishment Report, thereby unable to identify activities and programs appropriate or aligned with the Water District's mandate as well as its sector's GAD's goals and objectives pursuant Sec. 34 of Republic Act 10651.</p> <p>We have recommended that management:</p> <p>a. Prioritize the institutionalization of the essential elements for GAD planning and budgeting which shall be reported in GAD</p>	<p>Management already appointed a focal person to implement the audit recommendation.</p>		X		

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>Plans and Accomplishment Report.</p> <p>b. Establish GAD plans and programs addressed to enhance awareness on GAD issues and concerns and enhance understanding and appreciation of gender concepts/ principles by attending different seminars related to GAD.</p>					
<p>7. Non-payment by the District of its tax liabilities totaling ₱ 9,075,248.40 may result in accumulation of and incurrence of legal repercussions.</p> <p>We have reiterated the previous year's recommendation that management consistently follow up and act immediately on the settlement of the remaining delinquent accounts (60%) after paying the (40%) compromise settlement invoking pertinent provision/s of Revenue Regulations No. 30-2002 dated December 16, 2002 to avoid the BIR from garnishment of the District's deposit accounts and or other repercussions.</p>			X	Delayed implementation is dependent on the action of the BIR. Reiterated under Audit Observation # 7 of the report.	
2014					
8. Procurement of common-use goods or ordinary and office supplies of the District were	Management committed that they will procure		X		

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>not in accordance with Sections 48, 51 and 54.2 of the Revised Implementing Rules and Regulations of RA 9184.</p> <p>We have recommended that management particularly the Bids and Award Committee strictly observe the procurement procedures, rules and regulations provided under Sections 48.1, 51, 52.1(b) and 54.2 of the Revised IRR of RA 9184. Failure therefore would render the official directly or indirectly involved in the procurement process, and where circumstances warrant would held them liable for their actions relative thereto. For repeat orders, the first or the original purchase order should be indicated in the subsequent purchase order/s as the basis for the procurement. To avoid the aforesaid violations, procurement of the District's common-use goods should be made on one time in bulk for at least per quarter.</p>	<p>their supplies from PS-DBM.</p>				
<p>9. The District could have saved the amount of P 1,000,734.89 if management consider the option to fully pay its outstanding loan No. LA No. 3-554 RL to Local Water Utilities Administration (LWUA) earlier on January, 2014, instead of paying the loan amortizations for the rest of the loan term in 4 years.</p>	<p>The subject loan was restructured and the interest was reduced from the 12.5% to 8.2% annually, thus the District was able to save even without paying the loan. By December 2017,</p>		X		


Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
We have recommended management to consider the option to advance the full payment of the loan No. LA 3-554 RL before its term expires because cost benefits analysis showed that it is more beneficial to the District.	said loan will be fully paid.				

**PART IV
ANNEXES**

MANGALDAN WATER DISTRICT
Mangaldan, Pangasinan
Schedule of Grant of Year End Financial Assistance
of Employees for the Year 2016
per Board Resolution No.33 Series of 2016

No.	NAME	AMOUNT
1	Agbanlog, Bernardo M.	₱ 26,756.00
2	Aquino, Arabela R.	35,460.00
3	Baltazar, Renato C.	36,490.00
4	Bauzon, Juan B.	49,832.00
5	Carino, Arnold M.	58,792.00
6	Cendana, Jr. Modesto S.	26,756.00
7	Cerezo, Lito Q.	23,316.00
8	Clores, Marnie B.	26,756.00
9	Cuison, Rodel F.	30,736.00
10	De Guzman, Jose dV.	32,266.00
11	De Guzman, Marlyn C.	103,652.00
12	De Vera, Jullius L.	28,040.00
13	De Vera, Leonardo M.	26,756.00
14	Dizon, Bernadeth D.	41,302.00
15	Embuido, Artchie V.	23,316.00
16	Fabia, Cecille A.	41,302.00
17	Fabia, Edross Ian P.	23,980.00
18	Garcia, Violeta B.	103,652.00
19	Gayaga, Violeta O.	103,652.00
20	Laluan, Jr. Amdres D.	42,630.00
21	Magalong, Lea V.	43,538.00
22	Magalong, Mario T.	32,266.00
23	Malanum, Ermie V.	23,316.00
24	Marticio, Terry S.	61,662.00
25	Meneses, Conrado P.	27,518.00
26	Ocay, Darwin P.	23,756.00
27	Petonio, Marcelo M. Engr.	147,874.00
28	Pinlac, Marcos Z.	27,518.00
29	Ramos, Anna Liza G.	41,302.00
30	Relleve, Donald M.	33,660.00
31	Serafica, Jr. Rodolfo P.	27,518.00
32	Soriano, Augusto M.	26,756.00
33	Tandingan, Karen S.	26,756.00
34	Torio, Liverino A.	36,142.00
	TOTAL	₱ 1,465,024.00

