



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
City of San Fernando, La Union

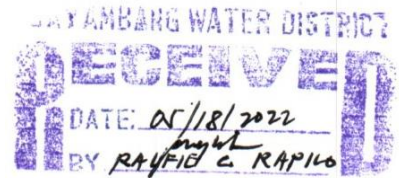
April 22, 2022

DR. FRANCISCO B. ZARAGOZA

Chairman of the Board of Directors
Bayambang Water District
Bayambang, Pangasinan

MR. FRANCIS J. FERNANDEZ

General Manager
Bayambang Water District
Bayambang, Pangasinan



Dear Director Zaragoza and General Manager Fernandez:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, otherwise known as the “Government Auditing Code of the Philippines,” and in line with this Commission’s efforts towards informing Management on how fiscal responsibility had been discharged, we are pleased to transmit the report of our auditors on the audit of the accounts and operations of the Bayambang Water District, Bayambang, Pangasinan, for the year ended December 31, 2021.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements. We believe that our audit, which resulted in the following significant observation, provides a reasonable basis for our qualified opinion:

- Inadequate and incomplete details of Property, Plant and Equipment (PPE) transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only ₱260,046,553.25 were properly identified and validated compared to ₱318,519,342.38 PPE account balance or a difference of ₱58,472,789.13. These rendered the existence and accuracy of PPE account uncertain, thus, affected the fair presentation of the financial statements.

We request that the observations and recommendations contained in the report be appropriately acted upon and we will appreciate being informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI), form attached, within 60 days upon receipt hereof.

We acknowledge the cooperation and support extended to our auditors during the audit.

For the Commission on Audit:

By:


TERESITA A. PAJARA
OIC - Regional Director

Copy furnished:

The President of the Republic of the Philippines
Malacañang Palace Compound
J.P. Laurel St., San Miguel, Manila

The Vice-President of the Republic of the Philippines
Quezon City Reception House
100 11th Street, Brgy. Mariana
New Manila, Quezon City

The Senate President
Senate of the Philippines
GSIS Building, Financial Center
Roxas Blvd., Pasay City

The Chairperson-Senate Finance Committee
Senate of the Philippines
GSIS Building, Financial Center
Roxas Blvd., Pasay City

The Speaker of the House
House of Representatives
Constitutional Hills, Quezon City

The Chairperson - Committee on Appropriation
Committee Office
House of Representatives of the Philippines
Basement, North Wing Building
Constitutional Hills, Quezon City

The Secretary of the Department of Budget and Management
General Solano Street, San Miguel, Manila

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

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

The Chief Office
UP Law Center
Bacobo Hall, UP Law Complex
UP Diliman, Quezon City

The Director
COA Commission Central Library
Commission on Audit
Commonwealth Avenue, Quezon City



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
CORPORATE GOVERNMENT SECTOR
WATER DISTRICTS AND OTHER STAND ALONE AGENCIES
Dagupan City

Office of the Auditor – Audit Team No. 4

MEMORANDUM

FOR : TERESITA A. PAJARA
OIC - Regional Director
Commission on Audit
Regional Office No. I

DATE : April 22, 2022

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of Bayambang Water District (BAYWAD), Bayambang, Pangasinan for the year ended December 31, 2021.

The audit was conducted to ascertain the fairness of presentation of the financial statements and the propriety of financial transactions. We conducted the audit in accordance with generally accepted auditing standards and we believe that it provides a reasonable basis for the results of the audit. The audit was likewise aimed at determining whether the desired objectives were attained in an effective, efficient, and economical manner.

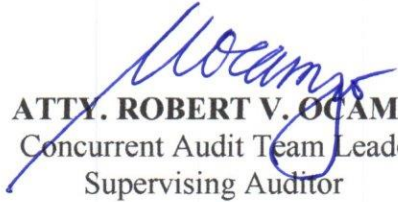
Our report consists of three parts. Part I is the audited financial statements, Part II contains the Observations with the corresponding Recommendations, which were discussed with Management in an exit conference, Part III presents the Status of Implementation by the Auditee of Prior Years' Audit Recommendations, and Part IV the Annexes.

There is a reason to believe that the financial statements are free from material misstatement/s and are prepared in accordance with applicable laws, rules, and regulations and in conformity with generally accepted accounting principles.

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

We discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference last April 13, 2022. We are pleased to note their favorable reactions to our recommendations.

We acknowledge the cooperation extended to us by the District personnel, particularly those of the Finance Division, through whose assistance and support, the submission of this report was made possible.


ATTY. ROBERT V. OCAMPO
Concurrent Audit Team Leader
Supervising Auditor



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

BAYAMBANG WATER DISTRICT
Bayambang, Pangasinan

For the Year Ended December 31, 2021

EXECUTIVE SUMMARY

A. INTRODUCTION

Bayambang Water District (BAYWAD) was created by virtue of Sangguniang Bayan Resolution No. 10 dated March 8, 1980 pursuant to Presidential Decree (PD) No. 198. It was then issued with Conditional Certificate of Conformance No. 119 on June 30, 1980 making it eligible to avail comprehensive assistance program from the Local Water Utilities Administration (LWUA).

Classified by LWUA as Category “C” effective March 2012, BAYWAD has a total of 13,235 active service connections which is composed of 12,936 concessionaires in the Municipality of Bayambang, 1,686 in the Municipality of Bautista, 74 in the Municipality of Malasiqui, and 16 in the Municipality of Basista. The District has 10 pumping stations located at the following:

- Zone V, Poblacion
- Sapang
- Beldet, Tamaro
- Mangayao
- Bacnono
- Tambac
- Nalsian Norte
- Tamaro
- Buenlag 2nd
- Buenlag 2nd Phase 2

BAYWAD is being led by General Manager (GM) Francis J. Fernandez who is duly assisted by 50 permanent, 8 casual and 2 Job-Order employees. Its policy-making body is its Board of Directors (BOD) headed by Dr. Francisco B. Zaragoza.

B. OPERATIONAL HIGHLIGHTS

Consistent with its mission to deliver safe, adequate and affordable drinking water in every home and in any part of the Municipality of Bayambang, through a sustainable water resources development, the District reported the following accomplishments for Calendar Year (CY) 2021:

Performance Indicator	2021	2020
No. total service connections	14,712	13,749
No. of active service connections	13,235	12,360
No. of service reconnections	2,333	1,490
Non-Revenue Water Rate	20.92%	21.98%

C. FINANCIAL HIGHLIGHTS

The financial position and the results of operation of BAYWAD for the year ended December 31, 2021, with the comparative figures for CY 2020 are presented as follows:

C.1. Comparative Financial Position

For CY 2021, there was a decrease of 2.55% in assets, a decrease of 15.40% in liabilities and an increase of 18.17% in equity, summarized as follows:

Particulars	Amount (₱)			Percentage Change
	2021	2020	Increase (Decrease)	
Assets	259,213,875.93	265,998,393.58	(6,784,517.65)	(2.55)
Liabilities	138,913,481.88	164,191,739.35	(25,278,257.47)	(15.40)
Equity	120,300,394.05	101,806,654.23	18,493,739.82	18.17

C.2. Comparative Financial Performance

For CY 2021, the District posted an 11.61% decrease of net income tabulated as follows:

Particulars	Amount (₱)			Percentage Change
	2021	2020	Increase (Decrease)	
Income	97,194,681.12	91,946,634.25	5,248,046.87	5.71
Expenses	79,883,571.73	72,362,325.06	7,521,246.67	10.39
Net Income	17,311,109.39	19,584,309.19	(2,273,199.80)	(11.61)

C.3. Summary of Total Budget and Disbursements

The District expended 38.57% of the total budget for CY 2021 presented as follows:

Particulars	Amount (₱)		Percentage of Utilization
	Budget	Utilization	
Personnel Services	38,664,618.40	21,573,835.87	55.80
Maintenance and Other Operating Expenses	71,257,227.10	35,475,998.63	49.79
Financial Expenses	12,100,293.13	12,072,265.41	99.77
Capital Expenditures	130,884,138.83	28,432,506.43	21.72
Total	252,906,277.46	97,554,606.34	38.57

D. SCOPE OF AUDIT

A comprehensive audit was conducted on the accounts and operations of BAYWAD for the year ended December 31, 2021. The audit consisted of review of the operating procedures, inspection of programs and projects, interview with concerned officials and employees, verification, reconciliation and analysis of accounts and such other procedures deemed necessary.

E. INDEPENDENT AUDITOR'S OPINION

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements as at December 31, 2021 because of the following observation:

- Inadequate and incomplete details of Property, Plant and Equipment (PPE) transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only ₱260,046,553.25 were properly identified and validated compared to ₱318,519,342.38 PPE account balance or a difference of ₱58,472,789.13. These rendered the existence and accuracy of PPE account uncertain, thus, affected the fair presentation of the financial statements.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Presented below are the observations with corresponding recommendations which were discussed with the concerned agency officials during the exit conference on April 13, 2022. Corresponding comments thereof are incorporated in Part II of the report, where appropriate:

1. Consultancy Service amounting to ₱480,000.00 did not go through the procurement process and do not have sufficient and complete documentation contrary to Section 6.2 of Civil Service Commission (CSC) – Commission on Audit (COA) – Department of Budget and Management (DBM) Joint Circular No. 1 s. 2017 and Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (IRR), thus, depriving the District of the opportunity to obtain such services through a competitive and transparent process and exposing management to legal risks and incurrence of unnecessary expenses.

We recommended that Management direct the Bids and Awards Committee (BAC) to procure consultancy services pursuant to the provisions of RA No. 9184.

We further recommended that the Accountant ensure sufficient and complete documentation of consultancy payments.

2. The District's absence of effective collection policies and procedures resulted in uncollected receivables from inactive accounts of ₱3,756,108.47 which does not align with principles of cash management and Section 2 of PD No. 1445, thus deprived the District of the use of said funds to finance its operation and investment projects.

We reiterated our recommendation that Management require the Billing Personnel to implement efforts to collect the accounts receivables such as service of demand letters and follow-up visits, if necessary.

3. Twelve parcels of land were not supported with a Certificates of Title in the name of BAYWAD contrary to Section 39 (2) of PD No. 1445, thus posing risk of third-party claims. Moreover, the cost of lot acquired through donation was not recognized in the financial statements.

We recommended that Management instruct the Accountant to locate records to support the entries recorded in the Land account in the financial statements.

Likewise, we recommended that the Accountant recognize in the books the fair values of the donated lots using the Bureau of Internal Revenue (BIR) zonal values of the parcels of land at the date of donation.

4. Unserviceable properties of undetermined amount remained undisposed for several years contrary to Section 79 of PD No. 1445, thus, these properties were exposed to deterioration due to wear and tear and may reduce their saleable values to the disadvantage of the District.

We recommended that Management direct the GM to create an Appraisal and Disposal Committee which shall prepare the Inventory and Inspection Report of Unserviceable Properties (IIRUP), request an inspection from COA and cause the immediate disposal of said items including the waste materials through public auction.

