Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

J.V. Seriña Street, Carmen, Cagayan de Oro City

**OFFICE OF THE REGIONAL DIRECTOR**

March 17, 2023

**Ms. ELSA P. PANORIL**

Chairperson of the Board of Directors

**Engr. NOEL L. RESABAL**

General Manager

Bacolod Water District

Bacolod, Lanao del Norte

Madam/Sir:

We are pleased to transmit the Annual Audit Report on the audit of **Bacolod Water District**, Bacolod, Lanao del Norte as of December 31, 2022, pursuant to Section 2, Article IX-D of the Philippine Constitution, and pertinent provisions of Section 43 of Presidential Decree 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 law, rules and regulations; (c) recommend agency improvement opportunities and (d) determine the extent of implementation of prior years’ audit recommendations.

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

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and we believe that these standards provided a reasonable basis for the audit results.

The Auditor rendered an Unmodified Opinion on the fairness of the presentation of the financial statements for the year ended December 31, 2022.

The details of the other findings and observations, together with the recommended courses of action which were discussed by the Audit Team with you and other officials of the agency in the exit conference are discussed in detail on Part II of the report.

We request that the remedial measures be immediately implemented, and we will appreciate being informed, through our Auditors, of the actions, plan and status of implementation thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form within 60 days from receipt hereof, pursuant to Section 97 of the General Provisions of the General Appropriations Act FY 2022.

We appreciate the invaluable support and cooperation extended by the officials and staff of the Agency to the Audit Team which facilitated the completion of the report.

Very truly yours,

****

**MATHEW REY M. MAGNO**

Director III

OIC- Regional Director

*Copy furnished:*

*The President of the Philippines*

*Malacañang Palace, Manila*

*The Vice-President of the Philippines*

*Quezon City Reception House*

*Barangay Mariana, New Manila, Quezon City*

*President of the Senate*

*Senate of the Philippines*

*Roxas Boulevard, Pasay City*

*Speaker of the House of Representatives*

*House of Representatives*

*HOR Complex, Constitutional Hills, Quezon City*

*The Chairman- Senate Finance Committee*

*Senate of the Philippines*

*Roxas Boulevard, Pasay City*

*The Chairman- Appropriations Committee*

*House of Representatives*

*HOR Complex, Constitutional Hills, Quezon City*

*The Secretary of the Budget and Management*

*Department of Budget and Management*

*G. Solano St., San Miguel, Manila*

*The Administrator*

*Local Water Utilities Administration (LWUA)*

*MWSS-LWUA Complex, Katipunan Avenue, Balara, Quezon City*

*The Director*

*National Library of the Philippines*

*T.M. Kalaw, Ermita, Manila*

*The Chief of Office*

*UP Law Center, UP, Diliman, Quezon City*

*File*

**BACOLOD WATER DISTRICT**

Bacolod, Lanao del Norte

**AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPSI)**

For Calendar Year 2022

As of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Sector: Corporate Sector

Auditee: Bacolod Water District

Audit Period: Calendar Year 2022

| Ref. | Audit Observation | Audit Recommendation(s) | Agency Action Plan | Status of Implementation | Reason for Partial/ Delay/ Non-Implementation | Action to be Taken |
| --- | --- | --- | --- | --- | --- | --- |
| Action Plan | Person / Dept. Responsible | Target Implementation Date |
| From | To |
| AAR 2022 Finding No. 1 | Past due and dormant Accounts Receivables aging over a year amounting P452,287.87 remained uncollected and classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and COA Circular No. 2016-005 dated December 19, 2016. | We recommend that Management:1. Require the Accountant to classify these past-due accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1;
2. Exert efforts to collect the receivables thru demand letters; and
3. File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.
 |  |  |  |  |  |  |  |
| AAR 2022 Finding No. 2 | Unserviceable properties totaling P59,444.32 as at December 31, 2022 remained undisposed contrary to Section 79 of the Presidential Decree (PD) No. 1445 and Section 40 (c & d), Chapter 10, Volume 1 of the Government Auditing Manual (GAM) for National Government Agencies (NGAs). | We recommend the Management to:1. Dispose unserviceable properties in accordance with the regulation on disposal of properties;
2. Regularly sort out unserviceable from unserviceable properties to prevent its accumulation and consistent recording in the books of accounts; and
3. Adhere strictly to Section 79 of PD 1445.
 |  |  |  |  |  |  |  |
| AAR 2022 Finding No. 3 | The Non-Revenue Water (NRW) of the District is equivalent to 25.97 percent which exceeded the 20 percent maximum acceptable NRW prescribed by LWUA resulting to unaccounted water losses, which is not in accord with LWUA Memorandum Circular No. 014-10 dated December 2, 2010 and LWUA Resolution No. 444 series of 2009, hence, resulting in monetary loss of P292,604.08 to the District. | We recommend the management to:1. Conduct regular performance audit on all its water meters (i.e., flow meters and service meters) and pipes to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and
2. Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.
 |  |  |  |  |  |  |  |
| AAR 2022 Finding No. 4 | The effectiveness of the District's GAD programs and activities cannot be properly evaluated due to deficiencies in GAD Planning procedures and the allocation of GAD Budget below five percent (5%) of the District's Corporate Operating Budget for the year. | We recommended and management agreed that the agency:1. Allocate at least 5% of the total budget of the agency for the implementation of gender and development programs, project and activities for every fiscal year either by specific appropriation or by attribution;
2. Implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness;
3. Establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities; and
4. Evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.
 |  |  |  |  |  |  |  |

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

Agency Sign-off:

Agency Sign-off:

**Engr. NOEL L. RESABAL** Date: \_\_\_\_\_\_\_\_\_\_

General Manager

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

Cagayan de Oro City

**OFFICE OF THE SUPERVISING AUDITOR**

R10 - CGAS Water Districts and Other Stand-Alone Agencies

March 16, 2023

**MATHEW REY M. MAGNO**

Regional Director

COA - Regional Office No. X

Cagayan de Oro City

Sir:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445 otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of the **Bacolod Water District**, Bacolod, Lanao del Norte for the year ended December 31, 2022.

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.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years’ Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

There is reasonable assurance that the financial statements are free of material misstatements and are prepared in accordance with Philippine Financial Reporting Standards (PFRS) and accounting principles generally accepted in the Philippines.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided reasonable basis for the results of the audit. We rendered an Unmodified Opinion on the fairness of presentation of the financial statements.

Very truly yours,





**CECILIA A. PONTILLAS**

State Auditor V

Supervising Auditor

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

Cagayan de Oro City

**OFFICE OF THE AUDIT TEAM LEADER**

R10 - CGAS Water Districts and Other Stand-Alone Agencies - Team 05

March 16, 2023

**Ms. CECILIA A. PONTILLAS**

Supervising Auditor

CGAS Water Districts and Other Stand-Alone Agencies

COA - Regional Office No. X

Cagayan de Oro City

Ma’am:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of **Bacolod Water District,** Bacolod, Lanao del Norte, as of December 31, 2022.

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.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years’ Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

There is reasonable assurance that the financial statements are free of material misstatements and are prepared in accordance with Philippine Financial Reporting Standards (PFRS) and accounting principles generally accepted in the Philippines.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided a reasonable basis for the results of the audit. We rendered an Unmodified Opinion on the fairness of presentation of the financial statements.

Very truly yours,



**FATIMAH SUZZANE A. DISAMBURUN**

State Auditor III

OIC- Audit Team Leader

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

Carmen, Cagayan de Oro City

**ANNUAL AUDIT REPORT**

**ON THE**

**BACOLOD WATER DISTRICT**

**Bacolod, Lanao del Norte**

**For the Year Ended December 31, 2022**

**EXECUTIVE SUMMARY**

1. **INTRODUCTION**

The Bacolod Water District (BWD), a government-owned and controlled corporation was created on May 23, 1994 by the Sangguniang Bayan of Bacolod, Lanao del Norte by virtue of Sangguniang Bayan Resolution No. 225. It inherited the water system from the Local Government of Bacolod which was constructed by NAWASA in 1976. On December 6, 1994, the Local Water Utilities Administration (LWUA) issued a Certificate of Conditional Conformance (CCC) No. 543.

Some of the major functions of the BWD include the following:

1. 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;
2. Providing, maintaining and operating waste water collection, treatment and disposal facilities; and
3. Conducting such other functions and operations incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose.

As of December 31, 2022, the governing board of BWD is composed of directors representing the different sectors and organization within the municipality of Bacolod, who were appointed by the Local Chief Executive. They exercise corporate powers and determine policies for the operations of the BWD. They are as follows:

 Chairperson : Ms. Elsa P. Panoril -Business Sector

 Members : Dr. Lerma C. Daraman -Professional Sector

 Ms. Leah A. Marcera -Women’s Sector

 Ms. Gershom V. Lao -Civic Sector

 Mr. Alejandro Q. Visitacion -Education Sector

The audit covered the examination of the accounts and financial transactions and operations of Bacolod Water District, Bacolod, Lanao del Norte as of December 31, 2022.

The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

It was also made to determine whether the District's financial statements (FS) present fairly its financial position and results of financial performance and cash flows, and whether applicable laws, rules and regulations were followed.

