



*Republic of the Philippines*  
**COMMISSION ON AUDIT**  
Regional Office No. V  
Rawis, Legazpi City

Telefax Nos.: 482-0547; 482-0548

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**OFFICE OF THE REGIONAL DIRECTOR**

June 28, 2017

**MR. VICENTE VIC B. ROBOSA**

General Manager  
Baa0 Water District  
Baa0, Camarines Sur

Sir:

We are pleased to transmit the Annual Audit Report on the audit of the accounts and operations of the Baa0 Water District for the year ended December 31, 2016, in compliance with Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The attached Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, which were discussed with concerned officials and staff of the Water District, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Water District for the year ended December 31, 2016.

We request that the recommendations be promptly implemented and we would appreciate being informed of the actions taken thereon within sixty (60) days from receipt hereof, using the prescribed format of the attached copy of the Agency Action Plan and Status of Implementation (AAPSI).

We express our appreciation for the support and cooperation extended to our Auditors by the officials and employees of that Water District.

Very truly yours,



**ROLAND A. REY**  
Regional Director

Copy furnished:

1. Administrator, LWUA
2. Auditor, LWUA
3. Office of the President
4. Office of the Vice-President
5. President of the Senate
6. Speaker of the House of Representatives
7. Chairperson – Senate Finance Committee
8. Chairperson – Appropriations Committee
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Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

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## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

Baao Water District  
Baao, Camarines Sur

We have audited the accompanying financial statements of Baao Water District, Baao, Camarines Sur, which comprise the statement of Financial Position as at December 31, 2016 and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity and Cash Flow Statement for the year then ended, 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 Philippine Financial Reporting Standards, 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 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 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*

As discussed in Part II of the report:

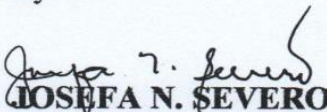
1. Discrepancy of ₱5.83 million existed between the General Ledger (GL) balances and the submitted Report on the Physical Count of Property, Plant and Equipment as of December 31, 2016, thus the GL balances of the Property, Plant and Equipment (PPE) accounts as of year-end were doubtful.
2. There was a net discrepancy of ₱0.67 million in the Inventory accounts between the accounting records amounting to ₱10.50 million and the property records of ₱9.83 million as of December 31, 2016, thus, the balance of the inventory accounts as of year-end was doubtful.

*Qualified Opinion*

In our opinion, except for the effects and the possible 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 Baa Water District, as of December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards.

**COMMISSION ON AUDIT**

By:

  
**JOSEFA N. SEVERO**  
State Auditor V  
Supervising Auditor

February 6, 2017



# BAAO WATER DISTRICT

Baao, Camarines Sur

CCC - 313

Tel. No. (054) 266-3161

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## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The examination of the financial statements was for the Calendar Year 2016;

The management of the Baao Water District is responsible for the fair presentation in the financial statements of financial position, results of operations, and changes in equity in conformity with GAAP, PGAS, NGAS, PAS and IAS;

We have made available to you all financial records and related data, resolutions issued by the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared, office rules and regulations, issuances and orders;

There have been no irregularities involving management or employees who have significant roles in the system of internal accounting control, irregularities involving other employees that could have material effect on the financial statements, and communication from regulatory bodies concerning non-compliance with, or deficiencies in financial reporting practices that could have material effect on the financial statements;

We have no plans or intentions that may materially affect the carrying value of classification of assets and liabilities;

The following have been properly recorded or disclosed in the financial statements: Related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees; and Capital Contribution and grants from government and other donations from non-government agency.

There are no unasserted claims or assessments that our lawyer has advised us that are probable of assertion and must be disclosed in accordance with ASC Statement of Financial Accounting Standards No. 7;

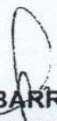
There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements;

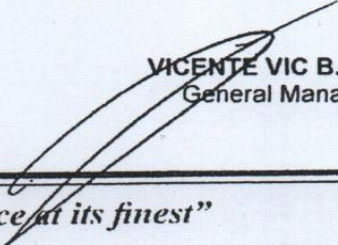
Provisions have been made to reduce excess or obsolete inventories to their estimated net realizable value;

Provision have been made for any material loss to be sustained as a result of non-payment of receivable and cost allocation of fixed assets during the current period/ or depreciation provision;

Provision has been made for any material loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

We have complied with all aspects of contractual agreements that would have material effect on the financial statements in the event of non-compliance.