5. Taxes in the total amount of ₱58,660.71 on purchases from a supplier was not withheld by the District despite its obligation as a withholding agent contrary to Section II of BIR Revenue Memorandum Order (RMO) No. 23-2014 dated June 20, 2014, and BIR Revenue Regulation (RR) No. 11-2018 dated January 31, 2018, thus the District may be held liable to penalties.

We recommended that Management require the Accountant to withhold taxes on future transactions with the supplier if there is no valid proof of tax exemption submitted.

Details of other observations and recommendations were discussed in Part II of the Report.

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

The status of implementation of prior years' audit recommendations is presented below:

Status	Prior Years' Audit Recommendations	Percentage of Implementation
Implemented	5	33.33
Not Implemented	10	66.67
Total	15	100.00

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

The summary of audit suspensions, disallowances and charges of the District as of December 31, 2021 is presented as follows:

Particulars	Amount (₱)			
	Beginning Balance (12/31/2020)	CY 2020 Issuances		Ending Balance (12/31/2021)
		NS/ND/NC	NSSDC	
Suspensions	8,903.57	-	8,903.57	-
Disallowances	3,355,583.34	13,903.57	262,366.95	3,107,119.96
Charges	-	-	-	-
Total	3,364,486.91	13,903.57	271,270.52	3,107,119.96

TABLE OF CONTENTS

PART I	Audited Financial Statements	
	• Independent Auditor’s Report	1
	• Statement of Management’s Responsibility for Financial Statements	3
	• Statement of Financial Position	4
	• Statement of Comprehensive Income	6
	• Statement of Changes in Equity	7
	• Statement of Cash Flows	8
	• Notes to Financial Statements	10
PART II	Observations and Recommendations	29
PART III	Status of Implementation of Prior Years’ Audit Recommendations	50
PART IV	Annex	
	Annex A – Schedule of Outstanding Balance of Prior Years’ Disallowances	59

PART I

AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
CORPORATE GOVERNMENT SECTOR
WATER DISTRICTS AND OTHER STAND ALONE AGENCIES
City of San Fernando, La Union

Office of the Supervising Auditor

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The General Manager
Bayambang Water District
Bayambang, Pangasinan

Qualified Opinion

We have audited the financial statements of Bayambang Water District, Bayambang, Pangasinan which comprise the statement of financial position as of December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Bayambang Water District as at December 31, 2021 and its financial performance and cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Qualified Opinion

As discussed in Part II of the report, the Auditor rendered a qualified opinion on the fairness of presentation of financial statements because of the following:

- Inadequate and incomplete details of Property, Plant and Equipment (PPE) transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only ₱268,898,964.89 were properly identified and validated compared to ₱318,519,342.38 PPE account balance or a difference of ₱58,472,789.13. These rendered the existence and accuracy of PPE account uncertain, thus, affected the fair presentation of the financial statements.

Key Audit Matters

Except for the matter described in the Basis for Qualified Opinion section, we have determined that there are no other audit key matters to communicate in this report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

COMMISSION ON AUDIT

By:


ATTY. ROBERT V. OCAMPO, SR.
Supervising Auditor

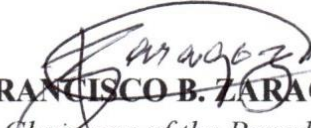
April 22, 2022



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

The management of the Bayambang Water District is responsible for the preparation of the financial statements as at December 31, 2021, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material 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.


DR. FRANCISCO B. ZARAGOZA
Chairman of the Board

January 31, 2022
Date Signed


RALFIE C. RAPILO
Sr. Corporate Accountant-A

January 31, 2022
Date Signed


FRANCIS J. FERNANDEZ
General Manager

January 31, 2022
Date Signed

BAYAMBANG WATER DISTRICT NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Corresponding Figures for 2020)

1. Agency Profile

The water supply system of the Municipality of Bayambang was initially managed and operated by the Local Government of Bayambang. On March 8, 1980, through Sangguniang Bayan Resolution No. 10 authored by the former Municipal Councilor Calixto B. Camacho, Bayambang Water District (BAYWAD) was created.

The operations of the water district started on October 5, 1979, pursuant to the provisions of the PD No. 198. The District is responsible for (a) acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such district, (b) providing, maintaining, and operating wastewater collection, treatment and disposal facilities, and (c) conducting such other functions and operations and incidental to water resource development, utilization and disposal within such District.

Classified by LWUA as Category “C” effective March 2012, the District has 13,235 active service connections as of December 31, 2021. BAYWAD has 58 hardworking employees under the stewardship of GM Francis J. Fernandez.

The policy-making body of BAYWAD is composed of the following representing the sector opposite their names:

Name	Position	Sector	Term of Office
Dr. Francisco B. Zaragoza	Chairman	Education	January 1, 2021 to December 31, 2026
Mr. Marlon T. Nonato	Vice-Chairman	Civic	January 1, 2019 to December 31, 2024
Dr. Nicolas O. Miguel	Board Secretary	Business	January 1, 2019 to December 31, 2022
Mrs. Agustina B. Bautista	Member	Women	August 23, 2021 to December 31, 2024
Mr. Bernardo C. Jimenez	Member	Professional	August 5, 2019 to December 31, 2022

The Water District’s registered office is located at Ernesto J. Fernandez Building, Rizal Avenue, Zone II corner Juan Luna, Bayambang, Pangasinan.

2. Basis of Preparation of Financial Statements

The financial statements of the Water District have been prepared in accordance with the PFRS. The financial statements are presented in Philippine pesos, which is the functional and reporting currency of the District.

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

The financial statements are prepared on an accrual basis in accordance with the PFRS. Accounts were classified to conform to the Revised Chart of Accounts prescribed under COA Circular No. 2020-002 dated January 28, 2020.

3.2 Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.3 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

The Water District uses the first in first out (FIFO) method for inventory costing. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the District.

3.4 Property, Plant and Equipment (PPE)

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

The capitalization threshold is ₱15,000.00 as prescribed by COA.

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

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

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

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

The straight-line method of depreciation is adopted and begins when the asset is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management

The Water District uses the Schedule on the Estimated Useful Life of PPE by classification prescribed by COA.

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

At each reporting date, the Water District assesses whether there is an indication that PPE may be impaired. In assessing whether there is any indication that an asset may be impaired, the District considers external and internal sources of information.

3.5 Intangible Assets

Intangible asset is an identifiable non-monetary asset without physical substance.

An item is recognized as intangible asset, whether purchased or self-created (at cost) if, and only if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are measured at cost.

Amortization begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management of the Water District.

The amortization method to be applied shall be the Straight-Line Method unless a pattern in which the asset's future economic benefits are expected to be consumed by the entity can be determined reliably.

3.6 Income from Government Grants

Government grants are recognized only when there is reasonable assurance that (a) the Water District will comply with any conditions attached to the grant and (b) the grant will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Water District recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income.

3.7 Changes in Accounting Policies and Estimates

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

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

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

3.8 Related Parties

The District regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the District or vice versa. Members of key management are regarded as related parties and comprise the BOD and GM.

4. Cash and Cash Equivalents

Account	2021	2020
Cash on Hand		
Cash-Collecting Officers	12,660.10	-
Petty Cash	7,931.80	4,185.05
Total Cash on Hand	20,591.90	4,185.05
Cash in Bank-Local Currency		
Cash in Bank-Local Currency, Current Account	510,320.02	670,266.22
Cash in Bank-Local Currency, Savings Account	3,418,568.65	4,698,064.90
Total Cash in Bank-Local Currency	3,928,888.67	5,368,331.12
Total Cash and Cash Equivalents	3,949,480.57	5,372,516.17

Cash on Hand pertains to Petty Cash Fund in the amount of ₱10,000.00 that is operated under Imprest Fund System, and Cash Collecting Officer account, which are the cash collections of Accountable Officers from 3:00 PM to 5:00 PM that will be deposited on the following working day.

Cash in Bank- Local Currency

Current Account pertains to the current accounts maintained with the Land Bank of the Philippines (LBP) with Acct Nos. 1342-1043-19 and 1342-1074-15; and earns interest based on the prevailing bank deposit rates.

Savings Account pertains to the savings accounts in LBP and Rural Bank of Bayambang (RBB) with Acct Nos. 1341-1888-29 and 20-03959, respectively; and earns interest based on the prevailing bank deposit rates. In a letter dated October 23, 2019, pursuant to Department of Finance (DOF) Circular No. 1-2017, the District was given authority by the DOF to maintain an account with the RBB.

5. Receivables

Account	2021	2020
Loans and Receivable Accounts		
Accounts Receivable	14,232,619.36	13,642,605.19
<i>Allowance for Impairment-Accounts Receivable</i>	<i>(1,206,885.32)</i>	<i>(1,139,245.14)</i>
Net Value-Accounts Receivable	13,025,734.04	12,503,360.05
Other Receivables		
Receivables-Disallowances/Charges	1,994,068.61	2,177,340.91

Account	2021	2020
Due from Officers and Employees	46,125.68	54,065.18
Net Value - Other Receivables	2,040,194.29	2,231,406.09
Total Receivables	15,065,928.33	14,734,766.14

Accounts Receivable (AR) represents the amount due from concessionaires arising from the water sales services.

Allowance for Impairment - AR account is credited upon recognition of impairment which may arise from non-collection of receivables. Basis on the computation is a policy approved by the BAYWAD BOD. Details of which are as follows:

Age	Amount of AR	% of Allowance	Allowance for Impairment Loss
0-60 days	3,773,995.48	0	-
61 days - 1 year	533,952.56	1	5,339.53
1 year up	3,432,987.97	35	1,201,545.79
	Required Allowance		1,206,885.32

Receivables – Disallowances/Charges pertains to expenses disallowed by COA supported with Notice of Finality of Decision or those Notices of Disallowance that were not appealed within 180 days.

Due from Officers and Employees pertains to receivables from employees other than those in Receivables-Disallowances/Charges.

6. Inventories

Account	2021	2020
Inventory Held for Sale		
Merchandise Inventory	839,633.92	4,027,979.14
Inventory Held for Consumption		
Office Supplies Inventory	75,647.93	87,028.77
Medical, dental and Laboratory Supplies Inventory	15,480.00	4,120.00
Chemical and Filtering Supplies Inventory	104,220.00	87,630.00
Supplies and Materials for Water Systems Operations Inventory	1,823,207.18	2,468,761.41
Total Inventory Held for Consumption	2,018,555.11	2,647,540.18
Total Inventories	2,858,189.03	6,675,519.32

Inventories of the District for Water Systems Operation are held for sale and consumption.

Merchandise Inventory represents the balance of inventories intended for sale to concessionaires.

Inventories Held for Consumption represents the balance of inventories for consumption, which includes materials for connection and reconnection and other inventories that remains with the BAYWAD as of balance sheet date.

7. Prepayments

Account	2021	2020
Prepaid Insurance	11,459.27	11,195.92
Withholding Tax at Source	38,819.22	94,028.84
Total Prepayments	50,278.49	105,224.76

Prepaid Insurance represents the amount of insurance premiums paid but has not been expired as of balance sheet date.

