



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Balamban Water District
Balamban, Cebu

Report on the Financial Statements

We have audited the accompanying financial statements of the Balamban Water District (BAWD), which comprise the Statement of Financial Position as at December 31, 2016 and December 31, 2017 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The management of BAWD is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatements, 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 Public Sector 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.

Basis for Qualified Opinion

In forming our audit opinion, we considered the following audit observations which are discussed in detail in Part II and Part III (in brief) of the herein report:

1. Semi-expendable properties below the capitalization threshold of ₱15,000.00 were still carried under the Property, Plant and Equipment (PPE) account with cost totaling ₱558,163.49, which is contrary to Section 5.4 of COA Circular No. 2016-006 dated December 29, 2016, thus, overstating the PPE account as at December 31, 2017.
2. The Water District failed to provide accrual of liability for the unused portion of the employees' earned leave credits totaling ₱1,197,208.56 as of December 31, 2017, and recorded an erroneous accrued expense amounting to ₱360,632.86 as of December 31, 2016, in violation of Paragraph 11 of the Philippine Accounting Standards (PAS) 19. As a consequence, the employees' benefits were not properly accounted for and disclosed in the Financial Statements which understated the liability and expense accounts and overstated the net income.
3. Unreleased checks in the amount of ₱2,051,797.77 and ₱1,466,577.13 as at December 31, 2016 and 2017, respectively, were not reverted back to Cash in Bank resulting in the understatement of both the Cash in Bank and liability accounts in BAWD's books, which is not in conformance with the requirements of Sections 2.3 to 2.5 of the GAFMIS Circular Letter No. 2002-001 dated December 16, 2002.

Moreover, the following condition which was noted in previous audit report has not been resolved as of December 31, 2017:


- The year-end account balance of the loan payable to LWUA in the amount of ₱201,275,998.52 was still misstated due mainly to the different accounting treatment for the loan repayments and interests billed by LWUA. A difference of ₱50,969,774.57 was arrived at when the GL balance was compared with the LWUA confirmed amount.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Balamban Water District as at December 31, 2016 and December 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

By:


JENNY D. DAYOLA
OIC, Supervising Auditor

September 25, 2018



Republic of the Philippines
BALAMBAN WATER DISTRICT
Aliwanay, Balamban, Cebu

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of the Balamban Water District is responsible for the preparation of the financial statements as at December 31, 2017, 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 statement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Balamban Water District in accordance with the Philippine Financial Reporting Standards(PFRS) and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

BERNABE KARLO O. GONZALEZ III
Board Chairman

May 15, 2018

Date Signed

MR. ISIDRO S. ENUMERABLES

Division Manager - Commercial
and Finance

ENG'R. DANTE B. NAVARRO

General Manager C

**BALAMBAN WATER DISTRICT
STATEMENT OF FINANCIAL POSITION**

As of December 31, 2017

(With comparative figures for the year ended December 31, 2016 and January 1, 2016)

	Notes	2017	2016	January 1, 2016
ASSETS				
<u>Current Assets</u>				
Cash and Cash Equivalents	4	₱ 4,800,839.01	₱ 5,435,801.94	₱ 2,741,868.76
Receivables	5	3,277,007.29	3,157,746.75	3,542,993.62
Inventories	6	1,266,618.89	1,445,222.11	1,782,702.30
Other Current Assets	9	362,827.42	369,827.42	372,827.42
Total Current Assets		9,707,292.61	10,408,598.22	8,440,392.10
<u>Non-Current Assets</u>				
Property, Plant and Equipment, Net	7	212,059,138.01	220,104,723.21	223,861,245.21
Intangible Assets	8	284,858.53	195,595.38	227,475.34
Other Non-Current Assets	9	2,890,997.60	984,000.46	828,187.59
Total Non-Current Assets		215,234,994.14	221,284,319.05	224,916,908.14
TOTAL ASSETS		₱ 224,942,286.75	₱ 231,692,917.27	₱ 233,357,300.24
LIABILITIES AND EQUITY				
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Financial Liabilities	10	₱ 35,810,198.64	₱ 36,479,859.98	₱ 14,509,661.34
Inter-Agency Payables	11	145,647.14	356,811.22	349,539.53
Trust Liabilities	12	237,500.00	237,500.00	237,500.00
Deferred Credits/Unearned Income		61.19	60.16	60.16
Provisions	13	360,632.86		
Other Payables	14	117,125.40	117,125.40	143,491.40
Total Current Liabilities		36,671,165.23	37,191,356.76	15,240,252.43
<u>Non-Current Liabilities</u>				
Financial Liabilities	10	166,112,498.42	172,577,737.37	166,164,793.24
Total Non-Current Liabilities		166,112,498.42	172,577,737.37	166,164,793.24
TOTAL LIABILITIES		202,783,663.65	209,769,094.13	181,405,045.67
<u>EQUITY</u>				
Government Equity		17,146,579.85	17,146,579.85	17,146,579.85
Retained Earnings/(Deficit)		5,012,043.25	4,777,243.29	34,805,674.72
TOTAL EQUITY		22,158,623.10	21,923,823.14	51,952,254.57
TOTAL LIABILITIES AND EQUITY		₱ 224,942,286.75	₱ 231,692,917.27	₱ 233,357,300.24

