

EXECUTIVE SUMMARY

A. INTRODUCTION

The Balingasag Water District (BWD), a government-owned and controlled corporation was formed and organized by the Sangguniang Bayan of Balingasag, Misamis Oriental by virtue of Sangguniang Bayan Resolution No. 90 s. 1991 endorsing to the Local Water Utilities Administration (LWUA) the creation of BWD for approval. On September 24, 1991, the Conditional Certificate of Conformance (CCC) No. 501 was issued by the LWUA.

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

- a. Acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such districts;
- b. Providing, maintaining and operating waste water collection, treatment and disposal facilities; and
- c. Conducting such other functions and operations incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose.

BWD availed a loan in the amount of ₱25.914M to finance its operation. It started with 13 personnel and served 12 barangays of the Municipality. At present, the workforce is at thirty (30) employees and is in its full operation and serving the constituents on a Level III Water System.

The BWD is presently categorized as “Category D” water district with a total of 5,431 service connections as of December 31, 2017 and serving a total population of 25,332.

As of December 31, 2017, the governing board of BWD is composed of personalities representing the different sectors and organization within the Municipality of Balingasag, who were appointed by the Local Chief Executive. They exercise corporate powers and determine policies for the operations of the District. They are as follows:

| | | | |
|-------------|---|----------------------------------|----------------------|
| Chairperson | : | Beverly S. Vega | - Women’s Sector |
| Members | : | Enrico R. Valmores, Ph.D. | - Education Sector |
| | | Atty. Cristina Teresa M. Ociones | -Professional Sector |
| | | Mr. Figurito A. Miso, Sr. | -Business Sector |
| | | Theodore D. Tagarda | -Civic Sector |

The audit covered the examination of the accounts and financial transactions and operations of Balingasag Water District, Balingasag, Misamis Oriental for the period January 1 to December 31, 2017.

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

It was also made to determine whether the District’s financial statements present fairly its financial position and the results of its operations and its cash flows, and whether prescribed laws, rules and regulations were followed.

B. FINANCIAL HIGHLIGHTS

The financial position and the results of operation of BWD for the year ended December 31, 2017, with the comparative figures for CY 2016, are presented below:

Comparative Financial Position

As of December 31, 2017, there was an increase of in Assets, Liabilities and Government Equity, summarized as follows:

| | <u>2017</u> | <u>2016</u> | <u>Increase/(Decrease)</u> | |
|-------------------|----------------|----------------|----------------------------|----------|
| | | | <u>Amount</u> | <u>%</u> |
| Assets | P42,422,102.19 | P37,900,539.08 | P4,521,563.11 | 12% |
| Liabilities | 19,649,769.40 | 18,731,067.36 | 918,702.04 | 5% |
| Government Equity | P22,772,332.79 | P19,169,471.72 | P3,602,861.07 | 19% |

Comparative Results of Operations

For the Calendar Year 2017, the Water District generated a total income of P27,004,155.39 from water sales, other businesses, fines and penalties, interest and miscellaneous income. An increase of P1,078,569.10 or 4% was noted compared to previous year's income of P25,925,586.29. Net income decreased by 4% compared to last year. Details of its results of operations are presented below.

| | <u>2016</u> | <u>2015</u> | <u>Increase/(Decrease)</u> | |
|--------------|----------------|----------------|----------------------------|-------------------|
| | | | <u>Amount</u> | <u>Percentage</u> |
| Income | P27,004,155.39 | P25,925,586.29 | P1,078,569.10 | 4% |
| Expenditures | 21,453,852.39 | 20,153,046.86 | 1,300,805.53 | 6% |
| Net Income | P5,550,303.00 | P5,772,539.43 | P(222,236.43) | (4%) |

C. OPERATIONAL HIGHLIGHTS

BWD was formed for the purpose of installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within its boundaries.

As of December 31, 2017, the District has served a total population of 25,332. It has total service connections of 5,431 or an increase of 7% from 5,060 of last year. Total connections active and billed are 4,171. Total water sales billed for the year including penalties amounted to P 22,374,974.32 and collected for the year a total of P21,902,274.58, which includes collections for the current account, arrears-current year and arrears-previous years.

Water production as of December 31, 2017 reached 1,028,304.90 cubic meters of which the total accounted water was computed at 796,613 cubic meters or 77.47%, leaving a balance of 22.53% or 231,691.90 cu. meters as unaccounted water.

D. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered an Unqualified Opinion on the fairness of presentation of the financial statements. The audit observations and recommendations were discussed with the concerned officials and employees of the District during the exit conference conducted on February 22, 2018 whose comments were incorporated in the report, where appropriate.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

- 1. The District paid P268,400.00 for their rental payments supported only by acknowledgement receipts contrary to Revenue Memorandum Circular No. 2-2014 dated January 13, 2014.**

We recommended to Management to submit official receipts from the lessor amounting to P246,928.00 to constitute validity of lease payment transactions.

- 2. The District failed to impose the liquidated damages from suppliers in violation to Section 68 of the 2016 Revised IRR of RA 9184 and Volume II of the Manual of Procedures for the Procurement of Goods and services.**

We have recommended the management through the Procurement Office to:

- a.) Review above noted deficiencies and undeducted liquidated damages if there be any other supporting documents that could warrant the non-imposition of liquidated damages;
- b.) If there be no other supporting documents to merit non-imposition of liquidated damages, comply with the Manual of Procedure of Goods and Services in the deduction of liquidated damages and;
- c.) Completely accomplish succeeding purchase orders forms especially the received date portion from the supplier and indicate in the IAR the actual date of receipt and acceptance and abide with the Manual of Procedure of Goods and Services.

- 3. The District could have saved an additional P1,943,625.28 had there been adequate coordination with the Department of Public Works and Highways (DPWH) in the implementation of road widening programs, thereby lessening non revenue water of 22.53% and could have help meet the mandatory restricted asset as prescribed in LWUA Resolution no. 444 series of 2009 and Title II Section 41 of PD 198 respectively.**

We have recommended that Management:

- a) Inform the concerned DPWH on the matters abovementioned;
- b) Communicate with appropriate personnel of the DPWH and acquire lists of awarded road widening projects that might affect the District's pipelines and;
- c) Designate communications personnel that will be tasked to follow-up and update the Districts on DPWH projects that will concern BWD.

- 4. The District lost approximately P419,656.93 due to imposition of lower water rates to concessionaires contrary to Commercial class identification prescribed in the Local Water Utilities Administration (LWUA) Manual on Water Rates and Related Practices dated February 2000 .**

We recommended that Management should:

- a) Review appropriateness of water rates charged;
- b) Impose proper water rates to concessionaires according to their appropriate Commercial Classification;
- c) Review Commercial Class C concessionaires and physically inspect enlisted establishments attached in Annex A herewith to confirm their correct classification;
- d) Rectify account codes used and their relative rates charged in the Billing and;
- e) Design and implement control programs that will enable the District to detect and determine whether or not residential or other commercial classifications have already upgraded but still using their previous rates.

G. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

As of December 31, 2017, based on the Status of Suspensions, Disallowances and Charges (SASDC), Notice of Disallowance (ND) amounted to P45,300.00 and zero balances for Notice of Suspensions and Charges.

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 9 audit recommendations contained in the Annual Audit Report (AAR) of the Balingasag Water District for the CY 2016 and prior years, six (6) were fully implemented and three (3) were partially implemented.