Withholding Tax at Source represents creditable withholding taxes made by government agencies and top taxpayers on water bills that are evidenced by form 2307 and deductible to Franchise Tax liability.

8. Other Investments

Account	2021	2020
Sinking Fund	<u>2,401,328.65</u>	<u>2,281,823.21</u>

Sinking Fund represents the amount of money reserved for future payment of loans and invested in Land Bank of the Philippines with Account No. 1341-1827-82.

9. Property, Plant and Equipment

Account	2021	2020
Land	5,710,681.36	5,561,908.88
Land Improvements		
Other Land Improvements	1,133,358.25	1,133,358.25
<i>Accumulated Depreciation-Other Land Improvements</i>	<i>(235,717.35)</i>	<i>(171,497.43)</i>
Net Value-Other Land Improvements	897,640.90	961,860.82
Infrastructure Assets		
Plant-Utility Plant in Service (UPIS)	246,682,584.85	244,586,169.85
<i>Accumulated Depreciation-Plant-UPIS</i>	<i>(60,992,698.38)</i>	<i>(56,148,535.74)</i>
Net Value-Plant- UPIS	185,689,886.47	188,437,634.11
Buildings and Other Structures		
Buildings	2,030,000.00	2,030,000.00
<i>Accumulated Depreciation-Buildings</i>	<i>(655,736.94)</i>	<i>(603,610.14)</i>
Net Value-Buildings	1,374,263.06	1,426,389.86
 Water Plant, Structure and Improvements	 12,567,577.85	 11,925,699.56

Account	2021	2020
<i>Accumulated Depreciation-Water Plant, Structure and Improvements</i>	(2,167,099.92)	(1,909,444.39)
Net Value-Water Plant, Structure and Improvements	10,400,477.93	10,016,255.17
Machinery and Equipment		
Office Equipment	656,838.76	617,338.76
<i>Accumulated Depreciation-Office Equipment</i>	(275,897.88)	(248,919.33)
Net Value-Office Equipment	380,940.88	368,419.43
Information and Communication Technology (ICT) Equipment	898,347.40	780,167.40
<i>Accumulated Depreciation-ICT Equipment</i>	(492,595.18)	(465,469.42)
Net Value-ICT Equipment	405,752.22	314,697.98
Other Machinery and Equipment	42,042,855.92	39,185,689.89
<i>Accumulated Depreciation-Other Machinery and Equipment</i>	(16,063,135.43)	(13,819,722.76)
Net Value-Other Machinery and Equipment	25,979,720.49	25,365,967.13
Transportation Equipment		
Motor Vehicles	6,700,902.79	6,700,902.79
<i>Accumulated Depreciation-Motor Vehicles</i>	(3,662,167.17)	(3,415,568.92)
Net Value-Motor Vehicles	3,038,735.62	3,285,333.87
Furniture, Fixtures and Books		
Furniture and Fixtures	96,195.20	96,195.20
<i>Accumulated Depreciation-Furniture and Fixtures</i>	(39,820.94)	(35,247.02)
Net Value-Furniture and Fixtures	56,374.26	60,948.18
Property, Plant and Equipment - Net	233,934,473.19	235,799,415.43

After considering both external and internal sources of information, the District assessed that no impairment shall be recognized because there was no indication that the assets were impaired.

Land represents the costs incurred by the Water District in the acquisition of land and other related initial costs spent to put the asset into use.

Particulars	2021	2020
Beginning Balance	5,561,908.88	5,507,834.48
Refund of payment for estate tax	-	(46,707.10)
Addition this year	148,772.48	100,781.50
Ending Balance	5,710,681.36	5,561,908.88

Addition for CY 2021 pertains to acquisition cost of newly purchased land and land titling expenses which were incurred by BAYWAD in making the parcels of land ready for use.

Details of the Land Account are as follows:

Lot No.	Location	Area (m ²)	Cost per FS (₱)
1	Brgy. Zone II Rizal	46	3,271,627.38
2	Brgy. Zone II Rizal	152	
3	Brgy. Amancosiling Norte	150	97,500.00
4	Brgy. Buenlag (now Sapang)	6,352	530,000.00
5	Brgy. Sapang & Tocok	14,451	150,000.00
6	Brgy. Tocok	10,153	100,000.00
7	Brgy. Mangayao	100	100,000.00
8	Brgy. Buenlag 2 nd	100	135,000.00
9	Brgy. Bacnono	100	100,000.00
10	Brgy. Tampog	250	250,000.00
11	Brgy. Tampog	100	100,000.00
12	Brgy. Bongato East	200	200,000.00
13	Brgy. Nalsian Norte	50	115,000.00
14		50	
15	Brgy. Warding	200	220,000.00
16	Brgy. Pantol	300	32,000.00
17	Brgy. Buenlag Phase II	100	164,553.98
18	Brgy. Nalsian Norte	100	165,000.00
	Total		5,710,681.36

Lot Nos. 1 to 6 are supported with Certificates of Title in the name of BAYWAD while the Management is still in the process of completing the titling documents for the remaining eleven.

Plant – UPIS represents utility plant in service of the Water District. The items included in this account are presented below:

Subsidiary Account	Amount (₱)			
	December 31, 2020	Addition this year	Reclassification / Prior period Adjustment	December 31, 2021
Wells	24,529,621.70	3,128,320.00	19,412.00	27,677,353.70
Supply Mains	340,071.60	-	-	340,071.60
Other Source of Supply-Plant	1,416,650.90	-	-	1,416,650.90
Reservoir and Tanks	32,649,913.65	-	-	32,649,913.65

Subsidiary Account	Amount (₱)			
	December 31, 2020	Addition this year	Reclassification / Prior period Adjustment	December 31, 2021
Transmission and Distribution Mains	184,180,652.11	838,033.00	(1,889,350.00)	183,129,335.11
Service Connection	546,380.77	-	-	546,380.77
Meter Installation	153,665.90	-	-	153,665.90
Hydrants	769,213.22	-	-	769,213.22
Total	244,586,169.85	3,966,353.00	(1,869,938.00)	246,682,584.85

Accumulated Depreciation - UPIS - Depreciation expenses were accumulated in this account for UPIS.

Particulars	2021	2020
Beginning Balance	56,148,535.74	58,008,746.10
Prior period adjustment	338.10	(6,643,291.50)
Depreciation for the period	4,843,824.54	4,783,081.14
Ending Balance	60,992,698.38	56,148,535.74

Details of other PPE Items are as follows:

Account	Amount (₱)			
	December 31, 2020	Addition this year	Reclassification/ Prior period Adjustment	December 31, 2021
Other Land Improvement	1,133,358.25	-	-	1,133,358.25
Buildings	2,030,000.00	-	-	2,030,000.00
Water Plant, Structures and Improvement	11,925,699.56	641,878.29	-	12,567,577.85
Office Equipment	617,338.76	39,500.00	-	656,838.76
ICT Equipment	780,167.40	118,180.00	-	898,347.40
Other Machinery and Equipment	39,185,689.89	2,857,166.03	-	42,042,855.92
Motor Vehicles	6,700,902.79	-	-	6,700,902.79
Furniture and Fixtures	96,195.20	-	-	96,195.20
Total	62,469,351.85	3,656,724.32	-	66,126,076.17

While the Accumulated Depreciation of the above PPE items is presented as follows:

Item	Amount (₱)			
	December 31, 2020	Depreciation this year	Prior period Adjustment	December 31, 2021
Other Land Improvement	171,497.43	64,219.92	-	235,717.35
Buildings	603,610.14	52,126.80	-	655,736.94
Water Plant, Structures and Improvement	1,909,444.39	257,655.53	-	2,167,099.92
Office Equipment	248,919.33	26,978.55	-	275,897.88
ICT Equipment	465,469.42	27,125.76	-	492,595.18
Other Machinery and Equipment	13,819,722.76	2,243,412.67		16,063,135.43
Motor Vehicles	3,415,568.92	246,598.25	-	3,662,167.17
Furniture and Fixtures	35,247.02	4,573.92	-	39,820.94
Total	20,669,479.41	2,922,691.40	-	23,592,170.81

10. Intangible Assets

Account	2021	2020
Computer Software	1,539,000.00	1,539,000.00
Accumulated Amortization-Computer Software	(584,802.33)	(509,871.45)
Net Value-Computer Software	954,197.67	1,029,128.55

Computer Software represents the costs of software that run the District's billing and collection, accounting, and property and supply management system.

11. Financial Liabilities

Account	2021	2020
Payables		
Accounts Payable	5,808,497.57	24,131,588.10
Due to Officers and Employees	684,904.32	65,728.23
Total Payables	6,493,401.89	24,197,316.33
Bills/Bonds/Loans Payable		
Loans Payable–Domestic	7,742,711.76	7,742,711.76
Total Financial Liabilities	14,236,113.65	31,940,028.09

Details of Accounts Payable as of December 31, 2021 are as follows:

Creditor	Amount (₱)
BIBOY Motor Parts	65,728.60

Creditor	Amount (P)
Business Leaders Export Solutions Corp.	355,040.00
Bulk Water for Bayambang Corporation	1,539,815.62
Central Pangasinan Electric Cooperative	1,202,933.29
F. E. Fianza Surveying Office	19,107.14
Fil- Am Auto Supply	1,530.00
Filipinas Printing Press	141,964.28
J & N Furniture and General Merchandise	83,589.00
JB JANZ Marketing	1,289,461.54
Keysystems Trading	436,262.90
Padolina Battery	7,665.00
Pamana Water Corporation	9,787.50
Smart Communications, Inc.	3,853.22
Stallion Fuel Station	189,788.00
Strongbiz Marketing Corporation	395,593.00
Water Lab Testing Laboratory, Inc.	42,837.50
Other Creditors	23,540.98
Total	5,808,497.57

Due to Officers and Employees pertains to Service Recognition Incentive for 2021, Representation and Transportation Allowance and Overtime Pay which are unpaid as of December 31, 2021. This account also includes the salary deduction for employee loan to be remitted to Landbank of the Philippines.

Loans Payable - Domestic represents the unpaid balance of loans from LWUA and LBP, detailed as follows:

Particulars	Amount (P)			
	2021		2020	
	Current	Non-Current	Current	Non-Current
LWUA	745,884.00	13,425,803.06	745,884.00	14,171,687.06
LBP				
Loan 1	1,718,321.64	1,574,324.37	1,718,321.64	3,292,656.01
Loan 2	5,278,506.12	51,025,027.88	5,278,506.12	56,303,534.00
Total	7,742,711.76	66,025,155.31	7,742,711.76	73,767,877.07

The above loans were used to finance various expansion projects such as but not limited to drilling of wells, construction of pump houses, laying of transmission and distribution pipelines, construction of reservoir and installation of hydrants, and service connections.