1. **FINANCIAL HIGHLIGHTS**

The financial position and the results of operation of BWD for the year ended December 31, 2022, with the comparative figures for CY 2021, are presented below:

*Comparative Financial Position*

As of December 31, 2022, there was an increase of 3.18% in assets, decrease of 8.85% in liabilities and an increase of 16.81% in government equity, summarized as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | **2021** | **Increase****(Decrease)** | **Percentage** |
| Total Assets | ₱47,346,361.80 | ₱45,886,464.64 | ₱1,459,897.16 | 3.18% |
| Total Liabilities | ₱22,210,218.67 | ₱24,366,914.12 | ₱(2,156,695.45) | (8.85%) |
| Total Equity | ₱25,136,143.13 | ₱21,519,550.52 | ₱3,616,592.61 | 16.81% |

*Comparative Results of Operations*

For the Calendar Year 2022, the Water District generated a total income of ₱24,045,443.00 from water sales, other businesses, fines and penalties, interest and miscellaneous income. An increase of ₱4,133,951.04 or 20.76% was noted compared to previous year’s income of ₱19,911,491.96. Net income, on the other hand, increased by 183.7% compared to last year’s. Details of its results of operations are presented below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | **2021** | **Increase****(Decrease)** | **Percentage** |
| Income | ₱24,045,443.00 | ₱19,911,491.96 | ₱4,133,951.04 | 20.76% |
| Expenses | ₱20,328,851.52 | ₱18,601,480.13 | ₱1,727,371.39 | 9.29% |
| Net Income | ₱3,716,591.48 | ₱1,310,011.83 | ₱2,406,579.65 | 183.7% |

1. **SCOPE OF AUDIT**

The audit covered the examination of the accounts and operations of Bacolod Water District, Bacolod, Lanao del Norte for the period January 1 to December 31, 2022. The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

1. **INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS**

An Unmodified Opinion was rendered on the fairness of presentation of the financial statements for the year ended December 31, 2022.

1. **SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

The following are the significant observations, with corresponding recommendations, which needed immediate action:

1. Past due and dormant Accounts Receivables aging over a year amounting P452,287.87 remained uncollected and classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and COA Circular No. 2016-005 dated December 19, 2016.

We recommend that Management:

1. Require the Accountant to classify these past-due accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1;
2. Exert efforts to collect the receivables thru demand letters; and
3. File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.
4. Unserviceable properties totaling P59,444.32 as at December 31, 2022 remained undisposed contrary to Section 79 of the Presidential Decree (PD) No. 1445 and Section 40 (c & d), Chapter 10, Volume 1 of the Government Auditing Manual (GAM) for National Government Agencies (NGAs).

We recommend the Management to:

1. Dispose unserviceable properties in accordance with the regulation on disposal of properties;
2. Regularly sort out unserviceable from unserviceable properties to prevent its accumulation and consistent recording in the books of accounts; and
3. Adhere strictly to Section 79 of PD 1445.
4. The Non-Revenue Water (NRW) of the District is equivalent to 25.97 percent which exceeded the 20 percent maximum acceptable NRW prescribed by LWUA resulting to unaccounted water losses, which is not in accord with LWUA Memorandum Circular No. 014-10 dated December 2, 2010 and LWUA Resolution No. 444 series of 2009, hence, resulting in monetary loss of P292,604.08 to the District.

We recommend the management to:

1. Conduct regular performance audit on all its water meters (i.e., flow meters and service meters) and pipes to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and
2. Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.
3. The effectiveness of the District's GAD programs and activities cannot be properly evaluated due to deficiencies in GAD Planning procedures and the allocation of GAD Budget below five percent (5%) of the District's Corporate Operating Budget for the year.

We recommended and management agreed that the agency:

* + 1. Allocate at least 5% of the total budget of the agency for the implementation of gender and development programs, project and activities for every fiscal year either by specific appropriation or by attribution;
		2. Implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness;
		3. Establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities; and
		4. Evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.
1. **SUMMARY OF TOTAL SUSPENSION, DISALLOWANCE AND CHARGES AS OF YEAR-END**

There are no Notice of Suspensions, Disallowances, and Charges issued by the Audit Team for CY 2022. There are also no balances of suspensions, disallowances, and charges from January 1, 2022 to December 31, 2022.

1. **STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS**

Out of the twenty-eight (28) audit recommendations embodied in the CY 2021, 2020, and 2019 Annual Audit Reports (AARs), nineteen (19) or 67.86 per cent were fully implemented, five (5) or 17.85 per cent were partially implemented, and four (4) or 14.29 per cent were not implemented.

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**PART I –**

**AUDITED FINANCIAL STATEMENTS**

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

Cagayan de Oro City

**OFFICE OF THE SUPERVISING AUDITOR**

R10 - CGAS Water Districts and Other Stand-Alone Agencies

**INDEPENDENT AUDITOR’S REPORT**

**MS. ELSA P. PANORIL**

Chairperson of the Board of Directors

Bacolod Water District

Bacolod, Lanao del Norte

**ENGR. NOEL L. RESABAL**

General Manager

Bacolod Water District

Bacolod, Lanao del Norte

*Unmodified Opinion*

We have audited the financial statements of the **Bacolod Water District**, Bacolod Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2022 and the related Statements of Comprehensive Income, Cash Flows and Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bacolod Water District as at December 31, 2022 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

*Bases for Unmodified Opinion*

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

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

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

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

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

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

**COMMISSION ON AUDIT**





**CECILIA A. PONTILLAS**

State Auditor V

Supervising Auditor

March 18, 2023

Republic of the Philippines

 **BACOLOD WATER DISTRICT**

 **Bacolod, Lanao del Norte**

TIN 004-367-022

CCC No. 543

Tel. No. (063) 227-2041

**STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR**

**FINANCIAL STATEMENTS**

The Management of the Bacolod Water District is responsible for the preparation of the financial statements as at 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 misstatement 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 the Bacolod Water District in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

|  |
| --- |
| Elsa Panoril.png**ELSA P. CAL**Chairman of the BoardDate:February 13, 2023 |
| Alma Maglana.png**ALMA S. MAGLANA**Bookkeeper DesignateDate: February 13, 2023 | **ENGR. NOEL L. RESABAL**General ManagerDate: February 13, 2023 |

**BACOLOD WATER DISTRICT**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2022**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **NOTE** |  |  | **2022** |  |  | **2021** |
|  |  |  |  |  |  |  |  |  |
| **ASSETS** |  |  |  |  |  |  |  |
| **Current Assets** |  |  |  |  |  |  |  |
|  | Cash and Cash Equivalents | 5 |  | ₱ | 6,365,587.12 |  | ₱ |  6,277,767.80  |
|  | Receivables | 6 |  |  | 1,433,826.32 |  |  |  1,334,847.20  |
|  | Inventories | 7 |  |  | 1,898,138.88 |  |  |  1,960,195.29  |
|  | Other Current Assets | 8 |  |  | 1,023,722.36 |  |  |  812,571.48  |
| **Total Current Assets** |  |  | **₱** | **10,721,274.68** |  | **₱** | **10,385,381.77** |
|  |  |  |  |  |  |  |  |
| **Non-Current Assets** |  |  |  |  |  |  |  |
| Property, Plant and Equipment | 9 |  | ₱ | 36,286,672.10 |  | ₱ | 35,343,983.85 |
| Investment Property |  |  |  | 130,381.68 |  |  | 0.00 |
|  | Other Non-Current Assets | 10 |  |  | 0.00 |  |  | 157,009.02 |
|  | Other Assets, (net) |  |  |  | 226,033.34 |  |  | 0.00 |
| **Total Non-Current Assets** |  |  | **₱** | **36,625,087.12** |  | **₱** | **35,501,082.87** |
| **TOTAL ASSETS** |  |  | **₱** | **47,346,361.80** |  | **₱** | **45,886,464.64** |
|  |  |  |  |  |  |  |  |
| **LIABILITIES** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Current Liabilities** |  |  |  |  |  |  |  |
|  | Financial Liabilities  | 11 |  | ₱ | 428,545.00 |  | ₱ |  567,241.52  |
|  | Inter-Agency Payables | 12 |  |  | 302,114.17 |  |  |  284,244.92  |
|  | Deferred Credits/Unearned Income | 14 |  |  | 2,000.00 |  |  | 51,000.00 |
|  | Other Payables | 13 |  |  | 648,292.08 |  |  | 435,054.38 |
| **Total Current Liabilities** |  |  | **₱** | **1,380,951.25** |  | **₱** | **1,337,540.82** |
|  |  |  |  |  |  |  |  |
| **Non-Current Liabilities** |  |  |  |  |  |  |  |
| Financial Liabilities  | 15 |  | ₱ | 20,791,168.42 |  | ₱ | 22,991,274.30  |
| Trust Liabilities | 16 |  |  | 38,099.00 |  |  | 38,099.00  |
| **Total Non-Current Liabilities** |  |  | **₱** | **20,829,267.42** |  | **₱** | **23,029,373.30** |
| **TOTAL LIABILITIES** |  |  | ₱ | **22,210,218.67** |  | ₱ | **24,366,914.12** |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **EQUITY** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Government Equity | 17 |  | ₱ | 1,039,710.96 |  | ₱ |  325,542.96  |
| Retained Earnings/(Deficit) | 18 |  |  | 24,096,432.17 |  |  | 21,194,007.56  |
| **Total Equity** |  |  | ₱ | **25,136,143.13** |  | ₱ | **21,519,550.52** |
| **TOTAL LIABILITIES AND EQUITY** |  |  | ₱ | **47,346,361.80** |  | ₱ | **45,886,464.64** |

*(See Accompanying Notes to Financial Statements)*

**BACOLOD WATER DISTRICT**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **NOTE** |  | **2022** |  |  | **2021** |
|  |  |  |  |  |  |  |  |
| **Income** |  |  |  |  |  |  |
|  | Service and Business Income | 19 | ₱ | 23,400,087.90 |  | ₱ | 19,507,785.81 |
|  | Other Non-Operating Income | 20 |  | 645,355.10 |  |  | 403,706.15 |
| **Total Income** |  | ₱ | **24,045,443.00** |  | **₱** | **19,911,491.96** |
|  |  |  |  |  |  |  |  |
| **Expenses** |  |  |  |  |  |  |
|  | Personnel Services | 21 | ₱ | 8,711,388.84 |  | ₱ |  8,665,817.43  |
|  | Maintenance and Other Operating Expenses | 22 |  | 8,860,681.37 |  |  |  7,186,896.79  |
|  | Financial Expenses | 23 |  | 980,029.11 |  |  |  1,081,738.31  |
|  | Non-Cash Expenses | 24 |  | 1,776,752.20 |  |  |  1,667,027.60  |
| **Total Expenses** |  | ₱ | **20,328,851.52** |  | ₱ | **18,601,480.13** |
| **Profit/(Loss) Before Tax** |  | ₱ | **3,716,591.48** |  | ₱ | **1,310,011.83** |
| **Income Tax Expense/(Benefit)** |  |  | 0.00 |  |  | 0.00  |
| **Profit/(Loss) After Tax** |  | ₱ | **3,716,591.48** |  | ₱ | **1,310,011.83** |
| **Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)** |  |  | 0.00 |  |  | 0.00  |
| **Net Income/(Loss)** |  | ₱ | **3,716,591.48** |  | ₱ | **1,310,011.83** |
| **Other Comprehensive Income/(Loss) for the Period** |  |   | 0.00 |  |   | 0.00  |
| **COMPREHENSIVE INCOME/(LOSS)** |  | ₱ | **3,716,591.48** |  | ₱ | **1,310,011.83** |