  
**JEAN M. BARRAMEDA**  
Division Manager C-Finance & Commercial

  
**VICENTE VIC B. ROBOSA**  
General Manager C

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*"Water supply service at its finest"*

Republic of the Philippines  
**BAAO WATER DISTRICT**  
 Baa0, Camarines sur

**Condensed Statement of Financial Position**  
 As at December 31, 2016  
 (With Comparative Figures for CY 2015)

			<u>2016</u>		<u>2015</u>
<b><u>ASSETS</u></b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	2	P	1,584,585.73	P	367,416.66
Receivables, net	3		2,803,162.59		2,640,307.06
Inventories	4		10,500,476.47		8,617,355.23
Prepayments and Deferred Charges	5		1,878,872.32		1,816,652.75
<b>Total Current Assets</b>		P	<b>16,767,097.11</b>	P	<b>13,441,731.70</b>
<b>Non-Current Assets</b>					
Investments	6	P	751,735.13	P	749,828.78
Property, Plant and Equipment, net	7		70,578,050.57		62,517,384.80
Other Assets	8		508,587.90		508,587.90
<b>Total Non -Current Assets</b>		P	<b>71,838,373.60</b>	P	<b>63,775,801.48</b>
<b>TOTAL ASSETS</b>		P	<b>88,605,470.71</b>	P	<b>77,217,533.18</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current Liabilities</b>					
Payable Accounts	9	P	6,189,538.95	P	7,323,792.80
Inter-Agency Payables	10		735,401.16		813,138.85
Other Liability Accounts	11		266,417.18		282,320.64
<b>Total Current Liabilities</b>		P	<b>7,191,357.29</b>	P	<b>8,419,252.29</b>
<b>Non-Current Liabilities</b>					
Loans Payable - Domestic	12	P	15,071,536.14	P	16,357,551.14
Other Long Term Liabilities	13		2,242,495.35		2,242,495.35
Other Deferred Credits	14		3,166,813.38		3,166,813.38
<b>Total Non-Current Liabilities</b>		P	<b>20,480,844.87</b>	P	<b>21,766,859.87</b>
<b>TOTAL LIABILITIES &amp; DEFERRED CREDITS</b>		P	<b>27,672,202.16</b>	P	<b>30,186,112.16</b>
<b>Equity</b>					
Government Equity	15	P	2,649,985.14	P	2,649,985.14
Retained Earnings	16		58,283,283.41		44,381,435.88
<b>Total Equity</b>		P	<b>60,933,268.55</b>	P	<b>47,031,421.02</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		P	<b>88,605,470.71</b>	P	<b>77,217,533.18</b>

(See accompanying Notes to Financial Statements)

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Republic of the Philippines  
**BAAO WATER DISTRICT**  
 Baao, Camarines Sur

**Condensed Statement of Financial Performance**  
 For the Year Ended December 31, 2016  
 (With Comparative Figures for CY 2015)

	Note	<u>2016</u>	<u>2015</u>
<b>Income</b>	17	P <u>41,789,555.25</u>	P <u>37,196,961.98</u>
<b>Less: Operating Expenses</b>			
<b>Personal Services</b>			
Salaries and Wages	18	P 6,485,637.45	P 5,390,144.69
Other Compensation	19	3,646,521.60	3,105,683.25
Personnel Benefits Contribution	20	917,412.44	765,738.96
Other Personnel Benefits		742,822.46	648,396.44
<b>Total Personal Services</b>		P <u>11,792,393.95</u>	P <u>9,909,963.34</u>
<b>Maintenance and Other Operating Expenses</b>			
Travelling Expenses		P 88,216.00	P 164,777.53
Training Expenses		46,600.00	55,000.00
Supplies and Materials Expenses	21	1,152,089.26	1,138,728.84
Utility Expenses	22	6,265,265.14	5,901,273.87
Communication Expenses	23	118,012.77	131,483.46
Membership Dues and Contribution to Organizations		13,275.00	8,274.00
Representation Expenses		137,263.40	83,816.02
Subscription Expenses		4,830.00	6,180.00
Rewards and Other Claims		29,000.00	17,000.00
Professional Services	24	635,041.05	1,069,899.47
Repairs and Maintenance Expenses	25	895,031.16	570,105.94
Taxes, Insurance Premiums and Other Fees	26	865,784.79	784,992.83
Depreciation	27	5,139,732.93	4,502,655.59
Other Discounts		37,592.59	32,109.63
Other Maintenance And Other Operating Expenses		32,204.45	43,559.46
<b>Total Maintenance and Other Operating Expenses</b>		P <u>15,459,938.54</u>	P <u>14,509,856.64</u>
<b>Financial Expenses</b>	28	P <u>1,251,032.80</u>	P <u>1,063,950.01</u>
<b>Total Operating Expenses</b>		P <u>28,503,365.29</u>	P <u>25,483,769.99</u>