12. Inter-Agency Payables

Account	2021	2020
Due to BIR	223,069.14	270,010.21

Account	2021	2020
Due to GSIS	429,893.62	232,225.55
Due to Pag-IBIG	77,471.75	112,255.13
Due to PhilHealth	16,462.76	12,752.10
Due to Treasurer of the Philippines	-	172,609.27
Total Inter-Agency Payables	746,897.27	799,852.26

Due to BIR pertains to transactions relative to withholding taxes by the District.

Due to GSIS pertains to withheld premium payments of District employees and other payables for remittance to GSIS.

Due to Pag-IBIG pertains to withheld premium payments of District employees and other payables for remittance to Housing Development Mutual Fund.

Due to Philhealth pertains to withheld premium payments of District employees for remittance to Philhealth.

Due to Treasurer of the Philippines represents the cost of audit fees billed to the District payable to Bureau of Treasury. The amount was previously recorded under Due to NGAs.

13. Trust Liabilities

Account	2021	2020
Customer's Deposits Payable	<u>10,395,333.99</u>	<u>9,470,333.99</u>

Customer's Deposit Payable represents the total amount paid for by concessionaires as guarantee for non-payment of water bills.

14. Deferred Credits/Unearned Income

Account	2021	2020
Deferred Credits		
Deferred Revenue from Grants and Donations	1,240,659.13	43,529,101.15
Unearned Revenue/Income		
Other Unearned Revenue/Income	32,449.60	113,370.80
Total Deferred Credits/Unearned Income	1,273,108.73	43,642,471.95

Deferred Revenue from Grants and Donations pertains to the unearned revenue arising from the grant of the Department of Public Works and Highways (DPWH) relating to the 1,000 cubic meter reservoir at Barangay Sapang and the drilling of well and construction of pumping station at Barangay Buenlag 1st with the following breakdown:

Account	Amount (₱)			
	2021		2020	
	Current	Non-Current	Current	Non-Current
Deferred Revenue from Grants and Donations	1,240,659.13	41,047,782.89	43,529,101.15	-

Other Unearned Revenue/Income pertains to the balance of advance payments on materials for new connection that remains unreleased as of the balance sheet date.

15. Provisions

Account	2021	2020
Leave Benefits Payable	<u>4,715,820.88</u>	<u>4,011,332.02</u>

Leave Benefits Payable pertains to the accrued monetary value of earned leave credits of BAYWAD employees.

16. Other Payables

Account	2021	2020
Other Payables	<u>473,269.16</u>	<u>559,843.97</u>

Other Payables represents the quarterly franchise tax payable on or before 25th of the following month after taxable quarter.

17. Government Equity

Account	2021	2020
Government Equity	2,535,061.15	2,535,061.15

Government Equity refers to the assessed value of assets turned over by the local government and grants from the national government. No additional relative to this account was made this year.

18. Retained Earnings/(Deficit) – Prior period errors on nominal accounts are credited/debited to this account. Also, the performance of the District, which is either an income or loss, is closed to this account.

Particulars	Amount
Retained Earnings, January 1, 2021	99,271,593.08
Correction of Prior Period Errors	1,182,630.43
Comprehensive Income for 2021	<u>17,311,109.39</u>
Retained Earnings, December 31, 2021	<u>117,765,332.90</u>

The adjustments on prior period errors totaling ₱1,182,630.43 are detailed below:

Particulars	Amount
Repairs and maintenance-buildings and other structure expense for December 2020	(2,800.00)
Refund of the paid Bid Docs on 2020	(5,000.00)
Repairs and maintenance-transportation expenses for November 2020	(9,554.00)
Disallowed EME for the month of January 2019	6,000.00
Disallowed EME for the month of May 2019	846.46
Disallowed Legal Services for January to Dec. 2019	54,642.84
Understatement on Accumulated Depreciation-UPIS	(338.10)
Disallowed Motor Vehicle	81,691.93
Erroneous debit to Repair and maintenance -Transportation expenses on 2019	3,600.00
Overstatement in Merchandise Inventory on 2019	186,708.94
Erroneous debit to Telephone Expense on 2018	9,299.59
Erroneous debit to Generation, Transmission and Distribution Expense on 2020	11,941.45
Erroneous debit to Generation, Transmission and Distribution Expense and Electric expense on 2019	1,069,862.66
Unrecorded cost of audit fee on MOOE c/o COA for 2020	(10,679.59)
Cost of Audit fee on Personal Services c/o BTr for 2020	(213,591.75)
Total	<u>1,182,630.43</u>

19. Service and Business Income

Account	2021	2020
Service Income		
Other Service Income	-	2,651,535.64
Business Income		
Waterworks System Fees	85,675,703.59	81,129,260.76
Sales Revenue	3,842,697.50	4,790,556.26
Interest Income	15,803.06	24,507.71
Fines and Penalties-Business Income	3,975,221.84	2,024,930.65
Other Business Income	2,444,200.00	85,000.00
Total Business Income	<u>95,953,625.99</u>	<u>90,705,791.02</u>

Water Work System Fees represents amount of Water Sales billed to concessionaires.

Sales Revenue pertains to sale of materials for new connections.

Interest Income represents interest on deposits.

Fines and Penalties-Business Income includes fines for illegal connections and penalties billed collections.

Other Business Income includes collections from new connections, tapping fees, inspection fees, and sale of bid documents. This account was previously recorded under Other Service Income account.

20. Shares, Grants and Donations

Account	2021	2020
Grants and Donations		
Grants in Kind	<u>1,240,659.13</u>	<u>1,240,659.13</u>

Grants in Kind refers to the portion of the DPWH grant recognized as income to match the related costs of the 1,000 cubic meter reservoir at Barangay Sapang and drilling of well and construction of pumping station at Barangay Buenlag, for which the grant was intended to compensate.

21. Personnel Services

Account	2021	2020
Salaries and Wages		
Salaries and Wages-Regular	11,913,041.03	10,695,645.54
Salaries and Wages-Casual/Contractual	1,910,746.28	1,892,781.93
Other Compensation		
Personnel Economic Relief Allowance	1 386,000.00	1,364,000.00
Representation Allowance	119,500.00	102,000.00
Transportation Allowance	119,500.00	102,000.00
Clothing/Uniform Allowance	348,000.00	336,000.00
Productivity Incentive Allowance	286,500.00	284,000.00
Honoraria	-	60,180.20
Overtime and Night Pay	364,712.75	286,708.68
Year End Bonus	1,169,952.40	1,030,312.50
Cash Gift	288,500.00	284,000.00
Directors and Committee Members' Fees	456,540.65	506,685.74
Other Bonuses and Allowances	1,766,333.00	2,367,318.00
Personnel Benefit Contributions		
Retirement and Life Insurance Premiums	1,646,754.23	1,503,391.54
Pag-IBIG Contributions	136,843.92	249,926.48
PhilHealth Contributions	195,654.99	178,008.51
Employees Compensation Insurance Premiums	69,400.00	68,000.00
Other Personnel Benefits		
Terminal Leave Benefits	729,101.98	1,311,829.98
Other Personnel Benefits	544,916.62	81,494.51
Total Personnel Benefits	<u>23,451,997.85</u>	<u>22,704,283.61</u>

Personnel Services are expenses with monetary value relative to salaries, allowances and other benefits received by the employees of the District.

22. Maintenance and Other Operating Expenses

Account	2021	2020
Traveling Expenses		
Traveling Expenses - Local	152,142.00	117,914.04
Training and Scholarship Expenses		
Training Expenses	93,250.00	130,582.75
Supplies and Materials Expenses		
Office Supplies Expenses	175,355.45	178,115.90
Accountable Forms Expenses	246,600.00	258,576.00
Medical, Dental and Laboratory Supplies Expenses	58,290.00	47,680.00
Fuel, Oil and Lubricants Expenses	680,255.98	370,403.89
Chemical and Filtering Supplies Expenses	348,970.00	210,450.00
Semi-Expendable Machinery and Equipment Expenses	291,776.76	105,015.00
Semi-Expendable Furniture, Fixtures and Books Expenses	16,100.00	67,062.00
Supplies and Materials for Water System Operations Expenses	531,729.54	1,184,149.81
Other Supplies and Materials Expenses	24,684.35	32,591.75
Utility Expenses		
Water Expenses	23,651.15	25,211.50
Electricity Expenses	196,375.68	173,404.24
Communication Expenses		
Postage and Courier Services	1,623.00	3,095.75
Telephone Expenses	93,340.45	99,720.85
Survey, Research, Exploration and Development Expenses		
Research, Exploration and Development Expenses	693,130.00	327,918.70
Generation, Transmission and Distribution Expenses		
Generation, Transmission and Distribution Expenses	30,108,668.23	25,340,246.07
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	116,379.03	79,784.28
Professional Services		
Legal Services	12,910 .00	12,900.00
Auditing Services	-	18,305.41
Consultancy Services	480,000.00	360,000.00
Other Professional Services	195,465.00	209,230.00

Account	2021	2020
Repairs and Maintenance		
Repairs and Maintenance-Infrastructure Assets	3,483,217.34	440,398.18
Repairs and Maintenance-Buildings and Other Structures	34,912.25	241,637.00
Repairs and Maintenance-Machinery and Equipment	167,142.00	138,962.47
Repairs and Maintenance-Transportation Equipment	503,676.87	294,171.73
Repairs and Maintenance- Furniture and Fixtures	2,678.00	-
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	1,982,596.12	1,797,925.04
Fidelity Bond Premiums	16,125.00	-
Insurance Expenses	18,182.66	33,674.83
Other Maintenance and Operating Expenses		
Advertising, Promotional and Marketing Expenses	186,080.00	150,473.00
Printing and Publication Expenses	14,035.00	11,278.60
Representation Expenses	3,175.00	29,280.21
Other Maintenance and Operating Expenses	49,043.55	65,464.05
Total Maintenance and Other Operating Expenses	41,001,560.41	32,555,623.05

Maintenance and Other Operating Expenses represents those expenses incurred by the District necessary for its operation other than those in Personnel Expenses.

23. Financial Expenses

Account	2021	2020
Interest Expenses	4,012,275.59	4,503,428.27
Other Financial Charges	317,268.06	-
Total Financial Expenses	4,329,543.65	4,503,428.27

Interest Expenses pertains to the interest charges imposed by LWUA and LBP for the loans of the District.

Other Financial Charges represents the amount of review fee imposed by LWUA for clearance to borrow money from other financial institution.

24. Direct Cost

Account	2021	2020
Cost of Sales	<u>3,191,382.82</u>	<u>3,640,393.26</u>

Cost of Sales represents the cost of merchandise inventories sold to concessionaires.