*(See Accompanying Notes to Financial Statements)*

**BACOLOD WATER DISTRICT**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   | **Cumulative Translation Adjustment** |  | **Retained Earnings/ (Deficit)** |  | **TOTAL** |
|   |   |   |  |  |  |  |  |  |  |
| **BALANCE AT** **JANUARY 1, 2021** | ₱ | **325,542.96**  |  | ₱ | **21,357,419.42** |  | ₱ | **21,682,962.38** |
|   |   |   |   |   |   |   |   |   |   |
| **CHANGES IN EQUITY FOR 2020** |  |   |   |   |   |   |   |   |
|   | Comprehensive Income for the year |  | 0.00  |   | ₱  | 1,310,011.83 |   | ₱  | 1,310,011.83 |
|   | Other Adjustments |   | 0.00  |   |   | (1,473,423.69) |  |  | (1,473,423.69) |
| **BALANCE AT DECEMBER 31, 2021** | ₱ | **325,542.96**  |   | ₱ | **21,194,007.56** |  | ₱ | **21,519,550.52** |
|  |   |   |  |  |  |  |  |  |  |
| **CHANGES IN EQUITY FOR 2022** |  |   |   |   |   |   |   |   |
|   | Comprehensive Income for the year | ₱ | 0.00 |  | ₱ | 3,716,591.48 |  | ₱ | 3,716,591.48 |
|   | Other Adjustments |   | 0.00 |  |  |  |  |  |  |
| **BALANCE AT DECEMBER 31, 2022** | ₱ | **325,542.96** |   | ₱ |  |  | ₱ |  |

**BACOLOD WATER DISTRICT**

**CONDENSED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

|  |  |  | **2022** |  |  | **2021** |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  |  |  |  |
| **Cash Inflows** |  |  |  |  |  |
|  | Collection of Income/Revenue | ₱ | 22,140,497.97  |  | ₱ | 19,135,955.43 |
|  | Collection of Receivables |  |  1,609,758.87  |  |  | 613,079.46 |
|  | Other Receipts |  | 0.00 |  |  | 9,349.96 |
| **Total Cash Inflows** | ₱ | **23,750,256.84** |  | ₱ | **19,816,347.64** |
|  | Adjustments | ₱ | 0.00 |  | ₱ | 0.00 |
| **Adjusted Cash Inflows** | ₱ | **23,750,256.84** |  | ₱ | **19,816,347.64** |
|  |  |  |  |  |  |  |
| **Cash Outflows** |  |  |  |  |  |
|  | Payment of Expenses | ₱ | 11,602,338.83  |  | ₱ | 12,122,663.88  |
|  | Purchase of Inventories |  |  325,189.78  |  |  |  433,364.43  |
|  | Grant of Cash Advances |  |  1,756,186.10  |  |  |  151,204.47  |
|  | Prepayments |  |  81,499.35  |  |  | 22,433.95 |
|  | Payments of Accounts Payable |  |  2,615,249.08  |  |  |  2,473,957.58  |
|  | Remittance of Personnel Benefit Contributions and Mandatory Deductions |  |  3,576,759.88  |  |  | 2,881,687.95  |
|  | Other disbursements |  | 0.00 |  |  | 245,110.65 |
| **Total Cash Outflows** | ₱ | **19,957,223.02** |  | ₱ | **18,330,422.91** |
|  | Adjustments | ₱  | 0.00 |  | ₱ | 0.00 |
| **Adjusted Cash Outflows** | ₱ | **19,957,223.02** |  | ₱ | **18,330,422.91** |
| **NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES** | ₱ | **3,793,033.82** |  | ₱ | **1,427,961.94** |
|  |  |  |  |  |  |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |  |  |
| **Cash Inflows** |  |  |  |  |  |
|  | Receipt of Interest Earned | ₱ | 2,509.79 |  | ₱ | 3,025.28 |
| **Total Cash Inflows** | **₱** | **2,509.79** |  | **₱** | **3,025.28** |
|  | Adjustments | ₱ | 0.00 |  | ₱ | 0.00 |
| **Adjusted Cash Inflows** | **₱** | **2,509.79** |  | **₱** | **3,025.28** |
|  |  |  |  |  |  |  |
| **Cash Outflows** |  |  |  |  |  |
|  | Purchase/Construction of Investment Property | ₱ | 0.00 |  | ₱ |  519,291.62  |
|  | Purchase/Construction of Property, Plant and Equipment  |  | 531,589.30 |  |  |  1,270,262.80  |
|  | Purchase of Intangible Assets |  | 0.00 |  |  | 0.00 |
| **Total Cash Outflows** | ₱ | **531,589.30** |  | ₱ | **1,789,554.42** |
|  | Adjustments |  | 0.00 |  |  | 0.00   |
| **Adjusted Cash Outflows** | ₱ | **531,589.30** |  | ₱ | **1,789,554.42** |
| **NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES** | ₱ | **(531,589.30)** |  | ₱ | **(1,786,529.14)** |
|  |  |  |  |  |  |  |
| **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |  |  |
| **Cash Inflows** |  |  |  |  |  |
|  | Proceeds from Domestic and Foreign Loans | ₱ | 0.00 |  | ₱ | 0.00 |
| **Total Cash Inflows** | ₱ | **0.00** |  | ₱ | **0.00** |
|  | Adjustments | ₱ | 0.00 |  | ₱ | 0.00 |
| **Adjusted Cash Inflows** | ₱ | **0.00** |  | ₱ | **0.00** |
|  |  |  |  |  |  |  |
| **Cash Outflows** |  |  |  |  |  |
|  | Payment of Long-Term Liabilities | ₱ | 2,200,105.88 |  | ₱ | 1,934,458.88 |
|  | Payment of Interest on Loans and Other Financial Charges |  | 976,029.11 |  |  | 1,081,738.31 |
| **Total Cash Outflows** | ₱ | **3,176,134.99** |  | ₱ | **3,016,197.19** |
|  | Adjustments |   |  |  |   | -   |
| **Adjusted Cash Outflows** | ₱ | **3,176,134.99** |  | ₱ | **3,016,197.19** |
| **NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES** | ₱ | (3,176,134.99) |  | ₱ | (3,016,197.19) |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | ₱ | **87,819.32** |  | ₱ | **(3,374,764.39)** |
| Effects of Exchange Rate Changes on Cash and Cash Equivalents | ₱ | 0.00 |  | ₱ | 0.00  |
| **CASH AND CASH EQUIVALENTS, JANUARY 1** | ₱ | **6,277,767.80** |  | ₱ | **9,652,532.19** |
| **CASH AND CASH EQUIVALENTS, DECEMBER 31** | ₱ | **6,365,587.12** |  | ₱ | **6,277,767.80** |

**Republic of the Philippines**

**BACOLOD WATER DISTRICT**

**Bacolod Lanao del Norte**

**TIN 004-367-022**

**CCC No. 543**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2022

**1. Brief Historical Background:**

Bacolod Water District (BWD) was formed on May 23, 1994 by virtue of Sangguniang Bayan Resolution No. 225. As a consequence, it inherited from the local government the water system which was constructed by NAWASA in 1976. The District’s Certificate of Conditional Conformance (CCC) numbered 543 was subsequently issued by the Local Water Utilities Administration (LWUA) on December 6, 1994.

All Local Water Districts were declared as government-owned and controlled corporations (GOCC’s) by the Supreme Court on September 13, 1991 in case docketed as GR Nos. 95237-38.

The Board of Directors had diligently assisted in managing the operation of the district. Since August 1995, the District is actively headed by the General Manager in attaining its objectives, mission and vision.

**Mission**

Committed to provide adequate, safe, sustainable, potable and affordable water and outstanding services in a financially responsible manner through an excellent operation and development.

**Vision**

To be an effective partner of the community in sustaining life and development through excellent water services with utmost concern of a good management.

The policy-making body of the Bacolod (LDN) Water District is the Board of Directors, composed of the five members:

|  |  |  |
| --- | --- | --- |
| Name | Designation | Sector |
| Mrs. Elsa P. Panoril | Chairman | Business |
| Mrs. Lerma C. Daraman M.D. | Vice-Chairman | Professional |
| Mrs. Gershom V. Lao | Secretary | Civic |
| Mrs. Leah A. Marcera | Member | Women |
| Mr. Alejandro Visitacion | Member | Education |

**2022 Operational and Financial Highlights**

A comparative financial condition and results of operations for CY 2022 and 2021 is presented below

**Financial Condition**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | **2021** | **Increase****(Decrease)** | **Percentage** |
| Total Assets | ₱47,346,361.80 | ₱45,886,464.64 | ₱ 1,459,897.16 | 3.18% |
| Total Liabilities | ₱22,210,218.67 | ₱24,366,914.12 | ₱ (2,156,695.45) | (8.85%) |
| Total Equity | ₱25,136,143.13 | ₱21,519,550.52 | ₱ 3,616,592.61 | 16.81% |

**Results of Operations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | **2021** | **Increase****(Decrease)** | **Percentage** |
| Income | ₱24,045,443.00 | ₱19,911,491.96 | ₱ 4,133,951.04 | 20.76% |
| Expenses | ₱20,328,851.52 | ₱18,601,480.13 | ₱ 1,727,371.39 | 9.29% |
| Net Income | ₱ 3,716,591.48 | ₱ 1,310,011.83 | ₱ 2,406,579.65 | 183.7% |

The District is operating profitably and maintains a good financial position, indicating its capability to recover the cost invested to the system operation. As of December 31, 2022, it has 4,447 service connections and serves an estimated population of 19,670.

