



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VII
Cebu City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Balamban Water District
Balamban, Cebu

Report on the Financial Statements

Pursuant to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (PD 1445), we have audited the accompanying financial statements of Balamban Water District which comprise the statements of financial position as at December 31, 2012, 2011 and 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

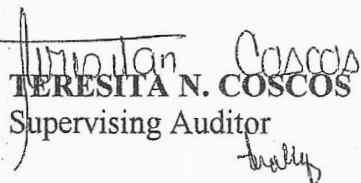
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Balamban Water District as at December 31, 2012, 2011 and 2010 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2012 in accordance with generally accepted state accounting principles in the Philippines.

COMMISSION ON AUDIT

By:


TERESITA N. COSCOS
Supervising Auditor

June 25, 2013

**BALAMBAN WATER DISTRICT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010, 2011 AND 2012**

	Note	2012	2011	2010
ASSETS				
Current Assets				
Cash and Cash Equivalents	3 & 4	P4,874,530.02	P7,590,315.69	P5,021,238.60
Receivables - net	3 & 5	1,884,124.71	1,199,743.86	691,054.17
Inventories	6	1,621,665.51	1,107,085.64	592,351.75
Prepayments	7	74,946.00	799,394.74	12,460,727.55
Total Current Assets		8,455,266.24	10,696,539.93	18,765,372.07
Non Current Assets				
Property, Plant & Equipment - net	3 & 8	184,726,462.72	150,876,888.44	76,399,644.76
Other Assets	9	330,215.18	63,662.38	67,260.30
Total Non Current Assets		185,056,677.90	150,940,550.82	76,466,905.06
TOTAL ASSETS		P193,511,944.14	P161,637,090.75	P95,232,277.13
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts Payable		P1,430,272.45	P4,075.00	P341,625.57
Inter-Agency Payables	10	102,665.13	611,672.59	80,074.91
Other Liability Accounts		1,441.25	20.00	5,802,257.24
Total Current Liabilities		1,534,378.83	615,767.59	6,223,957.72
Non Current Liabilities				
Loans Payable	11	146,442,459.39	122,946,568.00	63,894,400.75
Deferred Credits	12	238,501.56	238,501.05	238,501.05
Total Non Current Liabilities		146,680,960.95	123,185,069.05	64,132,901.80
Total Liabilities		148,215,339.78	123,800,836.64	70,356,859.52
Equity				
Donated Capital	13	8,099,063.08	8,099,063.08	14,841,425.94
Government Equity, Beginning		8,577,516.77	8,577,516.77	8,536,647.17
Retained Earnings		28,620,024.51	21,159,674.26	1,497,344.50
Total Equity		45,296,604.36	37,836,254.11	24,875,417.61
TOTAL LIABILITIES AND EQUITY		P193,511,944.14	P161,637,090.75	P95,232,277.13

See accompanying Notes to Financial Statements.