25. Non-Cash Expenses

Account	2021	2020
Depreciation		
Depreciation-Land Improvements	64,219.92	37,182.31
Depreciation-Infrastructure Assets	4,843,824.54	4,783,081.14
Depreciation-Buildings and Other Structures	309,782.33	306,424.39
Depreciation-Machinery and Equipment	2,297,516.98	3,152,784.16
Depreciation-Transportation Equipment	246,598.25	499,445.64
Depreciation-Furniture, Fixtures and Books	4,573.92	4,573.92
Amortization		
Amortization-Intangible Assets	74,930.88	77,211.45
Impairment Loss		
Impairment Loss - Loans and Receivables	67,640.18	97,893.86
Total Non-Cash Expenses	7,909,087.00	8,958,596.87

26. Other Disbursement (Operating Activities)

Particulars	Amount
Payment to Bureau of Treasury for the audit fees	172,609.27

27. Adjustments (Investing Activities)

Particulars	Amount
Transfer of Cash to Sinking Fund Account	110,000.00
Interest Earned from Sinking Fund Account	9,505.44
Total	119,505.44

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Unaccounted Property, Plant and Equipment

1. Inadequate and incomplete details of PPE transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only **₱260,046,553.25** were properly identified and validated compared to **₱318,519,342.38** PPE account balance or a difference of **₱58,472,789.13**. These rendered the existence and accuracy of PPE account uncertain, thus, affected the fair presentation of the financial statements.

- 1.1 PAS 1 provides that “financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires 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.”
- 1.2 Accuracy is an assertion that all information disclosed is in the correct amounts, and that all the information contained within the financial statements has been accurately recorded, while existence is an assertion that all account balances really do exist.
- 1.3 The 2021 year-end financial statements showed that PPE of the District has a total cost of **₱318,519,342.38**. However, only PPE items with an aggregate cost of **₱260,046,553.25** were properly identified as to existence, condition and whereabouts, during physical count resulting in unaccounted balance of **₱58,472,789.13**. Summary of which is as follows:

Account	Cost of PPE items (₱)		
	Per Accounting Records	Identified during Physical Count	Unaccounted
Land	5,710,681.36	5,710,681.36	-
Other Land Improvements	1,133,358.25	1,011,498.25	121,860.00
Plant-Utility Plant in Service (UPIS)	246,682,584.85	204,063,192.92	42,619,391.93
Buildings	2,030,000.00	2,030,000.00	-
Water Plant, Structure and Improvements	12,567,577.85	10,011,174.07	2,556,403.78
Office Equipment	656,838.76	656,838.76	-

Account	Cost of PPE items (P)		
	Per Accounting Records	Identified during Physical Count	Unaccounted
Information and Communication Technology (ICT) Equipment	898,347.40	823,347.40	75,000.00
Other Machinery and Equipment	42,042,855.92	28,942,722.50	13,100,133.42
Motor Vehicles	6,700,902.79	6,700,902.79	-
Furniture and Fixtures	96,195.20	96,195.20	-
Total	318,519,342.38	260,046,553.25	58,472,789.13

- 1.4 The above unaccounted balance can be attributed to the non-maintenance of complete property records and improper recording of PPE transactions in the PPE Ledger Cards (PELCs) such that necessary details to adequately furnish the information needed to support the PPE balances are not available. There were entries in the subsidiary records which were merely labeled as forwarded balance that the Accountant could no longer identify the specific item. These unidentified forwarded balances have already existed for more than 15 years.
- 1.5 Property records for each class of PPE which could have provided property description, location, acquisition cost, addition, and disposal, were not also maintained in the Property Section, hence control and monitoring were not facilitated and the accountability in case of loss or fraudulent use is not established. It was also noted that Property Acknowledgement Receipts (PAR) were not issued in prior years thus accountability/responsibility over the unaccounted PPEs could not be pinpointed.
- 1.6 The following provisions of PD No. 1445 on accountability and responsibility for government properties are worth emphasizing:

Section 101. Accountable officers; bond requirement

1. Every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law.
2. Every accountable officer shall be properly bonded in accordance with law.

Section 102. Primary and secondary responsibility.

1. The head of any agency of the government is immediately and primarily responsible for all government funds and property pertaining to his agency.
 2. Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him, without prejudice to the liability of either party to the government.
- 1.7 The foregoing observations were also noted in the prior years' observations as embodied in 2019 and 2020 Annual Audit Reports. Although the District had already created an Inventory Committee which conducted the physical count in 2021, the inadequate and incomplete details from subsidiary records and the absence of property records hindered the Committee to fully accomplish the required Report on Physical Count of PPE. Though there were PPE items such as perimeter fences which were not reflected in the accounting records, costs of which are not available.
- 1.8 It could also be noted that the Management has fully accounted and recorded, with complete supporting documents, all acquisitions of PPE for CY 2021 and that they are continuously locating the source documents and other pieces of evidence that will support the unaccounted balances.
- 1.9 The unaccounted balance of ₱58,472,789.13 rendered the existence and accuracy of PPE account balances uncertain, thereby affecting the fair presentation of the financial statements as required under PAS 1.
- 1.10 We reiterated our recommendation and Management agreed to:**
- a. Direct the Property Officer and Accountant to maintain complete and updated property records and PPELCs, respectively, and**
 - b. Instruct the Accounting Section to exert exhaustive efforts to locate prior years' PPE records.**
- 1.11 For the unaccounted balances, we recommended that the GM direct the members of the Inventory Committee to:**
- a. conduct another complete physical count of PPE,**
 - b. assign values to PPE items found at station but were not reflected in accounting records,**
 - c. issue demand letters for missing items with PAR, and**

d. conduct an investigation and determine the persons responsible and circumstances of the loss for the remaining unaccounted PPE items which accountability could not be properly established,

- 1.12 The Management informed the Team that Property Officer and Accounting Section has started recording and maintaining complete records for the newly acquired PPE.
- 1.13 Moreover, the Accounting Section committed to exert exhaustive efforts to locate prior year's PPE records and review transactions of small amounts which may not be eligible for capitalization as PPE. In addition, the Inventory Committee will conduct complete physical count of PPE on or before June 30, 2022 to validate the existence of recorded assets.

B. COMPLIANCE AUDIT

Consultancy Services did not go through the procurement process

2. Consultancy Service amounting to ₱480,000.00 did not go through the procurement process and do not have sufficient and complete documentation contrary to Section 6.2 of CSC – COA – DBM Joint Circular No. 1 s. 2017 and RA No. 9184 and its Revised IRR, thus, depriving the District of the opportunity to obtain such services through a competitive and transparent process and exposing management to legal risks and incurrence of unnecessary expenses.

- 2.1 Section 6.2 of CSC-COA-DBM Joint Circular No. 1 s. 2017 on the rules and regulations governing Contract of Service and Job Order Workers in the Government states that:

Section 6.2 Individual Contract of Service

Government agencies may enter into contract of service with individuals as consultants/contractors subject to the following guidelines:

6.2.1 The term of contract between the agency and the individual contractor shall be for a maximum period of one year, renewable at the option of the Head of the procuring entity, but in no case shall exceed the term of the latter.

6.2.2 Engaging the services of individual contractor shall be subject to pertinent provisions of RA No. 9184 and its implementing guidelines, as applicable, and the existing budgeting, accounting and auditing rules and regulations.

- 2.2 Procurement of consultancy services is based largely on the quality of personnel to be assigned to the project, experience and capability of the consultant which include records of previous engagement and quality of performance in similar and in other projects, and quality of interpretation of project problems, risks, and suggested solutions.
- 2.3 Total disbursement for the consultancy services of the technical expert for the water systems of the BAYWAD during CY 2021 amounted to ₱480,000.00 or ₱40,000.00 per month.
- 2.4 Post-audit of disbursement vouchers concerning payment of consultancy services disclosed that the hiring of consultant by the Water District did not go through the procurement process as required by RA No. 9184. Rather, the General Manager was authorized by the Board of Directors, through Board Resolution No. 3 s. 2021, to acquire professional services to conduct a modernization plan/study for Bayambang WD.
- 2.5 Without going through the procurement process, it cannot be determined whether the consultant is legally, technically and financially capable to undertake and fulfill the consultancy work. It cannot also ascertain the competitiveness and transparency of the procurement process as there may be more consultants highly capable of doing the consultancy work.
- 2.6 It could also be noted that related payments for the above transactions were not supported with detailed accomplishment reports but were only supported with approved contracts and board resolution. Notices of Suspension were already issued to address the matter. Absence of a detailed accomplishment report hampers the thorough evaluation and monitoring of the consultant's performance.
- 2.7 We recommended that Management direct the BAC to procure consultancy services pursuant to the provisions of RA No. 9184.**
- 2.8 We further recommended that the Accountant ensure sufficient and complete documentation of consultancy payments.**
- 2.9 The Management informed the Team that for CY 2022, there was already an existing contract of consultancy services between the Management and Engr. Alfonso Basco, approved through Board Resolution No. 3 s. 2022, valid from January to December 2022. However, the Management committed to direct the BAC to procure the consultancy services pursuant to RA 9184 for CY 2023.

Non-disposal of Unserviceable Properties

3. **Unserviceable properties of undetermined amount remained undisposed for several years contrary to Section 79 of PD No. 1445, thus, these properties were exposed to deterioration due to wear and tear and may reduce their saleable values to the disadvantage of the District.**

- 3.1 Section 79 of PD No. 1445 provides that:

Destruction or sale of unserviceable property. 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.

- 3.2 Verification from the Accountant disclosed that there has been no disposal of unserviceable properties of the District since it started operations. PPE items that were unserviceable such as motor vehicle, aircon, and computer set were placed at District's office and at Brgy. Sapang Pumping Station.
- 3.3 The following items with identified cost from PPE ledgers were found unserviceable, to wit:

Particulars	Quantity	Cost (P)
Office Equipment	3	58,496.00
Information and Communication Equipment	5	121,598.00
Motor Vehicle	1	212,000.00
TOTAL		392,094.00

- 3.4 Though it could be noted that the unserviceable items are secured and are ready for disposal, it bears emphasizing that the GM had not yet created the Appraisal and Disposal Committee. These items which remained stocked up for years may reduce their saleable values to the disadvantage of the District.
- 3.5 The current state of deterioration of the properties could have been prevented had the District practiced a regular disposal of unserviceable items. Their realizable value of which could have been higher had the items been timely disposed.
- 3.6 Additional income will be generated by the District if the Management will opt to sell these unserviceable properties and waste materials in accordance with COA Circular No. 86-264 dated October 16, 1986 which provides the general guidelines on the divestment or disposal of assets of government-owned and/or controlled corporations, and their subsidiaries.
- 3.7 **We recommended and the Management agreed that the GM create an Appraisal and Disposal Committee which shall prepare the IIRUP, request an inspection from COA and cause the immediate disposal of said items including the waste materials through public auction.**

Untitled parcel of Land

4. Twelve parcels of land were not supported with a Certificates of Title in the name of BAYWAD contrary to Section 39 (2) of PD No. 1445, thus posing risk of third-party claims. Moreover, the cost of lot acquired through donation was not recognized in the financial statements.

- 4.1 Section 39 (2) of the PD No. 1445 states that:

In the case of deeds to property purchased by any government agency, the Commission shall require a certificate of title entered in favor of the government or other evidence satisfactory to it that the title is in the government.