**2. Summary of Significant Accounting Policies**

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

**2.1 Basis of Financial Statement Presentation**

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and the Revised Chart of Accounts (RCA) for Government Corporations (GC.) classified as Government Business Enterprises (GBEs) under COA Circular No. 2015-010.

**2.2 Significant Accounting Judgments and Estimates**

The preparation of the financial statements is in accordance with the PFRS which require the use of certain critical accounting estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires management to exercise its judgment in applying the district’s accounting policies. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

**2.3 Basis of Recording**

The District adopts the accrual method of accounting. All expenses are recognized when incurred and reported in the financial statements in the period to which they relate. Income in on accrual basis except for transactions where accrual basis in impractical or when law requires other methods.

**2.4 Monetary Denomination Used**

The financial statements are presented in Philippine Peso as its monetary domination used to facilitate proper recording and reporting of the transactions except when otherwise indicated.

**2.5 Method of Accounting**

The District uses the Revised Chart of Accounts prescribed under COA Circular No. 2015-010 dated December 01, 2015 effective January 01, 2016.

**2.6 Significant accounting policies observed for each account**

**2.6.1 Cash and Cash Equivalents**

Cash includes cash on hand and cash in banks. Cash is valued at face value.

Petty Cash Fund is maintained under the Imprest system. All replenishment is directly charged to appropriate expense account.

**2.6.2 Receivables**

Receivables are stated at face value less allowance for impairment.

**2.6.3 Inventories**

Regular purchases are coursed thru the inventory account and issuances thereof are recorded as they take place except those purchased out of Petty Cash which shall be for immediate use and not for stock. Such case shall be charged immediately to the appropriate expense accounts.

Purchase of supplies and materials for stock, regardless of whether or not they are consuming within the accounting period is recorded as inventory following the perpetual inventory method.

Inventories include assets for consumption in the normal course of operations. Inventories of the District include materials and supplies that are kept in stock for future use in operations. These are grouped into office supplies inventory, accountable forms, plates and stickers inventory and other supplies and materials inventory.

**2.6.4 Property, Plant and Equipment**

Property, Plant and Equipment consist of infrastructure assets, machinery and equipment, transportation equipment and construction in progress. The District’s PPE are recorded at cost.

**Initial Recognition**

The initial cost of property and equipment consists of its purchase price, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use like transportation, freight, installation costs, etc. In the books of accounts, the purchase is immediately recorded as asset.

**Subsequent recognition**

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to Maintenance and Other Operating Expenses (MOOE) in the period in which the costs are incurred.

**Derecognition**

When assets are sold and retired, their cost and accumulated depreciation and amortization are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income and expenses.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

**Depreciation**

The straight-line method of depreciation is used over the estimated useful lives of the assets. A residual value equivalent to ten percent (10%) of the cost is set-up and depreciation starts on the second month after purchase/completion of the property, plant and equipment.

**2.6.5 Construction in Progress**

Construction in-progress is stated at cost. While the construction of the project is in progress, no provision for depreciation is recognized.

Construction in-progress is transferred to the related Property, Plant and Equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use have been completed, and the property, plant and equipment are ready for service.

**2.6.6 Other Assets**

**2.6.7 Liabilities**

Liabilities are recognized only when goods are delivered and/or services rendered or when suppliers’ bills are received.

**2.6.8 Revenue**

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense, rather than as an adjustment of the amount of revenue originally recognized.

When bill is imposed and not paid on time or after the lapse of due date, the district recognizes such delay as Fines and Penalties-Business Income.

**2.6.9 Expenses**

All expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate.

**2.6.10 Events after the Balance Sheet Date**

Any post year-end events that provide additional information about the District’s position at balance sheet date (adjusting events) are reflected in the financial statements. Any post year-end event that is not adjusting event is disclosed in the notes to financial statements, when material.

**2.6.11 Employee benefits**

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

The District recognizes the undiscounted amount of short-term employee benefits, such as salaries, wages, bonuses, allowances, etc., as expense.

**2.6.12 Changes in accounting policies and estimates**

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

The District recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

**2.6.13 Correction of Errors**

Fundamental errors of prior years were corrected using the Prior Year’s Adjustment account while errors affecting the current year’s operations were affected to the current year accounts.

**3. Significant Management’s Accounting Judgments and Estimates**

The preparation of the District’s financial statements in conformity with Philippine Financial Reporting Standards requires Management to make judgments, estimates and assumptions that affect the amounts reported in the District’s financial statements and accompanying notes.

The estimates and assumptions used in the District’s financial statements are based upon Management’s evaluation of relevant facts and circumstances as of the date of the District’s financial statements.

Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**3.1 Key Sources of Estimation Uncertainty**

In the application of the District’s accounting policies, Management is required to make, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the District’s financial statements.

**Estimated Useful Lives of Property and Equipment**

The District estimates the useful lives of property, plant and equipment based on the LWUA’s Commercial Practices Manual-COA.

Depreciation and amortization are calculated on a straight-line basis, and assets are depreciated over the following estimated useful lives as follows:

**PROPERTY, PLANT AND EQUIPMENT**

| **Account** | **Depreciation Method** | **Useful Life** |
| --- | --- | --- |
| Office Equipment | Straight-line method | 10 years |
| Motor Vehicles | Straight-line method | 10 years |
| Communication Equipment | Straight-line method | 5 years |
| Other Equipment | Straight-line method | 10-15 years |
| Water Plant, Structures& Improvements | Straight-line method | 30 years |
| Other Property, Plant & Equipment | Straight-line method | 10-30 years |

**4. Budget Information**

Section 3.3 of DBM Corporate Circular No. 20 dated April 27, 2005 states that any increase in the approved principal corporate operating budget in the course of the budget year, as may be warranted by additional corporate receipts, shall require submission and approval of a supplemental corporate budget to cover the additional expenditures in line with the national government decentralization policy.

The Department of Budget and Management authorized augmentation of funds or realignment of savings within the expense class without the need of prior approval.

**5. Cash and Cash Equivalents**

| **Particulars** | **Account Number** | **2022** | **2021** |
| --- | --- | --- | --- |
| Cash –Collecting Officer |  | **₱** 87,347.59 | **₱** 78,820.98 |
| Cash in Bank- Local Currency, Current Account | C/A#0322106653 | 415,986.44 | 357,763.56 |
| Cash in Bank- Local Currency, Savings Account | S/A#0321116515 | 3,553,602.80 | 3,072,260.71 |
| Cash in Bank- Local Currency, Savings Account | S/A#0321223303 | 1,987,912.10 | 2,192,149.42 |
| Cash in Bank- Local Currency, Current Account | C/A#4382100234 | 320,738.19 | 576,773.13 |
| **TOTAL** |  | **₱ 6,365,587.12** | **₱ 6,277,767.80** |

1. **Receivables**

This account can be broken down as follows:

| **Particulars** | **2022** | **2021** |
| --- | --- | --- |
| Accounts Receivable | **₱** 1,625,862.97 | **₱** 1,483,256.16 |
|  Allowance for Impairment-Accounts Receivables  | (411,782.04) | (369,463.06) |
| Other Receivables: | 198,036.21 | 199,344.92 |
|  Allowance for Impairment-Other Receivables  | (9,962.45) | (9,962.45) |
| Betty Bago | 31,671.63 | 31,671.63 |
| **TOTAL** | **₱ 1,433,826.32** | **₱ 1,334,847.20** |

Accounts Receivables are open receivables arising from services rendered to customers for water sales and other incidental services. The concessionaires are categorized as Residential, Government and Commercial.

1. **Inventories**

This account consists of the following:

| **Particulars** | **2022** | **2021** |
| --- | --- | --- |
| Office Supplies and Materials Inventory | ₱ 647,487.98 | ₱ 805,139.93 |
| Office Supplies Inventory | 51,581.58 | 54,584.59 |
| Accountable Forms, Plates and Stickers Inventory | 29,250.00 | 22,086.40 |
| Semi-Expendable Machinery and Equipment | 651,560.85 |  624,705.85 |
| Semi-Expendable Office Equipment | 216,134.65 | 181,109.70 |
| Semi-Expendable Furniture, Fixtures& Books | 268,423.82 | 238,868.82 |
| Semi-Expendable Sports Equipment | 28,900.00 | 28,900.00 |
| Semi-Expendable DRRE | 4,800.00 | 4,800.00 |
| **TOTAL** | **₱ 1,898,138.88** | **₱ 1,960,195.29** |

Inventories are stated at cost using the moving average method required under existing COA regulations (COA Circular 2005-001)

1. **Other Current Assets**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2022** | **2021** |
| Prepaid Insurance  | ₱21,307.09 | ₱ 3,991.60 |
| Accrued Income  | 1,002,415.27 | 808,579.88 |
| **TOTAL** | **₱ 1,023,722.36** | **₱ 812,571.48** |