Prepared by:


Elma H. Sendaydiego
SA IV Audit Team Leader

MANGALDAN WATER DISTRICT
 Mangaldan, Pangasinan
 Schedule of Grant of Anniversary Bonus to MAWAD Employees
 per Board Resolution No. 24 S. 2016
 For CY 2016

No.	NAME	AMOUNT
1	Agbanlog, Bernardo M.	P 3,000.00
2	Aquino, Arabela R.	3,000.00
3	Baltazar, Renato C.	3,000.00
4	Bauzon, Juan B.	3,000.00
5	Carbonel, Demmee G.	3,000.00
6	Carino, Arnold M.	3,000.00
7	Cendana, Jr. Modesto S.	3,000.00
8	Cerezo, Lito Q.	3,000.00
9	Clores, Marnie B.	3,000.00
10	Cuison, Rodel F.	3,000.00
11	De Guzman, Jose dV.	3,000.00
12	De Guzman, Marlyn C.	3,000.00
13	De Vera, Jullius L.	3,000.00
14	De Vera, Leonardo M.	3,000.00
15	Dizon, Bernadeth D.	3,000.00
16	Embuido, Artchie V.	3,000.00
17	Fabia, Cecille A.	3,000.00
18	Fabia, Edross Ian P.	3,000.00
19	Garcia, Violeta B.	3,000.00
20	Gayaga, Violeta O.	3,000.00
21	Laluan, Jr. Amdres D.	3,000.00
22	Magalong, Lea V.	3,000.00
23	Magalong, Mario T.	3,000.00
24	Malanum, Ermie V.	3,000.00
25	Marticio, Terry S.	3,000.00
26	Meneses, Conrado P.	3,000.00
27	Noe, Pepe V.	3,000.00
28	Ocay, Darwin P.	3,000.00
29	Petonio, Marcelo M. Engr.	3,000.00
30	Pinlac, Marcos Z.	3,000.00
31	Ramos, Anna Liza G.	3,000.00
32	Relleve, Donald M.	3,000.00
33	Serafica, Jr. Rodolfo P.	3,000.00
34	Soriano, Augusto M.	3,000.00
35	Tandingan, Karen S.	3,000.00
36	Torio, Liverino A.	3,000.00
37	Ballesteros, Jimmy C.	1,000.00
38	Ganaden, Peter John T.	1,000.00
	TOTAL	P 110,000.00

Prepared by:

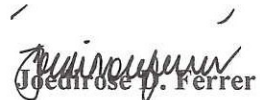

 Joedirose D. Ferrer

SAE II/ Audit Team Member

MANGALDAN WATER DISTRICT
Mangaldan, Pangasinan
Schedule of Grant of Anniversary Bonus to the Board of Directors
For CY 2016

No.	NAME	AMOUNT
1	Aquino, Concepcion Y.	P 3,000.00
2	del Castillo, Leon S.	3,000.00
3	Eucapor, Antonio S.	3,000.00
4	Sarzaba, Jr. Tito B.	<u>3,000.00</u>
	TOTAL	P <u>12,000.00</u>

Prepared by:


Joedirose D. Ferrer

SAE II/ Audit Team Member