- 4.2 A Certificate of Title is the evidence of the right of the owner or the extent by which means he/she can control and as a rule assert right to exclusive possession and enjoyment of the property. Tax declarations and tax receipts as proof of ownership cannot prevail over a Certificate of Title. Said documents do not conclusively prove title to the land, but are only positive and strong indication that the taxpayer concerned has made a claim either to the title or to the possession of the property for which taxes have been paid.
- 4.3 Review of records disclosed that 12 out of 18 parcels of land owned by the District were not supported with Certificates of Title, thus, may be subject of third party claims. Details are as follows:

Lot	Area (in sq.m.)	Location at Bayambang, Pangasinan	Year Acquired	Certificate of Title No.
1	50	Barangay Nalsian Norte	2002	no Title
2	46	Zone II Rizal St., Poblacion	2005	289899
3	152	Zone II Rizal St., Poblacion	2005	289900
4	50	Barangay Nalsian Norte	2008	no Title
5	10,153	Barangay Tococ	2009	323046
6	14,451	Barangays Sapang and Tococ	2009	323044
7	6,352	Barangay Buenlag	2009	323045
8	150	Barangay Amancosiling Norte	2010	026- 2012002305
9	100	Barangay Tampog	2016	no Title
10	250	Barangay Tampog	2016	no Title
11	100	Barangay Bacnono	2016	no Title
12	200	Barangay Bongato East	2017	no Title
13	100	Barangay Buenlag 2 nd	2017	no Title
14	100	Barangay Mangayao	2018	no Title
15	200	Barangay Warding	2019	no Title
16	100	Barangay Buenlag 2 nd	2019	no Title
17	300	Barangay Pantol	2020	no Title
18	100	Barangay Nalsian Norte	2021	no Title

- 4.4 It could be noted that Lot No. 4 and 7 could not be verified due to non-maintenance of records, however, the Management informed the Team that they are currently in the process of locating the documents. For this reason, the accuracy of the book value of the land reported in the financial statements could not be ascertained.
- 4.5 Furthermore, the cost of donated parcel of land, Lot No. 17, was not recognized in the financial statements thus understated the assets of the District. Given that the acquisition was made without consideration transferred, the District no longer assigned value to the aforementioned lots.
- 4.6 The fair value of the lot at the time of donation must be used to recognize the asset as prescribed under Paragraph 6.3 (e) of COA Circular No. 2017-004 dated December 13, 2017, which provides that:

Where the acquisition cost of an asset acquired through a non-exchange transaction is not known, its cost may be

estimated by reference to its FV as at the date of acquisition in accordance to PFRS 13 on Fair Value Measurement.

- 4.7 We recommended and the Management agreed to instruct the Accountant to locate records to support the entries recorded in the Land account in the financial statements.**
- 4.8 Likewise, we recommended and the Accountant agreed to recognize in the books the fair values of the donated lots using the BIR zonal values of the parcels of land at the date of donation.**

Purchase Orders not properly accomplished

- 5. Purchase Orders (POs) were not properly accomplished contrary to Item B of COA Circular No. 96-010 dated August 15, 1996, thus, it cannot be ascertained whether the delivery of goods conforms to the terms and conditions of the agreement.**

- 5.1 PO is a legally binding document between the District – as a buyer and the suppliers. It details the items to be purchased, the delivery date and terms of payment.
- 5.2 Item B of COA Circular No. 96-010 provides the basic data which should invariably appear in the PO, as enumerated below:
 - a. Purchase Order Number
 - b. Date of Purchase Order
 - c. Complete name of the supplier
 - d. Complete address of the supplier
 - e. Information whether the supplier is a manufacturer or exclusive distributor; registered with SEC, DTI or both
 - f. Telephone and fax number of supplier, if any
 - g. Date of delivery
 - h. Complete item name
 - i. Complete detailed item specification, including accessories i.e., narrative description, size/dimension/volume, model, use of item, color, capacity, horsepower, voltage, watts, gauge, kind of equipment where the spare part is to be used whether replacement or original (for spare parts), number of spare parts, type and classification of material, brand new or second hand, etc.
 - j. Price (individual unit price; if lot price any document showing the detailed breakdown of the cost should likewise be submitted)

- k. Unit of measure when it is not universally accepted indicate numbers or weight, or lineal measure, i.e., if stated as per "roll", indicate the number of yards/meter per roll; if per "box", state number/pcs. contents; if per bag how many pounds or kilos
- l. Quantity or number of units
- m. Brand name. If no brand, state "none"
- n. Country of manufacture or origin of item; i.e., local (or RP), or if foreign origin, specify country.
- o. Terms; i.e., COD, n/30 days, etc.
- p. Mode of procurement; i.e., public bidding, canvass, negotiated sale, and such other authorized modes. If "repeat order" indicate previous Purchase Order and date which was used as basis.
- q. Taxes paid by agency; i.e., VAT, etc. If taxes are paid by supplier, do not indicate.

5.3 Review of POs on various purchases of goods disclosed that these lack the necessary information as required to be reflected in every PO, thus defeating the purpose for which these were prescribed. The following information was not properly indicated and shown in the POs issued by the District:

- 1. Contact information of the supplier;
- 2. Delivery term and payment term (i.e., COD, n/30days, etc.);
- 3. Information whether the supplier is a manufacturer or exclusive distributor; registered with SEC, DTI or both;
- 4. Brand name. If no brand, state "none";
- 5. Country of manufacture or origin of item; and
- 6. Taxes paid by agency; i.e., VAT, etc., if applicable

5.4 The above-noted deficiencies render the POs of the District incomplete as they do not indicate the responsibility of the supplier for the faithful performance and compliance of the terms and conditions of the contract with respect to the delivery of the goods.

5.5 We recommended that Management require the Accountant and officials concerned to fill out the relevant and required information on the PO and that the document must be signed and approved only when the required data are complete to ensure that the supplier will deliver the goods in accordance with the terms and conditions of the contract.

5.6 The GM committed to require the Accountant and the officials concerned to check the completeness of the relevant and required information on the PO.

C. VALUE FOR MONEY

Non-Revenue Water (NRW)

6. The District's NRW for CY 2021 is 20.92% which is above the maximum acceptable rate of 20% as prescribed under LWUA Resolution No. 444 series of 2009, hence, affected its operating and revenue generation efficiency, and a manifestation of inadequacies in the control, monitoring of water production, distribution and water billing to the disadvantage of the District.

6.1 LWUA, in its Resolution No. 444, series of 2009 (adopted on September 15, 2009) has prescribed the immediate implementation in the reduction of the maximum NRW from 25% to 20% applicable to all Water Districts to accelerate further improvement in the efficiency level of the Water Districts.

6.2 Furthermore, LWUA Memorandum Circular No. 014-10 dated December 2, 2010, states that:

There is a need for Water Districts to reduce the Non-Revenue Water (NRW) in order to enhance its operational efficiency and improve its financial viability. All Water Districts are therefore enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy. Depending on the condition of operation, the water meters should be tested for its accuracy after five (5) years of utilization.

6.3 Review of the Monthly Data Sheets for CY 2021 disclosed that the District's actual NRW rate of 20.92% exceeded the 20% rate prescribed by LWUA, shown as follows:

Month	Volume of Water (m ³)			Percentage Rate of NRW
	Produced	Billed	NRW	
January	353,940	284,642	69,298	19.58
February	316,942	263,247	53,695	16.94
March	366,298	257,031	109,267	29.83
April	371,656	309,990	61,666	16.59
May	380,457	289,160	91,297	24.00
June	359,228	313,668	45,560	12.68
July	385,186	288,602	96,584	25.07
August	365,255	294,294	70,961	19.43
September	375,136	294,242	80,894	21.56
October	370,691	279,715	90,976	24.54
November	358,540	288,953	69,587	19.41
December	352,655	281,078	71,577	20.30
Total	4,355,984	3,444,622	911,362	20.92

- 6.4 The above NRW is considered as an opportunity lost for potential profit since no income was realized from producing it. Consequently, the District incurred an estimated cost of water loss of ₱134,151.77, computed as follows:

Production costs	₱14,569,755.42
Divide by: Total water produced (in cubic meters)	<u>4,355,983.80</u>
Average cost per cubic meter	₱ 3.34
Actual NRW (in cubic meters)	911,362.00
Maximum NRW as prescribed (20% of total water produced)	<u>871,196.80</u>
Excess NRW over prescribed maximum	40,165.20
Multiply by: Average cost per cubic meter	<u>₱ 3.34</u>
Estimated cost of water loss	<u>₱ 134,151.77</u>

- 6.5 Expenses incurred to produce the NRW did not yield cash inflow, thus, viewed as wasted resources. These resources could have been used for other undertakings that are beneficial to the District.
- 6.6 **We reiterated our recommendation that Management require the BOD to revisit the existing policies in reducing water losses and evaluate their efficiency and effectiveness.**
- 6.7 **We further recommended that Management intensify NRW reduction strategies, such as replacement of old water meters and service lines and the conduct of a regular investigation of engineering aides on possible leakages to manage water losses to significantly reduce the high level of NRW to the maximum rate of 20%.**
- 6.8 The Management informed the Team that from CY 2018 to CY 2020, there had been a remarkable improvement when it comes to addressing the NRW rate, hence, the Management continues to implement programs to reduce the NRW rate by:
- a) replacement, disconnection and abandonment of the old water pipelines along the Poblacion area in Bayambang;
 - b) monitoring and replacement of inaccurate and old water meter;
 - c) monitoring and inspection of disconnected accounts to avoid possible illegal connections; and
 - d) conducting NRW Reduction seminars of concerned employees

Absence of effective collection policy and procedure

7. **The District's absence of effective collection policies and procedures resulted in uncollected receivables from inactive accounts of ₱3,756,108.47 which does not align with principles of cash management and Section 2 of PD No. 1445, thus deprived the District of the use of said funds to finance its operation and investment projects.**

7.1 The strategic management of cash plays a critical role in an organization's short-term survival and its long-term success. The purpose of cash management policies and procedures is to ensure the use of the most economical and effective cash flow techniques to improve the financial performance of the business. This is achieved through a commitment to certain basic cash management principles, such as those stated in the following:

- a. The aggregate total of uncollected receivables shall be kept to the minimum amount possible.
- b. Collection systems shall include procedures, which provide for prompt and continuing action to collect outstanding receivables, with particular attention to delinquent receivables.