1. **Property, Plant and Equipment**

This account includes the following:

| **Cost** | **Jan 1, 2022** | **Additions** | **Adjustments** | **Dec. 31,2022** |
| --- | --- | --- | --- | --- |
| LOT-Esperanza | ₱ 61,021.00 | - | - | ₱ 61,021.00 |
| LOT-Poblacion | 632,900.00 |  |  | 632,900.00 |
| LOT- Binuni | 1,974,150.000 |  |  | 1,974,150.000 |
| Land Improvement | 173,100.00 |  |  | 173,100.00 |
| Buildings | 3,500.000.00 |  |  | 3,500.000.00 |
| Buildings –other Structures | 199,249.00 |  |  | 199,249.00 |
| Water Plant, Structures & Improvements | 15,584,721.11 | - | 16,708.50 | 15,568,012.61 |
| Machinery and Equipment | 6,233,668.48 | 524,332.47 | 267,009.50 | 6,490,991.45 |
| Transportation Equipment | 2,230,356.00 |  |  | 2,230,356.00 |
| Other Property, Plant & Equipment | 18,452,762.80 | 2,244,674.89 | 241,880.47 | 20,455,557.22 |
| Computer System | 150,000.00 |  |  | 150,000.00 |
| **TOTAL** | **₱ 49,191,928.39** | 2,769,007.36 | 525,598.47 | **₱ 51,435,337.28** |

| **Accumulated Depreciation** | **Jan 1, 2022** | **Additions** | **Adjustments** | **Dec. 31,2022** |
| --- | --- | --- | --- | --- |
| Computer Software | **₱**  27,000.00 | 13,500.00 |  | **₱** 40,500.00 |
| Land Improvements | 120,031.20 | 31,158.00 |  | 151,189.20 |
| Buildings | 420,000.00 | 105,000.00 |  | 525,000.00 |
| Buildings-Other Structures | 50,696.93 | 13,630.92 |  | 64,327.85 |
| Water Plant, Structures & Improvements | 3,089,001.05 | 461,270.64 | (149,522.72) | 3,699,794.41 |
| Machinery and Equipment | 2,777,231.27 | 376,107.02 | 369,111.40 | 2,784,226.89 |
| Transportation Equipment | 1,038,837.35 | 153,343.56 |  | 1,192,180.91 |
| Other Property, Plant & Equipment | 6,325,146.74 | 580,299.18 | 196,000.00 | 6,709,445.92 |
| **TOTAL** | **₱13,847,944.54** | 1,734,309.32 | 415,588.68 | **₱15,166,665.18** |

1. **Other Assets**

These are assets which are included in Inventory and Inspection Report of Unserviceable Property.

| **Particulars** | **Cost** | **Accumulated Depreciation** | **Book Value** |
| --- | --- | --- | --- |
| PPE-Water Plant Structures & Improvement | 5,275.00 | 1,360.54 | 3,914.46 |
| PPE-Office Equipment | 110,204.75 | 88,813.47 | 21,391.28 |
| PPE-Communication Equipment | 48,024.50 | 42,275.91 | 5,748.59 |
| PPE-Other Equipment | 119,986.50 | 57,540.28 | 62,446.22 |
| PPE-Transportation Equipment | 8,799.34 | 7,622.57 | 1,176.77 |
| **Sub -total** | **₱ 292,290.09** | **₱ 197,612.77** | **₱ 94,677.32** |
|  |  |  |  |
| Other Equipment | 87,210.29 | 73,636.73 | 13,573.56 |
| Office Equipment | 58,199.98 | 35,499.07 | 22,700.91 |
| Other PPE | 684,595.62 | 662,603.68 | 21,991.94 |
| Communication Expense | 15,967.00 | 11,811.71 | 4,155.29 |
| **Sub -total** | **₱ 845,972.89** | **₱ 785,551.19** | **₱ 62,421.70** |
|  |  |  |  |
| Reservoirs & Tanks | **16,708.50** | **10,484.47** | **6,224.03** |
|  |  |  |  |
| Liquid Chlorinator Metering Pump  | 26,880.00 | 7,459.20 | 19,420.80 |
| Liquid Chlorinator Metering Pump  | 26,880.00 | 7,257.60 | 19,622.40 |
| Other PPE T & D (LGU) | 210,000.00 | 196,000.00 | 14,000.00 |
| M & E-Submersible pump/motor | 166,059.50 | 164,466.97 | 1,592.53 |
| **Sub -total** | **₱ 429,819.50** | **₱ 375,183.77** | **₱ 54,635.73** |
|  |  |  |  |
| Office Equipment | **37,995.00** | **29,920.44** | **₱ 8,074.56** |
|  |  |  |  |
| **TOTAL** | **₱1,622,785.98** | **₱1,396,752.64** | **₱ 226,033.34** |

**11. Current Liabilities**

***Financial Liabilities***

Accounts Payable-This account composes the following:

| **Particulars** | **2022** | **2021** |
| --- | --- | --- |
| FMV Drilling Industries | ₱ 79,000.00 | ₱ 151,000.00 |
| FMV Drilling Industries | 32,890.00 | - |
| FMV Drilling Industries | 6,365.00 | - |
| CQ Printing Press | 103,150.00 | - |
| GTSG | 20,200.00 | - |
| GTSG | 33,250.00 | - |
| MIE Oro Plast Corporation | 121,655.00 | 53,784.00 |
| MIE Oro Plast Corporation | - | 58,614.00 |
| DACCUS Plumbing Supplies & Distribution | 32,035.00 | - |
| AVK Philippines | - | 55,793.52 |
| MIE Oro Plast Corporation | - | 1,850.00 |
| MIE Oro Plast Corporation | - | 14,200.00 |
| CQ PRINTING | - | 90,000.00 |
| Flosystems Import & Export Inc. | - | 102,000.00 |
| Infomax Enterprises | - | 40,000.00 |
| **TOTAL** | **₱ 428,545.00** | **₱ 567,241.52** |

Accounts Payables represent liabilities from suppliers and other payables which are due and demandable within one year from the reporting date.

**12. Inter-Agency Payables**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2022** | **2021** |
| Due to BIR | ₱ 96,539.84 | ₱ 58,689.05 |
| Due to GSIS | 164,780.33 | 153,784.74 |
| Due to PAG-IBIG | 24,614.52 | 39,456.21 |
| Due to Philhealth | 13,164.48 | 9,870.17 |
| Due to Other NGAs-COA | - | 19,429.75 |
| Guaranty/Security Deposit Payable | 3,015 | 3,015 |
| **TOTAL** | **₱ 302,114.17** | **₱ 284,244.92** |

The amount of P294,004.49 were remitted for those mandatory obligations in the ensuing month before the cut-off and /or 10th day of January 2023.

**13. Other Payables**-

This account composes the following:

| **Particulars** | **2022** | **2021** |
| --- | --- | --- |
| R. Uy Shell Station  | - | ₱ 8,254.50 |
| PLDT | 1,293.65 | 1,296.20 |
| Generation, Transmission & Distribution Expenses | 466,620.76 | - |
| Electricity | 21,157.46 | 311,536.83 |
| Taxes, Dues & Licenses | 109,813.58 | 92,069.52 |
| Fuel, Oil & Lubricants | 27,509.30 | - |
| Security Expenses | 21,897.33 | 21,897.33 |
| **TOTAL** | **₱ 648,292.08** | **₱ 435,054.38** |

**14. Other Unearned Revenue/Income**

|  |  |
| --- | --- |
| Unearned Revenue/Income  | ₱ 2,000.00 |

**15. Non-Current Liabilities**

Financial Liabilities

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Loan Type** | **Purpose** | **Date Granted** | **2022** | **2021** |
| LWUA L/A # 3-766 | Water service expansion | 1998 | 815,469.08 | 998,639.08 |
| LWUA L/A # 4-2258A | Water service expansion | 2006 | 3,403,975.00 | 4,094,845.00 |
| LWUA L/A # 4-2258B | Water service expansion | 2006 | 554,091.00 | 666,558.00 |
| LWUA KfW L/A #9-0488 | Source Development and Pipeline Extension | 11/15/2011 | 8,641,596.74 | 9,149,928.74 |
| LWUA-ICG/4-2859 | Source Development and Pipeline Extension | August 2019 | 5,820,481.00 | 6,136,859.00 |
| **Sub-total** |  |  | **19,235,612.82** | **21,046,829.82** |
| Landbank-Office Building | Office building | November 2016 | 1,555,555.60 | 1,944,444.48 |
| **TOTAL** |  |  | **20,791,168.42** | **22,991,274.30** |

Loans Payable-Domestic represents the financial assistance/grant from the Local Water Utilities Administration (LWUA) and the Non-LWUA Initiated funds (NLIF).

**16. Trust Liabilities**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2022** | **2021** |
| Customers’ Deposits Payable  | **₱** 38,099.00  | **₱** 38,099.00 |

**17. Government Equity**

Contributed Capital. This account includes the following donations:

|  |  |
| --- | --- |
| **Particulars** | **Cost** |
| LGU’s piping system installed at Upper Demologan in CY2000  | ₱ 200,000.00 |
| Distribution pipes donated by Barangay Binuni  |  15,978.16 |
| Pipes donated by Senator Loren Legarda  |  94,564.80 |
| LCD TV with cable donated by contractor  | 15,000.00 |
| LGU’s piping system installed at Barangay Mate 2021 | 516,628.00 |
| HDPE pipe #3Ø x 6m donated by LGU (6-30-22) JEV 109 | 197,540.00 |
| **TOTAL** | **₱ 1,039,710.96** |

**18**. **Retained Earnings** is composed of the following:

| **Particulars** | **2022** | **2021** |
| --- | --- | --- |
| Balance at beginning of period | ₱ 21,194,007.56 | ₱ 21,357,419.42 |
| Erroneous entry | - | (65.06) |
| Prior period adjustment | (5,586.99) | 7,653.44 |
| Prior period adjustment-Reversal | (808,579.88) | (774,845.48) |
| Double entry | - | (461,055.94) |
| Taxes | - | (245,110.65) |
| Net Income/(Loss) | 3,716,591.48 | 1,310,011.83 |
| **Balance at end of period** | **₱** **24,096,432.17** | **₱ 21,194,007.56** |

**19. Business Income**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2022** | **2021** |
| Income from Waterworks System | ₱ 22,370,974.87 | ₱18,595,875.07 |
| Fines & Penalties-Business Income | 705,343.24 | 613,079.46 |
| Interest Income | 2,509.79 | 3,025.28 |
| Other Business Income  | 321,260.00 | 295,806.00 |
|  **TOTAL** | **₱** **23,400,087.90** | **₱ 19,507,785.81** |

**20. Other Non-Operating Income**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2022** | **2021** |
| Miscellaneous Income  | ₱ 645,355.10 | ₱ 403,706.15 |

Miscellaneous Income is the result of the customer billing amount less the cost of materials used during the installation of new connection.