See accompanying Notes to Financial Statements.

BALAMBAN WATER DISTRICT
STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2017
(With comparative figures for the year ended December 31, 2016)

	Notes	2017	2016
INCOME			
Service and Business Income	16	₱ 46,818,328.84	₱ 45,164,290.77
Shares, Grant and Donations	16		8,135,437.14
Gains	16	169,765.94	273,474.15
Other Non-Operating Income	16	3,971.63	
Total Income		46,992,066.41	53,573,202.06
EXPENSES			
Personnel Services	17	18,227,887.20	16,985,940.52
Maintenance and Other Operating Expenses	18	19,277,571.70	16,667,946.36
Financial Expenses	19	5,080.00	10,363,379.12
Non-Cash Expenses	20	8,181,457.82	8,329,399.26
Total Expenses		45,691,996.72	52,346,665.26
NET INCOME/(LOSS)		₱ 1,300,069.69	₱ 1,226,536.80

See accompanying Notes to Financial Statements.

BALAMBAN WATER DISTRICT
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017
(With comparative figures for the year ended December 31, 2016)

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue	₱	44,605,496.59	₱ 43,292,085.67
Collection of Receivables		2,607,535.25	3,066,521.14
Other Receipts		493,339.88	458,899.05
Total Cash Inflows		47,706,371.72	46,817,505.86
Adjustments		26,097.34	547,854.12
Adjusted Cash Inflows		47,732,469.06	47,365,359.98
Cash Outflows			
Payment of Expenses		14,242,903.40	13,104,503.27
Purchase of Inventories		3,987,489.52	3,920,533.33
Grant of Cash Advances		591,830.00	322,594.71
Prepayments			
Payment of Accounts Payable		5,678.57	1,090.00
Remittance of Personnel Benefit Contributions and Mandatory Deductions		5,253,939.57	4,417,367.76
Other Disbursements		16,007,532.15	14,682,045.58
Total Cash Outflows		40,089,373.21	36,448,134.65
Net Cash Provided by (Used in) Operating Activities		7,643,095.85	10,917,225.33
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		1,521,944.78	2,223,292.15
Total Cash Outflows		1,521,944.78	2,223,292.15
Net Cash Provided by (Used in) Investing Activities		(1,521,944.78)	(2,223,292.15)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Long-Term Liabilities		6,756,114.00	6,000,000.00
Payment of Interest on Loans and Other Financial Charges			
Total Cash Outflows		6,756,114.00	6,000,000.00
Net Cash Provided by (Used in) Financing Activities		(6,756,114.00)	(6,000,000.00)
Cash Provided by Operating, Investing and Financing Activities		(634,962.93)	2,693,933.18
Add: Cash and Cash Equivalents, January 1		5,435,801.94	2,741,868.76
CASH AND CASH EQUIVALENTS, DECEMBER 31	4 ₱	4,800,839.01	₱ 5,435,801.94

See accompanying Notes to Financial Statements.

BALAMBAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2017
(With comparative figures for the year ended December 31, 2016)

		Retained		Contributed		Government		TOTAL
		Earnings/ (Deficit)		Capital		Equity		
Restated Balance at January 1, 2016	P	34,805,674.72	P	8,569,063.08	P	8,577,516.77	P	51,952,254.57
Changes in Equity for the CY 2016								-
Add/(Deduct):								-
Net Income/(Loss) for the year		1,226,536.80						1,226,536.80
Other Adjustments		(31,254,968.23)						(31,254,968.23)
Balance at December 31, 2016		4,777,243.29		8,569,063.08		8,577,516.77		21,923,823.14
Changes in Equity for the CY 2017								
Add/(Deduct):								
Net Income/(Loss) for the year		1,300,069.69						1,300,069.69
Other Adjustments		(1,065,269.73)						(1,065,269.73)
Balance at December 31, 2017	P	5,012,043.25	P	8,569,063.08	P	8,577,516.77	P	22,158,623.10