	Note	<u>2016</u>	<u>2015</u>
<b>Income (Loss) from Operation</b>		₱ <u>13,286,189.96</u>	₱ <u>11,713,191.99</u>
<b>Add(Deduct):Other Income/Expenses</b>			
Interest Income	29	₱ 2,421.78	₱ 2,203.14
Miscellaneous Income		559,524.79	355,913.58
Other Fines and Penalties		53,711.00	48,500.00
<b>Total Other Income/Expenses</b>		₱ <u>615,657.57</u>	₱ <u>406,616.72</u>
<b>Net Income (Loss) for the Period</b>		₱ <u><u>13,901,847.53</u></u>	₱ <u><u>12,119,808.71</u></u>

(See accompanying Notes to Financial Statements)



Republic of the Philippines  
**BAAO WATER DISTRICT**  
 Baao, Camarines sur

**Statement of Changes in Net Assets/Equity**  
 For the Year Ended December 31, 2016  
 (With Comparative Figures for CY 2015)

	<u>2016</u>	<u>2015</u>
<b>Government Equity</b>	₱ <u>2,649,985.14</u>	₱ <u>2,649,985.14</u>
Retained Earnings, Beginning	₱ 44,381,435.88	₱ 32,403,078.00
Add (Deduct) Adjustments:		
Net Income (Loss)	₱ 13,901,847.53	₱ 12,119,808.71
Prior Years' Adjustments	-	(141,450.83)
<b>Retained Earnings, Ending</b>	₱ <u>58,283,283.41</u>	₱ <u>44,381,435.88</u>
<b>Total Equity</b>	₱ <u><u>60,933,268.55</u></u>	₱ <u><u>47,031,421.02</u></u>

Republic of the Philippines  
**BAAO WATER DISTRICT**  
 Baao, Camarines Sur

**Cash Flow Statements**  
 For the Year Ended December 31, 2016  
 (With Comparative Figures for CY 2015)

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities</b>		
<b>Cash Inflows:</b>		
Collection of Receivables from Water Sales	P 40,083,725.86	P 36,037,112.08
Proceeds of Loan from LWUA	-	1,139,823.01
Collection of Other Receivables	2,385,862.50	1,650,973.25
Other Business Income	187,800.00	161,900.00
Miscellaneous Income	6,900.00	3,800.00
Receipt of Bonds	12,034.00	45,592.92
Others	25,967.14	60,463.50
Other Fines and Penalties	53,711.00	44,620.90
<b>Total Cash Inflows</b>	<u>P 42,756,000.50</u>	<u>P 39,144,285.66</u>
<b>Cash Outflows:</b>		
Personal Services	7,199,026.20	5,741,902.45
Maintenance and Other Operating Expenses	7,498,067.02	7,957,216.63
Purchase of Supplies and Materials	1,566,849.88	3,126,225.47
Payment of Liabilities	16,690,503.58	12,073,603.87
Payment of Cash Advance	99,860.00	115,679.00
Other Discounts	98,772.60	84,739.88
Others	159,062.08	482,457.79
<b>Total Cash Outflows</b>	<u>P 33,312,141.36</u>	<u>P 29,581,825.09</u>
<b>Total Cash Provided (Used) by Operating Activities</b>	<u>P 9,443,859.14</u>	<u>P 9,562,460.57</u>
<b>Cash Flows From Investing Activities</b>		
<b>Cash Outflows:</b>		
Construction in Progress	P 3,188,571.93	P 6,534,109.84
Capital Expenditures	2,501,070.34	1,625,511.60
<b>Total Cash Outflows</b>	<u>P 5,689,642.27</u>	<u>P 8,159,621.44</u>
<b>Total Cash Provided (Used) by Investing Activities</b>	<u>P (5,689,642.27)</u>	<u>P (8,159,621.44)</u>
<b>Cash Flows From Financing Activities</b>		
<b>Cash Outflows:</b>		
Payments of Loan Amortization	P 2,537,047.80	P 1,994,330.40
<b>Total Cash Outflows</b>	<u>P 2,537,047.80</u>	<u>P 1,994,330.40</u>
<b>Total Cash Provided (Used) by Financing Activities</b>	<u>P (2,537,047.80)</u>	<u>P (1,994,330.40)</u>
<b>Net Cash Provided (Used) by Operating, Investing and Financing A</b>	<u>P 1,217,169.07</u>	<u>P (591,491.27)</u>
<b>Cash and Cash Equivalents, Beginning</b>	367,416.66	958,907.93
<b>Cash and Cash Equivalents, Ending</b>	<u>P 1,584,585.73</u>	<u>P 367,416.66</u>