**21. Personnel Services**

This account consists of the following:

| **Particulars** | **2022** | **2021** |
| --- | --- | --- |
| **Salaries & Wages** |  |  |
|  Salaries & Wages-Regular  | ₱ 4,940,172.00 | ₱ 4,700,652.04 |
| **Other Compensation** |  |  |
|  Personnel Economic Relief Allowance | 384,000.00 | 362,000.00 |
|  Representation Allowance | 102,000.00 | 102,000.00 |
|  Transportation Allowance | 102,000.00 | 102,000.00 |
|  Clothing Allowance | 96,000.00 | 96,000.00 |
|  Honoraria | 362,115.00 | 541,710.00 |
|  Longevity Pay | 5,000.00 | 10,000.00 |
|  Overtime & Holiday Pay | 287,812.46 | 275,874.28 |
|  Year-end Bonus | 407,181.00 | 392,911.00 |
|  Cash Gift | 80,000.00 | 80,000.00 |
|  Other Bonuses & Allowances | 200,921.10 | 170,701.36 |
| **Personnel Benefit Contribution** |  |  |
|  Retirement and Life Insurance Premium | 586,340.64 | 543,362.04 |
|  PAG-IBIG Contribution | 19,200.00 | 18,050.00 |
|  Philhealth Contribution | 88,505.84 | 58,606.89 |
|  Employees Compensation Insurance | 19,200.00 | 18,100.00 |
| **Other Personnel Benefits** |  |  |
|  Terminal Leave Benefits | 207,119.80 | 188,304.02 |
|  Other Personnel Benefits | 823,821.00 | 1,005,545.80 |
|  **TOTAL** | **₱ 8,711,388.84** | **₱**  **8,665,817.43** |

**22. Maintenance and Other Operating Expenses**

This account consists of the following:

| **Particulars** | **2022** | **2021** |
| --- | --- | --- |
| Travel Expenses-Local | ₱ 114,070.00 | ₱ 64,132.00 |
| Training Expense | 22,900.00 | 18,130.00 |
| Office Supplies Expenses | 129,010.44 | 83,922.81 |
| Accountable Forms Expenses | 54,861.40 | 52,514,.49 |
| Fuel, Oil, & Lubricant Expenses | 383,553.95 | 374,281.86 |
| Chemical and Filtering Supplies | 193,200.00 | 164,990.00 |
| Water Expenses | 13,629.64 | 10,305.50 |
| Generation, Transmission & Distribution Expense | 4,700,344.90 | - |
| Electricity Expenses | 260,494.89 | 3,459,617.44 |
| Postage and Courier Services | 3,690.00 | 935.00 |
| Telephone Expenses | 63,704.71 | 58,415.45 |
| Internet Subscription Expenses | 34,831.41 | 21,375.00 |
| Cable, Satellite, Telegraph and Radio Expenses | 3,150.00 | - |
| Legal Services | - | 5,000.00 |
| Auditing Services | 21,268.86 | 19,429.75 |
| Security Services | 525,535.92 | 525,535.92 |
| Fidelity Bond Premium | 9,825.00 | 9,825.00 |
| Repairs & Maintenance-Buildings & Other Structures | 6,435.000 | 17,734.00 |
| Repairs & Maintenance-Machinery & Equipment | 73,390.00 | 107,574.00 |
| Repairs & Maintenance-Transportation Equipment | 149,107.06 | 119,541.68 |
| Repairs & Maintenance-Other PPE | 733,895.70 | 663,144.15 |
| Repairs & Maintenance-Furniture, Fixtures& Books | - | 8,164.00 |
| Repairs & Maintenance-Infrastructure Assets | 121,056.00 | 112,640.00 |
| Taxes, Duties & Licenses | 440,338.74 | 559,577.79 |
| Semi-Expendable Machinery & Equipment Expense | 11,308.66 | - |
| Insurance Expenses | 64,183.86 | 45,685.26 |
| Advertising, Promotional & Marketing Expenses | 235,021.48 | 129,957.19 |
| Prizes | 41,752.44 | 40,533.30 |
| Printing and Publication Expenses | 10,418.00 | 13,352.00 |
| Representation Expenses | 34.808.00 | 75,523.90 |
| Donation | 10,000.00 | - |
| Membership Dues & Contribution | 8,471.25 | 12,863.00 |
| Other Maintenance & Operating Expenses | 386,424.06 | 412,196.30 |
| **TOTAL** | **₱ 8,860,681.37** | **₱ 7,186,896.79** |

**23. Financial Expenses**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2022** | **2021** |
| Interest Expenses | ₱ 976,029.11 | ₱ 1,081,738.31 |
| Bank Charges | 4,000.00 | **-** |
| **TOTAL** |  **₱ 980,029.11** | **₱ 1,081,738.31** |

Interest Expenses are interests paid to Local Water Utilities Administration (LWUA) and Non-LWUA Initiated Funds. Bank charges are the amount paid to Landbank for the processing of the office building loan.

**24. Non-Cash Expenses**

This account consists of the following:

| **Particulars** | **2022** | **2021** |
| --- | --- | --- |
| Depreciation-Building & Other Structures | ₱ 579,901.56 | ₱570,592.23 |
| Depreciation-Machinery and Equipment | 376,107.02 | 343,070.95 |
| Depreciation-Transportation Equipment | 153,343.56 | 162,432.05 |
| Depreciation-Other PPE | 580,299.18 | 506,176.67 |
| Depreciation- Other Land Improvement | 31,158.00 | 31,158.00 |
| Impairment Loss-Loans and Receivables  | 42,442.88 | 40,097.70 |
| Amortization-Computer Software | 13,500.00 | 13,500.00 |
| **TOTAL** | **₱ 1,776,752.20** | **₱ 1,667,027.60** |

**PART II –**

**AUDIT OBSERVATIONS AND**

**RECOMMENDATIONS**

**Part II- AUDIT OBSERVATIONS AND RECOMMENDATIONS**

1. **AUDIT QUALIFICATIONS / FINANCIAL AUDIT OBSERVATION**
2. **Past due and dormant Accounts Receivables aging over a year amounting P452,287.87 remained uncollected and classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and COA Circular No. 2016-005 dated December 19, 2016.**
	1. Paragraph 15 of Philippine Accounting Standard (PAS) 1 states that:

*“The financial statements must “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.”*

* 1. Furthermore, Paragraph 66 of the same PAS states that an entity shall classify an asset as current when (a) it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realize the asset within twelve months after the reporting period; or (d) the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets shall be classified as non-current.
	2. Also, COA Circular No. 2016-005, dated December 19, 2016, prescribes the guidelines and procedures on the rite-off of dormant receivable accounts, unliquidated cash advances, and fund transfers. Section 5.4 thereof specifically defines Dormant Receivable Accounts as accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.
	3. Moreover, Items 6.1 and 7.1 of the same Circular provides that
	4. *All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable xxx*

*7.1 The Accountant shall conduct regular and periodic verification, analysis and validation of the existence of the receivables xxx*

* 1. In the event that accounts receivables are proven to be no longer realizable, these accounts may be written-off, when warranted. Sections 8.2 and 8.3 set out procedures in requesting write-off of accounts, to wit:

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

*8.3 The request shall be supported by the following documents:*

*a. Schedule of dormant accounts by accountable officer/debtor/government entity and by account, certified by the accountant and approved by the Head of the government entity;*

*b. Certified relevant documents validating the existence of the conditions, as applicable, xxx*

* 1. The receivable accounts as of December 31, 2022 and its aging showed the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **1-365 days** | **Over 1 year** | **Over 2 years** | **Over 3 years** |
| Accounts Receivable | P 1,173,545.10 | P 55,192.60 | P 49,883.17 | P 347,242.10 |
|  | **72.18%** | **3.39%** | **3.07%** | **21.36%** |

* 1. The aging shows that of the total amount of the Receivables, P452,287.87 or 27.82 per cent of the total receivables are aged more than a year. Moreover, these were all classified as current accounts.
	2. During the inquiry, the Accounting Processor said that they did not reclassify or separate the Receivable accounts with the hope that these will be collected within the ensuing year. It was also disclosed that they are preparing for the writing-off of these dormant accounts and that the delay is due to the difficulties in the gathering of supporting documents for the write-off.
	3. With the foregoing observations, the incorrect presentation or the non-separation of current and non-current receivables of the District, as well as inclusion of long overdue and dormant accounts affects the fair presentation of the Financial Statements.
	4. Additionally, considering the amount involved, Management should seriously consider exploring ways and means of collecting these accounts. As fiscal responsibility rests directly with the chief or head of the agency. He or the governing board is thus obliged to prudently exercise this assigned or imputed authority in the management of the agency’s financial resources emphasizing on economical, efficient, effective, and adequate monitoring of the receivable accounts.
	5. **We recommend that Management:**
		1. **Require the Accountant to classify these past-due accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1;**
		2. **Exert efforts to collect the receivables thru demand letters; and**
		3. **File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.**

**Management Comment/s:**

* 1. The General Manager is amenable with the audit recommendation. He instructed his Accounting Processor to reclassify the accounts, issue demand letter, and gather documents necessary to facilitate the request for write-off of accounts that are due for write-off.