7.2 Section 2 of PD No. 1445 provides that:

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

7.3 The audit revealed that the District has uncollected receivables of ₱3,756,108.47 from inactive accounts as of December 31, 2021. Aging of the said accounts are presented below:

Age	Amount of Receivable from Inactive Accounts (₱)
1 – 60 days	49,962.65
61 – 180 days	146,082.25
181 days – 1 year	137,256.50
Above 1 year	3,422,807.07
Total	3,756,108.47

7.4 Comparative analysis showed that receivables from inactive accounts of the District from 2020 to 2021 increased by ₱156,995.59 or 4.36%, with details as follows:

Inactive Accounts, December 31, 2021	3,756,108.47
Inactive Accounts, December 31, 2020	3,599,112.88
Amount Increase	156,995.59
Percentage Increase	4.36%

- 7.5 It was noted that accounts receivables have grown over these periods which entails that money invested in the collection of concessionaires' accounts was not as effective in reducing accounts receivable. The increasing balance of the account is a clear indication of the District's poor collection efficiency. Moreover, the money that was tied up on said accounts deprived the District of the use of the fund for its operation and investment projects.
- 7.6 Management informed the Audit Team that the District has developed and enforced a new collection policy, through Board Resolution No. 54 s. 2021, and disconnection and reconnection policy, through Board Resolution No. 23 s. 2021. However, we noted that follow-ups and continuous collection efforts on the delinquent accounts were not regularly implemented after disconnection of service lines of inactive concessionaires. Though demand letters were served in 2021 to several inactive concessionaires, it bears emphasizing that past due from inactive accounts as of December 31, 2021 had already amounted to ₱3,756,108.47.
- 7.7 The longer the accounts remain outstanding, the greater the risk the account would become uncollected. Management must institute immediate and systematic action such as regular sending of collection letters and personal visits to ensure recovery of investments and avoid incurring bad debt losses.
- 7.8 We reiterated our recommendation that Management require the Billing Personnel to implement efforts to collect the accounts receivables such as service of demand letters and follow-up visits, if necessary.**
- 7.9 The Management informed the Team that they will thoroughly implement their new Collection Policy and that follow-up meetings of the concerned personnel will be regularly conducted.

D. GENDER AND DEVELOPMENT (GAD)

- 8. GAD Plan and Budget for 2021 was submitted to LWUA on January 8, 2021. Reported GAD Accomplishments for the year 2021 are presented below:**

Particulars	Accomplishment	Amount (₱)	
		Approved Budget	Actual Expenditure
Observance of International Women's Month	Posted of tarpaulin in the office façade, BAYWAD website and Facebook page	80,000.00	400.00
RA No. 9262 or the Anti-Violence Against Women and their Children (VAWC) Act	Distributed alcohol and facemask and posted tarpaulin in the office façade,	120,000.00	35,400.00

Particulars	Accomplishment	Amount (P)	
		Approved Budget	Actual Expenditure
of 2004	BAYWAD website and Facebook page		
Boost camaraderie, cooperation, and work efficiency among BAYWAD employees	Conducted seminar on Maternity and Paternity Leave and Year-End Assessment	200,000.00	26,900.00
Civil Service Commission Memorandum Circular No. 8 requiring government agencies to adopt the “Great Filipino Workout” as an integral part of National Physical Fitness and Sports Development Program for government personnel	Conducted zumba activities addressing the special need of men and women in the District , thereby empowering them	200,000.00	52,000.00

E. COMPLIANCE WITH TAX LAWS

Non-withholding of Taxes

- 9. Taxes in the total amount of ₱58,660.71 on purchases from a supplier was not withheld by the District despite its obligation as a withholding agent contrary to Section II of BIR RMO No. 23-2014 dated June 20, 2014, and BIR RR No. 11-2018 dated January 31, 2018, thus the District may be held liable to penalties.**

9.1 Under the Expanded Withholding Tax system, the person or the entity that pays the income to another is given the responsibility of withholding tax and remitting the same to the government. The system is an effective and convenient method to facilitate the collection and payment of taxes, since every withholding agent is obliged to collect and remit taxes on behalf of and for the government.

9.2 Section II of BIR RMO No. 23-2014 dated June 20, 2014, provides that:

All government offices including government-owned or controlled corporations (such as but not limited to the Bangko Sentral ng Pilipinas, Metropolitan Waterworks and Sewerage System, Philippine Deposit Insurance Corporation, Government Service Insurance System, Social

Security System), as well as provincial, city and municipal governments are constituted as withholding agents for purposes of the creditable tax required to be withheld...

- 9.3 Section 2.57.2 (J) of BIR RR No. 11-2018 dated January 31, 2018, prescribes the tax rates for income payments made by a government agency subject to creditable withholding tax, to wit:

Income payments, except any single purchase which is P10,000 and below, which are made by a government office, national or local, including barangays, or their attached agencies or bodies, and government-owned or controlled corporations, on their purchases of goods and purchases of services from local/resident suppliers:

Supplier of goods – One percent (1%)

Supplier of services – Two percent (2%)

- 9.4 As defined under BIR RR No. 11-2018, the term “local resident suppliers of goods/suppliers of services” pertains to a supplier from whom any of the withholding agents, regularly makes its purchases of goods/services. As a general rule, this term does not include a casual purchase of goods/services that is purchase made from a non-regular supplier and often times involving a single purchase. However, a single purchase that involves Ten thousand pesos (P10,000) or more shall be subject to withholding tax. The term “regular suppliers”, for purposes of these regulations, refer to suppliers who are engaged in business or exercise of profession/calling with whom the taxpayer-buyer has transacted at least six (6) transactions, regardless of the amount per transaction, either in the previous year or current year.
- 9.5 The above rule also applies to withholding of business taxes on government money payments to Value Added Tax (VAT) and non-VAT registered suppliers.
- 9.6 Audit of disbursements disclosed that the Accountant of the District did not withhold taxes in the total amount of P58,660.71 on purchases of magnetic shield boxes from the supplier. Details of which are presented below:

Payment Date	Reference		Amount Paid (P)	Taxes Not Withheld (P)		
	DV No.	Check No.		EWT	on GMP	Total
05/22/2018	18-05-043	669982	220,000.00	1,964.29	9,821.43	11,785.71
01/31/2019	19-01-062	693199	125,000.00	1,116.07	5,580.36	6,696.43
06/11/2019	0620190023	693534	125,000.00	1,116.07	5,580.36	6,696.43
09/27/2019	0620190063	721829	125,000.00	1,116.07	5,580.36	6,696.43
02/06/2020	0220200009	722108	125,000.00	1,116.07	5,580.36	6,696.43
07/08/2020	0720200016	722362	125,000.00	1,116.07	5,580.36	6,696.43

Payment Date	Reference		Amount Paid (₱)	Taxes Not Withheld (₱)		
	DV No.	Check No.		EWT	on GMP	Total
01/13/2021	0120210022	786920	125,000.00	1,116.07	5,580.36	6,696.43
08/04/2021	0820210007	787291	125,000.00	1,116.07	5,580.36	6,696.43
Total			1,095,000.00	9,776.79	48,883.93	58,660.71

- 9.7 Verification of records showed that the inventor and president of the business entity, is a registered patent holder of several products and designs which include a utility model of a magnetic shield box for water meters. This entitles him to tax incentives and tax exemption as provided by RA No. 7459, otherwise known as the Inventors and Inventions Incentives Act of the Philippines.
- 9.8 The tax exemption privilege of the supplier was granted in 1995 thru a BIR letter dated August 25, 1995, addressed to him, and with control number UN-316-95. The letter specified that supplier shall be exempt from income tax, VAT, and excise taxes for which otherwise he shall have been directly liable.
- 9.9 However, under RA No. 7459, an inventor shall only enjoy his tax exemption privilege for ten years from the date of the first sale or from the issuance of his Certificate of Tax Exemption.
- 9.10 Section 6 of the aforementioned RA states that:
- Sec. 6. Tax Exemption. — To promote, encourage, develop and accelerate commercialization of technologies developed by local researchers or adapted locally from foreign sources including inventions, any income derived from these technologies shall be exempted from all kinds of taxes during the first ten (10) years from the date of the first sale, subject to the rules and regulations of the Department of Finance: Provided, that this tax exemption privilege pertaining to invention shall be extended to the legal heir or assignee upon the death of the inventor.
- The technologies, their manufacture or sale, shall also be exempt from payment of license, permit fees, customs duties and charges on imports.
- 9.11 Based on the foregoing, the patented products purchased from the supplier are no longer covered by the tax exemption privilege because the validity of which was only from 1995 to 2005. Also, since there is no proof showing that the supplier is still entitled to tax exemption such as a valid Certificate of Tax Exemption, the District, as a withholding agent, should have withheld taxes on its purchase transactions from the supplier. The non-withholding of

appropriate taxes, which has no legal basis, will cause the District to be held liable for penalties equal to the total amount of the taxes not withheld.

- 9.12 As a withholding agent, the District may be held liable for any tax required to be withheld. The withholding agent has to dutifully perform its role, with any failures on its part making it liable to penalties. Section VII (A) Penalty Provision of the said RMO provided that:

Any person required to withhold, account for, and remit any tax imposed by this Code or who willfully fails to withhold such tax, or account for and remit such tax, or aids or abets in any manner to evade any such tax or the payment thereof, shall, in addition to other penalties provided for under this Chapter, be liable upon conviction to a penalty equal to the total amount of the tax not withheld, or not accounted for and remitted.

- 9.13 **We recommended and Management agreed to require the Accountant to withhold taxes on future transactions with the supplier if there is no valid proof of tax exemption submitted.**

F. DISASTER RISK REDUCTION AND MANAGEMENT (DRRM)

10. **In compliance with the General Provisions of the GAA, the District had prepared and developed its DRRM Plan. The same was submitted to LWUA for review and approval on October 21, 2020.**

G. PROPERTY INSURANCE LAW

Properties were not insured with General Insurance Fund (GIF)

11. **Several properties of the District were not insured with the GIF administered by the Government Service Insurance System (GSIS) contrary to Section 5 of RA No. 656 and COA Circular No. 2018-002 dated May 31, 2018, thus, affecting the interest of the District against insurable risks over the properties in case of loss or damages.**

- 11.1 Section 5 of RA No. 656 states that:

Every government is hereby required to insure its properties with the General Insurance Fund of the Government Service Insurance System (GSIS) against any insurable risk herein provided and pay the premium thereon, which however shall

not exceed the premiums charged by private insurance companies.

- 11.2 While COA Circular No. 2018-002 was issued to assist the implementation of the provisions of RA No. 656 on the insurance and bonding risks of insurable government properties with the GIF. It prescribed the submission of the Property Inventory Form (PIF) as the basis for the assessment of general insurance coverage overall insurable assets, properties, and interests of the government with the GIF of the GSIS. Section 5.1 of which provides the following specific guidelines:

5.1 Heads of government agencies shall direct the pertinent official under his/her supervision to:

- a. Secure directly from the GSIS GIF, all insurances or bonds covering properties, contracts, rights of action, and other insurable risks of their respective offices;
- b. Prepare the PIF listing of all the insurable properties and other assets, showing their latest appraised values, appraisal date, location and other information;
- c. Extract from Report on the Physical Count of PPE (RPCPPE), as well as from the Report on the Physical Count of Inventories, prepared in accordance with the provisions of the Government Accounting Manual, the data for the PIF pertaining to the insurable assets and interest of the government;
- d. Cause the appraisal of the insurable properties and other assets of their respective offices. For this purpose, an in-house appraisal shall be sufficient if the property or insurable interest has a value of ₱10 million and below;
- e. Submit the consolidated PIF to the Supervising Auditor/ Audit Team Leader and the GIF, GSIS, not later than April 30 of each year;
- f. Include in the agency annual budget the amount of premiums for the general insurance covering all insurable properties and other assets and ensure its payment to the GSIS.