**BALAMBAN WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 & 2010**

	2012	2011	2010
Cash Flows from Operating Activities			
Cash Inflows			
Collection of Receivables			
Collection of Water Bills	P32,736,876.79	P25,000,681.98	P24,251,684.60
Interest Income	32,423.74	36,699.99	29,491.40
Total Cash Inflows	32,769,300.53	25,037,381.97	24,281,176.00
Cash Outflows			
Payment of Operating Expenses	15,010,095.95	13,827,505.31	11,738,610.32
Payment of Materials Inventory	6,316,626.95	3,141,511.64	2,538,636.43
Payment of Advances to Officers and Employees	2,310,974.05	1,182,469.54	1,216,064.64
Taxes, Duties and Licenses	6,079,040.33	6,301,292.28	3,960,689.58
Purchase of Other Inventory	494,337.86	495,928.57	673,682.96
Purchase of Office Supplies Inventory	293,173.71	209,695.85	161,093.05
Payment of Other Payables	428,214.86	597,969.11	961,398.35
Total Cash Outflows	30,932,463.71	25,756,372.30	21,250,175.33
Total Cash Provided (Used) by Operating Activities	1,836,836.82	(718,990.33)	3,031,000.67
Cash Flows from Investing Activities			
Cash Inflows	0.00	0.00	0.00
Total Cash Inflows	0.00	0.00	0.00
Cash Outflows			
Purchase/Construction of			
Land	35,000.00	433,500.00	0.00
Other Machinery and Equipment	1,362,806.10	666,192.90	320,580.75
Construction in Progress	11,984,540.09	43,452,941.59	29,142,153.36
Office Equipment, Furnitures and Fixtures	97,225.38	265,207.60	209,672.66
Land Transportation Equipment	477,071.65	0.00	208,857.48
IT Equipment	217,305.98	127,176.36	360,345.93
Systems Computerization	253,450.00	0.00	7,680.00
Communication Equipment	118,114.29	8,688.22	136,729.29
Total Cash Outflows	14,545,513.49	44,953,706.67	30,386,019.47
Total Cash Provided (used) by Investing Activities	(14,545,513.49)	(44,953,706.67)	(30,386,019.47)
Cash Flows from Financing Activities			
Cash Inflows	9,992,991.00	48,255,221.80	28,666,088.00
Cash Outflows			
Cash payment of interest on loans payable	100.00	13,447.71	0.00
Total Cash Outflows	100.00	13,447.71	0.00
Total Cash Used in Financing Activities	9,992,891.00	48,241,774.09	28,666,088.00
Net Cash Flow	(2,715,785.67)	2,569,077.09	1,311,069.20
Cash and Cash Equivalents, beginning	7,590,315.69	5,021,238.60	3,710,169.40
Cash and Cash Equivalents, ending	P4,874,530.02	P7,590,315.69	P5,021,238.60

See accompanying Notes to Financial Statements.

**BALAMBAN WATER DISTRICT
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 & 2010**

	Government Equity	Donated Capital	Retained Earnings	Total
Balances, January 1, 2010	8,136,777.31	8,099,063.08	(4,402,913.14)	11,832,927.25
Prior Year's Adjustments			(315,858.42)	(315,858.42)
Donated Capital (LWUA grant)		6,742,362.86		6,742,362.86
Barangay Water System Turn-Over	399,869.86			399,869.86
Net Income for the Period			6,216,116.06	6,216,116.06
Balances December 31, 2010	8,536,647.17	14,841,425.94	1,497,344.50	24,875,417.61
Prior Year's Adjustments			(19,539.86)	(19,539.86)
Reclassification of Donated Capital		(6,742,362.86)	6,742,362.86	0.00
Barangay Water System Turn-Over	40,869.60			40,869.60
Net Income for the Period			12,939,506.76	12,939,506.76
Balances December 31, 2011	8,577,516.77	8,099,063.08	21,159,674.26	37,836,254.11
Prior Year's Adjustments			(138,498.00)	(138,498.00)
Net Income for the Period			7,598,848.25	7,598,848.25
Balances December 31, 2012	8,577,516.77	8,099,063.08	28,620,024.51	45,296,604.36

See accompanying Notes to Financial Statements.

**BALAMBAN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. General Information

Balamban Water District (BWD) was created per approved Board Resolution No. 165-2008 known as the Balamban Water District Project of the Sangguniang Bayan of Balamban. It is originally composed of the following seven water works association: (1) Abucayan Multi-Purpose Cooperative; (2) Balamban Rural Waterworks and Sanitation Association, Inc.; (3) Buanoy Rural Waterworks and Sanitation Association, Inc.; (4) Pondol Rural Waterworks and Sanitation Association; (5) Biasong Rural Waterworks Association; (6) Hingatmonan and (7) Singasing.

2. Basis of Financial Statements Preparation

The accompanying financial statements have been prepared in conformity with the generally accepted state accounting principles in the Philippines. The water district is using the CPS/NGAS Modified Chart of Accounts for Water Districts.

3. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in values. These deposits earn interest at the prevailing market rate.

Receivables

Receivables are recognized and carried at original billed amount. Provision for Doubtful Accounts on water accounts receivable is maintained at a level considered adequate to provide for potential losses on receivables. The level of this provision or allowance is based on management's evaluation of collection experience and other factors that may affect collectibility.

Property, Plant and Equipment

Property and equipment are initially measured at cost less any subsequent accumulated depreciation. Subsequent expenditures on property and equipment are recognized only as an asset when the expenditure improves the condition of the asset beyond its originally assessed standard of performance. All other subsequent expenditure, such as repairs and maintenance and overhaul cost, is recognized as an expense when incurred. Depreciation is computed using the straight line method.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the Water District and the amount of revenue can be measured reliably. Thus, income is recognized upon billing of water consumption.

4. Cash and Cash Equivalents

This account is composed of the following:

	2012	2011	2010
Cash Collecting Officer 1	P 1,650,071.54	P 1,650,071.54	P 1,667,132.64
Cash Collecting Officer 2	161,498.23	45,358.97	31,220.90
Working Fund	15,000.00	15,000.00	15,000.00
Cash In Bank	3,047,960.25	5,879,885.18	3,307,885.06
	P 4,874,530.02	P 7,590,315.69	P 5,021,238.60

The Cash Collecting Officer I is the accumulated undeposited collections incurred by the former cashier Mrs. Christine O. Narvasa, from the start of the operation of the water district up to July 2009. This is under an on-going special audit by the Commission On Audit, Region VII..

5. Receivables

This account is composed of the following:

	2012	2011	2010
Accounts Receivable	P 941,895.73	P 697,210.70	P 489,865.43
Less: Allowance for Doubtful Accounts	108,341.34	108,341.34	24,493.27
Accounts Receivable (Net)	833,554.39	588,869.36	465,372.16
Advances to Officers and Employees	14,120.00	160,141.00	156,974.50
Due from Officers and Employees	192,923.50	420.00	1,790.00
Due from Projects	391,000.00	357,000.00	0.00
Due from Contractos/Other Entities	233,116.06	20,339.74	0.00
Other Receivables	219,410.76	72,973.76	66,917.51
	P1,884,124.71	P1,199,743.86	P691,054.17

6. Inventories

This account consists of:

	2012	2011	2010
Office Supplies Inventory	P 32,898.00	P 78,402.30	P100,193.46
Chemicals and Filtering Supplies Inventory	26,577.04	51,580.00	14,850.00
Maintenance Supplies Inventory	1,500,067.47	958,465.34	431,120.29
Other Inventories	62,123.00	18,638.00	46,188.00
	P1,621,665.51	P1,107,085.64	P592,351.75

7. Prepayments

The composition of this account is:

	2012	2011	2010
Advances to Contractors	P 0.00	P 775,019.74	P 12,427,639.55
Other Prepayments and Deposits	74,946.00	24,375.00	33,088.00
	P74,946.00	P 799,394.74	P 12,460,727.55

8. Property, Plant and Equipment

This account is composed of:

Cost	2012	2011	2010
Land	P 626,305.00	P 587,000.00	P 153,500.00
Plant-UPIS	13,582,664.70	9,923,798.96	7,728,567.61
Buildings and Other Structures	1,042,081.13	961,474.63	919,628.63
Office Equipment	1,555,933.50	1,274,048.50	1,023,100.50
Land Transportation Equipment	1,117,958.27	613,766.66	613,766.66
Other Machineries and Equipment	6,114,092.48	5,150,553.48	4,337,411.24
Furniture, Fixtures and Books	400,860.25	355,313.25	228,543.25
Books	2,500.00	2,500.00	0.00
CIP-Plant	165,840,718.85	136,188,719.49	63,841,518.29
CIP-Buildings and Other Structures	0.00	61,729.00	59,749.00
	<u>190,283,114.18</u>	<u>155,118,903.97</u>	<u>78,905,785.18</u>
Accumulated Depreciation			
Land and Other Improvements	0.00	0.00	0.00
Plant-UPIS	2,615,182.30	2,093,186.88	1,078,031.78
Buildings and Other Structures	222,884.55	159,196.80	87,543.43
Office Equipment	633,001.80	424,792.15	262,775.46
Land Transportation Equipment	246,943.96	184,418.56	124,920.16
Other Machineries and Equipment	1,744,605.30	1,319,154.00	920,199.35
Furniture, Fixtures and Books	94,033.55	61,267.14	32,670.24
	<u>5,556,651.46</u>	<u>4,242,015.53</u>	<u>2,506,140.42</u>
Net Book Value			
Land	626,305.00	587,000.00	153,500.00
Plant-UPIS	10,967,482.40	7,830,612.08	6,650,535.83
Buildings and Other Structures	819,196.58	802,277.83	832,085.20
Office Equipment	922,931.70	849,256.35	760,325.04
Land Transportation Equipment	871,014.31	429,348.10	488,846.50
Other Machineries and Equipment	4,369,487.18	3,831,399.48	3,417,211.89
Furniture, Fixtures and Books	306,826.70	294,046.11	195,873.01
Books	2,500.00	2,500.00	0.00
CIP-Plant	165,840,718.85	136,188,719.49	63,841,518.29
CIP-Buildings and Other Structures	0.00	61,729.00	59,749.00
	<u>P184,726,462.72</u>	<u>P150,876,888.44</u>	<u>P76,399,644.76</u>

9. Other Assets

This account consists of:

	2012	2011	2010
Intangible Assets	P 79,280.00	P 79,280.00	P 79,280.00
Less: Accumulated Amortization	(58,432.50)	(35,985.30)	(20,519.70)
	20,847.50	43,294.70	58,760.30
Other Assets	309,367.68	20,367.68	8,500.00
	P330,215.18	P63,662.38	P67,260.30

10. Inter-Agency Payables

This account is composed of:

	2012	2011	2010
Due to National Government Agencies	P104,940.31	P613,947.77	P80,074.91
Due to Other GOCCs	(2,275.18)	(2,275.18)	0.00
	P102,665.13	P611,672.59	P80,074.91

11. Loans Payable

This account consists of:

Loan Account #	Loan Date (release date)	Amount	Capitalized Interest	Balance
9-0036RL	Nov. 2009	29,268,559.14		
	Jan. 2010	15,096,108.00		
	May 2010	13,569,980.00		
	Jan 2011	24,375,936.00		
	May 2011	14,635,225.00		
	Dec 2011	9,235,000.00		
	Mar 2012	9,992,991.00	29,900,767.25	
		116,173,799.14	29,900,767.25	146,074,566.39
Loan from Provincial Planning and Development Office (part of Brgy. Pondol turn-over)		367,893.00		367,893.00
Total		P116,541,692.14	P29,900,767.25	P146,442,459.39

Loan Acct	Purpose	Interest Rate	Amortization Starts	Amortization Ends
9-0036RL	Water System	9.8%	January 2014	December 2043

12. Deferred Credits

This is composed of:

	2012	2011	2010
Guarantee Deposits Payable	P237,500.00	P237,500.00	P237,500.00
Other Deferred Credits	1,001.56	1,001.56	1,001.56
	P238,501.56	P238,501.56	P238,501.56

13. Donated Capital

This consists, in part, of the assets turned over to the district from the different water associations:

Donor	2012	2011	2010
Balambam Rural Waterworks System Association	P3,135,964.54	P3,135,964.54	P 3,135,964.54
Buanoy Rural Waterworks System Association	2,361,600.94	2,361,600.94	2,361,600.94
Pondol Rural Waterworks System Association	2,601,497.60	2,601,497.60	2,601,497.60
LWUA Grant	0.00	0.00	6,742,362.86
	P8,099,063.08	P8,099,063.08	P14,841,425.94

14. Personal Services

This consists of:

	2012	2011	2010
Salaries and Wages - Regular	P 7,060,448.07	P5,416,083.72	P3,849,120.06
Honoraria	669,952.50	1,072,575.00	1,119,650.00
Year-End Bonus	626,033.90	471,277.50	0.00
Life & Retirement Insurance Contributions	398,490.84	279,451.32	20,623.32
Other Bonuses and Allowances	355,500.00 ✓	457,829.50	501,457.50
Personnel Economic Relief Allowance	256,500.00 ✓	60,000.00	5,500.00
Vacation and Sick Leave Benefits	175,638.12 ✓	35,028.96	0.00
Representation Allowance	88,500.00 ✓	77,500.00	61,500.00
Transportation Allowance	88,500.00 ✓	77,500.00	62,120.00
Additional Compensation (ADCOM)	85,500.00 ✓	180,000.00	16,500.00
Other Personnel Benefits	0.00	96,609.70	199,691.78
Clothing and Uniform Allowance	75,000.00	20,000.00	140,000.00
Philhealth Contributions	75,343.75	40,725.00	1,762.50
PAG-IBIG Contributions	62,143.75	11,900.00	500.00
ECC Contributions	17,000.00	11,900.00	400.00
	P10,034,550.93	P8,308,380.70	P5,978,825.16

15. Maintenance and Other Operating Expenses

This account is composed of:

	2012	2011	2010
Generation, Transmission & Distribution Expenses	P 6,656,227.82	P 5,956,418.39	P 5,034,170.18
Repairs and Maintenance	2,276,371.68	1,391,844.41	809,956.13
Depreciation	1,337,083.13	1,114,575.17	797,362.15
Taxes, Duties and Licenses	582,913.25	482,268.02	425,852.30
Training and Scholarship Expenses	463,589.13	237,365.00	185,832.34
Fuel, Oil and Lubricants Expenses	393,691.48	283,735.88	182,449.65
Cultural and Athletic Expenses	367,751.47	0.00	0.00
Office Supplies Expense	314,490.59	290,626.61	189,117.29
Travel Expenses	251,395.03	188,100.08	174,634.80
Advertising, Promotion & Marketing Expenses	153,333.42	214,700.00	75,000.00
Electricity	146,869.61	125,619.78	34,662.72
Telephone Expenses - Mobile	88,672.73	92,694.97	62,113.57
Other Supplies Expenses	77,530.45	48,499.75	43,679.59
Rent/Lease Expenses	65,001.00	60,000.00	72,796.84
Printing Expenses	55,334.00	16,651.50	102,068.00
Internet Expenses	26,575.23	23,294.54	13,583.33
Auditing Services	25,440.00	0.00	204,620.00
Telephone Expenses – Landline	24,321.69	24,943.24	30,025.77
Donations	21,000.00	6,000.00	5,000.00
Insurance Premiums	18,050.00	8,000.00	1,480.00
Reforestation Expenses	16,334.00	0.00	0.00
Other Professional Services	10,000.00	22,350.00	49,200.00
Membership Dues & Contributions to Organizations	9,824.20	0.00	2,815.00
Postage and Deliveries	5,915.00	8,327.00	2,520.00
Legal Services	4,850.00	8,635.00	27,250.00
Survey Expenses	4,000.00	0.00	35,895.55
Representation Expenses	1,795.00	2,000.00	329,386.60
Maintenance Supplies Expense	1,440.00	1,882.00	367.00
Doubtful Accounts Expense	0.00	83,848.07	24,493.27
Extraordinary and Miscellaneous Expenses	0.00	6,463.00	43,553.81
Computer Data Processing Services	0.00	600.00	18,280.20
Cable, Satellite, Telegraph and Radio Expenses	0.00	120.00	2,800.00
Security Services	0.00	0.00	11,900.00
Other Operating and Maintenance Expenses	372,643.40	827,313.27	84,648.45
	P13,773,103.31	P11,526,875.68	P9,077,514.54