*Property, Plant and Equipment*

1. **Unserviceable properties totaling P59,444.32 as at December 31, 2022 remained undisposed contrary to Section 79 of the Presidential Decree (PD) No. 1445 and Section 40 (c & d), Chapter 10, Volume 1 of the Government Auditing Manual (GAM) for National Government Agencies (NGAs).**
	1. Section 79 of Presidential Decree (PD) No. 1445 states that:

*“When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.”*

* 1. Furthermore, Section 40 (c& d), Chapter 10, Volume 1 of the Government Auditing Manual (GAM) for National Government Agencies (NGAs), defines unserviceable PPE and prescribes reporting of the same, to quote

*c. A PPE is said to be unserviceable if it is no longer capable of providing the entity with the future economic benefits or service potential.*

*d. All unserviceable property shall be reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP). xxx PPE recorded in the IIRUP shall be dropped from the books by debiting Impairment Loss- Property, Plant and Equipment (cost of the PPE less Accumulated Depreciation).*

* 1. Moreover, Section 39 (d), Chapter 10, Volume 1 of the same Manual provides for the derecognition of PPE, to wit:

*d. A JEV shall be prepared by the Accounting Division/Unit to derecognize the asset from the books of accounts only after its disposal.*

* 1. Review of the agency’s Inventory and Inspection Report of Unserviceable Property revealed that unserviceable properties are still being carried in the books of accounts, to wit:

|  |  |  |  |
| --- | --- | --- | --- |
| **PPE Account** | **Gross Amount** | **Accumulated Depreciation** | **Net Value** |
| Chlorinator | P 53,760.00 | P 14,716.8 | P 38,953.2 |
| Submersible Motor | 166,059.50 | 164,466.97 | 2,192.53 |
| Demologan Sumptank | 16,708.50 | 10,484.47 | 6,224.03 |
| Computer Set | 37,995.00 | 29,920.44 | 8,074.56 |
| Transmission and Distribution | 210,000.00 | 196,000.00 | 4,000.00 |
| **Total** |  |  | **P 59,444.32** |

* 1. Inquiry with the management disclosed that they are already in the process of disposing the said properties. They stated that there is just delay in the disposal due to unfamiliarity with the procedures for disposal of PPE.
	2. Delaying the disposal of unserviceable properties will expose the items to further deterioration due to wear and tear and may incur loss or reduction of possible income from sale through public auction. Furthermore, it would render the PPE accounts to be overstated.
	3. **We recommend the Management to:**
		1. **dispose unserviceable properties in accordance with the regulation on disposal of properties;**
		2. **regularly sort out unserviceable from unserviceable properties to prevent its accumulation and consistent recording in the books of accounts; and**
		3. **adhere strictly to Section 79 of PD 1445.**

**Management Comment/s:**

* 1. The Management committed to comply with the audit recommendation within the semester. Also, they committed to monitor serviceability of PPEs to avoid accumulation of unserviceable properties.
1. **OTHER AUDIT OBSERVATION**

*Non-Revenue Water*

1. **The Non-Revenue Water (NRW) of the District is equivalent to 25.97 percent which exceeded the 20 percent maximum acceptable NRW prescribed by LWUA resulting to unaccounted water losses, which is not in accord with LWUA Memorandum Circular No. 014-10 dated December 2, 2010 and LWUA Resolution No. 444 series of 2009, hence, resulting in monetary loss of P292,604.08 to the District.**
	1. Section 32(d) of Presidential Decree No. 768, as amended, on the rights of Water Districts, states that a District shall have the right to safeguard and protect the use of its waters.
	2. Likewise, LWUA Memorandum Circular No. 2014-10 dated December 2, 2010 provides that:

*“There is a need for Water Districts to reduce the Non-Revenue Water (NRW) in order to enhance its operational efficiency and improve financial viability. All Water Districts are therefore enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy.”*

* 1. Also, LWUA Resolution No. 444, Series of 2009, states that:

*“WHEREAS, in order to accelerate further improvement in the efficiency level of the Water Districts, there shall be a reduction in the maximum acceptable non-revenue water from the existing 25% to 20%;*

*NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved, to approve the immediate implementation in the reduction of the maximum acceptable non-revenue water from the existing 25% to 20% applicable to all Water Districts, effective upon its approval.”*

* 1. Review of the operations of the District for CY 2022 showed the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Total Water Production (cu.m)** | **Billed Water (cu.m)** | **NRW****(cu.m)** | **NRW****(%)** | **NRW in pesos****(At P4.33/cu.m)** |
| 1,131,535.00 | 837,652.00 | 293,883.00 | 25.97% | P 1,272,513.39 |
| Allowed NRW | 226,307.00 | 20.00% | 979,909.31 |
| Difference/(Loss) |  | 5.97% | P 292,604.08 |

* 1. Likewise, the table below shows the trend of the average NRW from CY 2019 to CY 2022.

|  |  |  |  |
| --- | --- | --- | --- |
| **2019** | **2020** | **2021** | **2022** |
| 13.10% | 11.40% | 26.00% | 25.97% |

* 1. Upon inquiry, the Management claimed that this is due to some leaks of their pipes due to the road construction and road widening projects in the national highway as well as differences in reading due to broken meters.
	2. With this, the current and existing NRW reduction efforts do not comprehensively address the identified and other possible causes of the District's NRW. As a result, NRW as of year-end is at 25.97 percent and these have significant effects on the operational efficiency and financial viability of the District.
	3. **We recommend the management to:**
		1. **Conduct regular performance audit on all its water meters (i.e., flow meters and service meters) and pipes to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and**
		2. **Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.**

**Management Comment/s:**

* 1. During the exit conference, Management stated that the sudden increase in NRW of the District is attributable to the newly operated source. However, they are already monitoring it to lessen it and maintain NRW that is within what is allowed. Furthermore, in their letter reply to the AOM, they stated that they will Install test bench equipment for re-calibration of water meters and would replace all water meters installed from 1998 and below

*Gender and Development*

1. **The effectiveness of the District's GAD programs and activities cannot be properly evaluated due to deficiencies in GAD Planning procedures and the allocation of GAD Budget below five percent (5%) of the District's Corporate Operating Budget for the year.**
	1. Section 1 of Executive Order (EO) 273 on Approving and Adopting the Philippine Plan for Gender-Responsive Development, 1995 To 2025 provides that:

*“All government agencies, departments, bureaus, offices, and instrumentalities, including government-owned and -controlled corporations, at the national, sub-national and local levels, are directed:*

*1.2 To institutionalize Gender and Development (GAD) efforts in government by incorporating GAD concerns, as spelled out in the Plan, in their planning, programming and budgeting processes, but more specifically to:*

*1.2.1 Include/incorporate GAD concerns in the:*

*a. formulation, assessment and updating of their annual agency plans;*

*b. formulation, assessment and updating of their inputs to the medium/long-term development plans; and*

*c. preparation of their inputs to sectoral performance assessment reports, public investment plans and other similar documents.*

*1.2.2 Incorporate and reflect GAD concerns in their:*

*a. agency performance commitment contracts indicating key result areas for GAD as well as in their annual performance report to the President; and*

*b. annual agency budget proposals and work and financial plans.*

* 1. PCW-NEDA-DBM Joint Circular No. 2012-01 provides among others the following guidelines for the preparation of Annual Gender and Development (GAD) Plans and Budgets and Accomplishment Reports to implement the Magna Carta for Women, viz:

*5.0 STEPS IN FORMULATING THE GAD PLAN*

*5.1 Set the GAD agenda or identify priority gender issues and/or specific GAD mandates and targets to be addressed over a one-year or three-year term xxx. This GAD agenda shall be the basis for the annual formulation of programs, activities and projects (PAPs) to be included in the GAD Plan and Budget (GPB) xxx.*

*5.2 Identify appropriate PAPs to address priority gender issues that are included in the GPB. PAPs may be client focused or those addressing gender mainstreaming in major programs and other GAD focused activities for agency clients. It may also be organization-focused or those addressing identified gender issues of the agency and its personnel.*

*5.3 Agencies are encouraged to assess the gender-responsiveness of their major programs and projects using the Harmonized Gender and Development Guidelines (HGDG) tool. The result of assessment will guide them in identifying areas for improvement.*

*5.4 Fill out the templates on GPB and GAD Accomplishment Reports (AR) xxx.*

*6.0 COSTING AND ALLOCATION OF THE GAD BUDGET*

*6.1 At least five percent (50/o) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. xxx*

*8.0 SUBMISS/ON, REVIEW AND ENDORSEMENT OF AGENCY GAD PLANS AND BUDGETS*

*8.2 The Gender Focal Point System (GFPS) of the agency shall review all submitted GPBs and as needed, provide comments or recommendations for revision. Agency review of GPBs sha// focus on the alignment of the GAD plan with the GAD agenda and the correctness and alignment of the entries in each column of the GPB template, xxx. The GFPS sha/l then submit the final GPBs and the corresponding GAD ARs to PCW for review and endorsement to DBM.*

*8.7 Agencies shall submit their PCW-endorsed GPB to DBM along with their annual GAD AR for the previous year in accordance with the budget call.*

* 1. ln its effort to implement GAD, an amount of P7,926,598.59 was specifically allotted for gender and development programs by for the year 2022. However, programs and activities costing only P1,705,319.71 or 21.51% of the total GAD budget were undertaken by the agency. Conversely, the amount of P 6,221,278.88 or 78.49% of the GAD budget was unutilized as at reporting date.
	2. The Audit Team observed that the current GAD planning can be further enhanced. GAD Planning and GAD Plan should be (1) structured and made to set policies, strategies, and initiatives to address the identified gender and development issues whether within or outside the organization, (2) to establish performance indicators which will serve as basis for evaluating whether or not programs, project and activities for GAD are implemented effectively, (3) to attain synergy for the agency's mandate and objectives, as well as to clearly identify activities and programs which are attributed to gender and development. It was further observed that evaluation was not done to ascertain whether or not implemented GAD programs and activities were effective.
	3. The agency's current GAD implementation has gaps or areas of possible improvement that if not addressed would undermine the very purpose on why laws, rules and regulations, conventions, and standards for gender and development are made.
	4. **We recommended and management agreed that the agency:**
		1. **Allocate at least 5% of the total budget of the agency for the implementation of gender and development programs, project and activities for every fiscal year either by specific appropriation or by attribution;**
		2. **Implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness;**
		3. **Establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities; and**
		4. **Evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.**