- 11.3 It could be noted, however, that the required PIF was not prepared by the District thus, insurance paid for the properties was not adequate. Audit disclosed that of the ₱312,151,063.89 total costs of properties, only three items with a cost of ₱2,810,445.25 was insured with the GIF, summary of which is tabulated below:

Account	Amount (₱)	
	Acquisition Cost of Properties	Cost of Insured Properties
Land Improvements	1,133,358.25	-
Infrastructure Assets	247,181,874.85	-
Buildings and Other Structures	14,597,577.85	-
Machinery and Equipment	43,598,042.08	2,042,445.25
Transportation Equipment	5,640,210.86	768,000.00
Total	312,151,063.89	2,810,445.25

- 11.4 The amounts of ₱2,042,445.25 and ₱768,000.00 pertain to two generator set and one service vehicle, respectively. The above table depicts that the properties were not adequately insured as service pipelines and pumping stations which comprise the bulk of assets of the District were not included in the insured properties.
- 11.5 The failure to completely insure properties exposed the District to the risk of non-indemnification for damage to or loss of its properties or assets and interests due to fire, earthquake, storm, or other fortuitous events.
- 11.6 **We recommended and Management agreed to instruct the Accountant, with the assistance of the Property Officer, to prepare the PIF and submit the same to the Audit Team for monitoring purposes and to the GSIS for proper assessment of insurance premiums.**

H. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

12. The beginning balance of suspensions amounting to ₱8,903.57 matured into disallowance due to non-submission of the District of the lacking supporting documents, detailed as follows:

Notice of Suspension (NS) No.	Particulars	Amount (₱)	Notice of Settlement of Suspensions, Disallowances and Charges (NSSDC) No.	Matured into Notice of Disallowance (ND) No.
2020-020	Legal Retainer Fees	4,553.57	2021-025	2021-001(20)

Notice of Suspension (NS) No.	Particulars	Amount (₱)	Notice of Settlement of Suspensions, Disallowances and Charges (NSSDC) No.	Matured into Notice of Disallowance (ND) No.
2020-021	Legal Retainer Fees	4,350.00	2021-026	2021-002(20)
	Total	8,903.57		

- 12.1 Moreover, the beginning balance of disallowance amounting to ₱3,355,583.34 was settled in the amount of ₱262,366.95 leaving a balance of ₱3,093,216.39 as of December 31, 2021, detailed in Annex A.
- 12.2 In addition, the Audit Team issued ND No. 2021-003 amounting to ₱5,000.00 for the refund of bidding documents to CLP Builders which was not supported with valid and justifiable reason as prescribed under Sections 17.5 and 41 of 2016 Revised IRR of RA No. 9184, thus constitutes an irregular transaction as defined under COA Circular No. 2012-003 dated October 29, 2012.
- 12.3 Summary of audit suspensions, disallowances and charges of the District as of December 31, 2021 is presented as follows:

Particulars	Amount (₱)			
	Beginning Balance (12/31/2020)	CY 2020 Issuances		Ending Balance (12/31/2021)
		NS/ND/NC	NSSDC	
Suspensions	8,903.57	-	8,903.57	-
Disallowances	3,355,583.34	13,903.57	262,366.95	3,107,119.96
Charges	-	-	-	-
Total	3,364,486.91	13,903.57	271,270.52	3,107,119.96

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 15 prior years' audit recommendations, five were implemented and ten were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. Inadequate and incomplete details of PPE transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only ₱255,232,522.35 were properly identified and validated compared to ₱312,617,430.58 PPE account balance or a difference of ₱57,384,908.23. These rendered the existence and accuracy of PPE account uncertain and affected the fair presentation of the financial statements.</p> <p>We reiterated our recommendation that Management:</p> <p>a. Direct the Property Officer and Accountant to maintain complete and updated property</p>	<p>2020 AAR (page 29)</p>	<p>The Property Officer and Accountant started maintaining complete records of newly acquired PPEs while</p>	<p>Not implemented and reiterated in Observation No. 1</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>records and PPELCs, respectively, and</p> <p>b. Instruct the Accounting Section to exert exhaustive efforts to locate prior years' PPE records.</p> <p>For the unaccounted balances, we recommended that the GM direct the members of the Inventory Committee to conduct another complete physical count of PPE, assign values to PPE items found at station but were not reflected in accounting records, issue demand letters for missing items with PAR and for the remaining unaccounted PPE items which accountability could not be properly established, conduct an investigation and determine the persons responsible and circumstances of the loss.</p>		<p>the previously acquired PPEs where still in the process of locating and updating the records.</p> <p>The Accounting Section committed to comply with the recommendation.</p> <p>The Management is yet to comply with the recommendation.</p>	<p>Not implemented and reiterated in Observation No. 1</p> <p>Not implemented and reiterated in Observation No. 1</p>
<p>2. Several properties of the District were not insured with the GIF administered by the GSIS contrary to Section 5 of RA No. 656 and COA Circular</p>	<p>2020 AAR (page 32)</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>No. 2018-002 dated March 31, 2018, thus, affecting the interest of the District against insurable risks over the properties in case of loss or damages.</p> <p>We recommended that Management instruct the Accountant, with the assistance of the Property Officer, to prepare the PIF and submit the same to the Audit Team for monitoring purposes and to the GSIS for proper assessment of insurance premiums.</p>		<p>The Management is yet to comply with the recommendation.</p>	<p>Not implemented and reiterated in Observation No. 11</p>
<p>3. The BAC of the District does not invite observers from a Duly Recognized Private Group and NGO to sit in the eligibility checking, shortlisting, pre-bid conference, preliminary examination of bids, bid evaluation, and post-qualification proceedings, in violation of Section 13.1 of 2016 Revised IRR of RA No. 9184, thus defeated the purpose of transparency and full compliance with the procurement law.</p> <p>We recommended that</p>	<p>2020 AAR (page 34)</p>	<p>The BAC Secretariat</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>Management require the BAC to strictly adhere to the provisions of Section 13.1 of the 2016 Revised IRR of RA No. 9184 that other than COA representative, a representative from Duly Recognized Private Group and NGO shall be invited in the eligibility checking, shortlisting, pre-bid conference, preliminary examination of bids, bid evaluation, and post-qualification.</p>		<p>already sent invitation to COA, Duly Recognized Private Group and NGO for all public bidding conducted.</p>	
<p>4. The Water District's NRW rate for CY 2020 is 21.98% which is above the maximum acceptable rate of 20% as prescribed under LWUA Resolution No. 444 series of 2009, hence, affected its operating and revenue generation efficiency, and a manifestation of inadequacies in the control, monitoring of water production, distribution and water billing to the disadvantage of the District.</p> <p>We recommended that Management require the BOD to revisit the existing policies in reducing water losses</p>	<p>2020 AAR (page 36)</p>	<p>The Management is yet to comply with the recommendation.</p>	<p>Not implemented and reiterated in Observation No. 6</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>and evaluate their efficiency and effectiveness.</p> <p>We further recommended that Management direct the GM to intensify NRW reduction strategies, such as replacement of old water meters and service lines and the conduct of a regular investigation of engineering aides on possible leakages to manage water losses to significantly reduce the high level of NRW to the maximum rate of 20%.</p>		<p>The Management continuously exert efforts in reducing the NRW rate such as replacement of old water pipelines and monitoring of illegal connections.</p>	<p>Not implemented and reiterated in Observation No. 6</p>
<p>5. The Water District's absence of effective collection policies and procedures resulted in uncollected receivables from inactive accounts of ₱3,599,112.18 which does not align with principles of cash management and Section 2 of PD No. 1445, thus deprived the District of using such funds to finance its operation and investment projects.</p> <p>We recommended that Management direct:</p> <p>a. The BOD formulate strong collection</p>	<p>2020 AAR (page 37)</p>	<p>The BODs have formulated new</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>policies and procedures to improve cash flows; and</p> <p>b. The Billing Personnel implement efforts to collect the accounts receivables such as service of demand letters and follow-up visits, if necessary.</p>		<p>collection policy, through Board Resolution No. 54 s. 2021, and disconnection and reconnection policy, through Board Resolution No. 23 s. 2021 for implementation of the Management.</p> <p>The Management is yet to comply with the recommendation.</p>	<p>Not implemented and reiterated in Observation No. 7</p>
<p>6. Inadequate inventory planning and control of stocks resulted in over supply of inventories for local water systems operations amounting to ₱6,496,740.55 contrary to Section 2 of PD No. 1445 and Section 25 of the GAA of FY 2020 General Provisions thus may expose the inventories to risk of possible loss, spoilage, obsolescence, and material degradation.</p> <p>We recommended and the Management agreed that the GM:</p>	<p>2020 AAR (page 40)</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>a. Instruct the Property Officer to conduct proper inventory planning and monitoring on the movement of supplies and materials to determine when to order considering the lead time and quantity needed to procure for each item;</p> <p>b. Require the Inventory Custodian to update bin cards regularly; and</p> <p>c. Require the Accountant to perform regular reconciliation of inventory records for control and monitoring purposes.</p>		<p>Review of the movement of supplies and materials was already made hence, no more overstocking by the District.</p> <p>Bin cards were already implemented.</p> <p>Reconciliation of accounting and property records is ongoing.</p>	<p>Implemented</p> <p>Implemented</p> <p>Not Implemented</p>
<p>7. Twelve parcels of land were not supported with Certificates of Title, contrary to Section 39 (2) of PD 1445, thus, posing the risk of third-party claims.</p> <p>We reiterated our recommendation that Management continue to exhaust all efforts in securing the</p>	<p>2019 AAR (page 47)</p>	<p>The Management is currently in the process of securing Certificates of Titles however, titles might be secured in</p>	<p>Not Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>Certificates of Title of the lots to support claims of ownership.</p> <p>We further recommended that Management locate records to support the entries recorded in the Land account of the District in order to ascertain the accuracy of the reported book value of Land in the financial statements.</p>		<p>future years due to the lengthy process of transferring land titles.</p> <p>The Management has yet to comply with the recommendation.</p>	<p>Not implemented and reiterated in Observation No. 4</p>
<p>8. Submission of disbursement vouchers and other reports required under PD No. 1445 were made beyond due dates thus hindered the determination of validity, legality of all transactions of the business. This also in effect rendered the accuracy and reliability of account balances in the financial statements doubtful.</p> <p>We recommended management to require the accounting division and other district personnel concerned to comply with the requirements of the law on the timeline in the submission of financial and other required reports pursuant to</p>	<p>2016 AAR (page 26)</p>	<p>Vouchers and reports were already submitted to the Office of the Auditor on or before the due dates.</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>COA Circular no. 92-89E dated March 8, 1992 and COA Circular No. 2015-004 dated July 16, 2015 and automatically cause the suspension of payment of the salaries of concerned employees until they shall have complied with the requirements of the commission pursuant to Section 122 (2) of PD No. 1445. Further, no appropriation shall be available to pay the salary or any official or employee who violates the provisions on the submission of reports without prejudice to any disciplinary action that may be instituted against such official or employee.</p>			

PART IV

ANNEX