**Management Comment/s:**

* 1. The Management stated that they will revisit the GAD guidelines and policies in order to have a deeper understanding of the subject matter to be able to apply GAD Database or SDD and HGDG. They committed to comply with the audit recommendation.
1. **REMITTANCE OF GSIS, PAG-IBIG AND PHILHEALTH PREMIUMS**
2. The Water District has complied with the existing rules and regulations on the mandatory deductions and remittances of compulsory contributions to the GSIS, HDMF and Philhealth.
3. **COMPLIANCE WITH TAX LAWS, RULES AND REGULATIONS INCLUDING REMITTANCES TO BIR**
4. The Water District has complied with existing tax laws, rules and regulations by withholding taxes and promptly and regularly remits the same to the Bureau of Internal Revenue.
5. **STATUS OF NOTICE OF DISALLOWANCE, NOTICE OF SUSPENSION AND NOTICE OF CHARGES**
6. The status of suspensions, disallowances and charges of the District is the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **Balance, 12/31/2021** | **CY 2022****Issuances** | **CY 2022****Settlement** | **Balance, 12/31/2022** |
| Suspensions | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 |
| Disallowances | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 |
| Charges | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 |

**PART III –**

**STATUS OF IMPLEMENTATION OF**

**PRIOR YEARS’ AUDIT RECOMMENDATIONS**

**Part III- STATUS OF IMPLEMENTATION OF**

**PRIOR YEARS’ AUDIT RECOMMENDATIONS**

We made a follow-up on the action taken by the District to implement the recommendations of CY 2021, 2020, and 2019 AARs and noted the following:

|  |  |  |
| --- | --- | --- |
| **Status of Implementation** | **No. of Recommendations** | **Percentage** |
| Fully Implemented | 19 | 67.86% |
| Partially Implemented | 5 | 17.85% |
| Not Implemented | 4 | 14.29% |

| **Ref.** | **Audit Observation** | **Audit Recommendation(s)** | **Status of Implementation** |
| --- | --- | --- | --- |
|
|  |
|
| AAR 2021 No. 1 | Delayed submission of the Bank Reconciliation Statements (BRS) and Trial Balances (TB) and non-submission of quarterly financial statements are contrary to Section 74 of Presidential Decree No. 1445, COA Circular Nos. 2009-006 dated September 15, 2009, 92-89E dated March 8, 1992, and the Government Accounting Manual (GAM) for NGAs Volume I, casting doubt on Cash in Bank balance at any given time. | We recommended that the management direct the Accounting to:1. Immediately prepare and submit the BRS not submitted for CY 2021 for all five (5) bank accounts maintained;
 | Fully Implemented1 |
| 1. Prepare and submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor or make use of a snapshot to expediate preparation and submission thereof;
 | Fully Implemented2 |
| 1. Immediately submit the monthly trial balances for April – December 2021; and
 | Fully Implemented3 |
| 1. Submit future monthly TBs and quarterly financial statements within the first ten (10) days of the ensuing month.
 | Fully Implemented4 |
| AAR 2021 No. 2 | Past Due and Dormant Accounts Receivable accounts aging one to more than ten years amounting P412,898.13 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016 | We recommended that Management:1. Exert efforts to collect the receivables thru demand letters;
 | Partially Implemented1A list of deceased customers is still being confirmed with their respective barangays and management is yet to issue demand letters for those who are still existing. |
| 1. Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1; and
 | Not Implemented1Management was not able to reclassify the accounts, thus reiterated in this report. |
| 1. File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.
 | Not Implemented2Management is still gathering supporting documents for the request for write-off. |
| AAR 2021 No. 3 | Power costs incurred in pumping stations amounting to P3,237,562.67 were erroneously recorded as Electricity Expense (P3,164,254.27) and Fuel, Oil and Lubricants Expenses (P73,308.40) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expense, causing both expense accounts misstated, contrary to COA Circular No. 2015-010 dated December 1, 2015. | We recommended to the management:1. To direct the Accountant to prepare the necessary adjusting entries for the current year’s erroneous recording of the electricity for the pumping stations to reclassify them to their appropriate accounts as prior years’ journal entries have already been closed to Accumulated Surplus/Deficit;
 | Fully Implemented5 |
| 1. Through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and
 | Fully Implemented6 |
| 1. To comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of a Revised Chart of Accounts (RCA) for Government Corporations, including Water Districts.
 | Fully Implemented7 |
| AAR 2021 No. 5 | The District failed to prepare its Septage Management Plan (SMP) as required by RA 9275 and PD 198 depriving its concessionaires of a sound wastewater treatment and disposal system. | We recommended that Management to coordinate with the Local Government Unit and prepare its Septage Management Plan (SMP) providing for a strategic objective of the District, the courses of action to be undertaken with its desired/expected outcomes and outputs, target timelines, accountabilities, means of monitoring and evaluation, and key performance indicators, among other items, for an effective and efficient implementation and monitoring. | Not Implemented3The result of a Financial Evaluation on Feasibility Study conducted showed that BWD is not yet capable in investing in the said project since it will cost not less than 50 million Pesos.  |
| AAR 2021 No. 9 | Insurable properties of the Agency, except for the Transportation Equipment, were not covered with the appropriate property insurance with the Government Service Insurance System (GSIS) as required in Republic Act (R.A.) No. 656 or Property Insurance Law and COA Circular No. 2018-002 dated May 31, 2018 exposes the District’s PPEs to risk of loss without indemnification. | We recommended that Management shall insure all its insurable properties with the GSIS by strictly following the guidelines provided in the COA Circular No. 2018-002 dated May 31, 2018. | Fully Implemented8 |
| AAR 2020 No. 1 | Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱22,354,849.69 is of doubtful validity. | We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts. | Fully Implemented9 |
| AAR 2020 No. 2 | Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱1,704,553.81. | We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. | Fully Implemented10 |
| AAR 2020 No. 3 | The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures. | We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2020 as provided under DOH Administrative Order No. 2014-0027. | Partially Implemented2Management has started the initial steps in preparing a WSP but they need further training or seminar due to lack of technical knowledge on the matter. |
| AAR 2020 No. 4 | The Annual Procurement Plan (APP) prepared by the District is incomplete, inadequate and lacked the necessary information on the mode of procurement, schedule of each procurement activity, brief description of the programs/projects, source of funds, among others, as required under Section 7 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and Government Procurement Policy Board (GPPB) Circular No. 07-2015 dated July 16, 2015, thus relevance and usefulness of APP as a planning and control tool was not attained, resulting in uncoordinated procurements that do not promote efficiency, economy and transparency.  | We recommend that the District require the personnel in charge to:1. Formulate the APP in accordance with Section 7 of the Revised IRR of RA No. 9184;
 | Fully Implemented11 |
| 1. Ensure that all the necessary information required in the APP and its amendments are reflected therein for its continuous relevance and usefulness as a planning and control tool;
 | Fully Implemented12 |
| 1. Submit the duly approved copy of APP to the GPPB in accordance with Section 1(a) of Executive Order No. 662, series of 2007, as amended.
 | Fully Implemented13 |
| 1. Attach a copy of the APP to the disbursement vouchers for the payment of all types of procurement, in compliance to COA Circular 2012-001 dated June 14, 2012; and
 | Fully Implemented14 |
| 1. Include in the APP, provisions for foreseeable emergencies based on historical records as well as the manner of procurement thereof.
 | Fully Implemented15 |
| AAR 2019 No. 1 | Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as provided for in Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱28,520,694.64 in of doubtful validity. | We recommended that reconciliation of Report on the Physical Count of Property Plant and Equipment (RPCPPE) to the Accounting unit’s Property Plant and Equipment Ledger Card (PPELC) and to the Property and Supply unit’s Property Card (PC) be conducted and its results be submitted to be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual (GAM). Property Accountability Receipt (PAR) for these assets should be renewed every three (3) years. | Fully Implemented16 |
| AAR 2019 No. 2 | Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 1,200,713.89. | We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. | Fully Implemented17 |
| AAR 2019 No. 3 | The District did not adhere to Republic Act No. 656 (Property Insurance Law) and Section 5.1e of COA Circular 2018-004 dated May 31, 2018 to insure their properties with a book value or replacement value of ₱ 25,429,492.78 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure. | We recommend that adherence to Republic Act 656 for all properties that the District have insurable interest to protect it from damage and loss due to force majeure and/or fortuitous events (Acts of God). | Fully Implemented18 |
| AAR 2019No. 4 | The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to P494,234.55 contravenes Sec. 5 of the District’s Service Connection Contract and unfavorably affects the Water District operations. | We recommend that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents. | Partially Implemented3Management is still gathering supporting documents for the request for write-off. |
| AAR 2019No. 5 | Water sales for the month of December 2019 amounting to P50,173.30 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts. | We recommended that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements. | Fully Implemented19 |
| AAR 2019No. 6 | The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 37 of the General Appropriations Act (GAA) for FY 2019 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation. | We recommended that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 37 of the FY 2019 General Appropriations Act. | Not Implemented4The Management is yet to appoint a DRRM Officer |
| AAR 2019No. 7 | Bacolod Water District did not use not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2019, thereby making the attribution of the GAD budget doubtful. | We recommended that Management:1. Prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDG in the identification, design, implementation, management, and monitoring and evaluation stages of the various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget; If the district is not yet trained on the use of the tool, or the GFPS is not capacitated to conduct such gender analysis, it is recommended to seek the assistance of an expert or make representation through the Board of Directors to request for training and workshop from accredited institutions;
 | Partially Implemented4The GAD Focal Person has not used HGDG in all of is GAD PPAs. |
| 1. Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the District, as well as proper charging of the object of expenditures on actual accomplishments.
 | Partially Implemented5The GAD Focal Person has not used GAD Database or SDD in all of is GAD PPAs. |