



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

FINANCIAL AUDIT REPORT

on the

BUSTOS WATER DISTRICT BUSTOS, BULACAN

**For the Years Ended
December 31, 2013 and 2012**



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Bustos Water District
Bustos, Bulacan

We have audited the accompanying financial statements of Bustos Water District (BWD), which comprise the Statement of Financial Position as at December 31, 2013 and 2012 the Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Government Equity for the years then ended, and the 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, and for such internal controls 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 risks of material misstatements 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

The BWD failed to implement the audit recommendations for the immediate transfer of its funds to government depository bank; thus, it incurred losses due to insolvency of the rural bank which was ordered closed. As a consequence, the recovery of cash amounting to P3,090,131.81 was very remote. In addition, the BWD failed to update the provision of Allowance for Doubtful Accounts that rendered the balance of the said account as of December 31, 2013 understated while Retained Earnings was overstated by P55,360.92.


The Property, Plant and Equipment (PPE) accounts of the BWD in the total amount of P21,440,555.88 as of December 31, 2013 was unreliable due to (a) inclusion of the cost of land without titles in the name of the BWD totaling P311,000.00 and the non-disclosure of the said condition in the Notes to Financial Statements; (b) non-maintenance of the prescribed records in the management of properties of the District; and (c) misclassification of accounts and non-reclassification of unserviceable properties and undisposed assets as Other Assets account as of year-end amounting to P81,069.29 and P343,119.73, respectively.

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 Bustos Water District as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years ended in accordance with State accounting principles.

COMMISSION ON AUDIT

By:


JOSEFINA M. SERRANO
Supervising Auditor

August 21, 2014



BUSTOS WATER DISTRICT

A. Raymundo St., Poblacion, Bustos, Bulacan

Tel. Nos. (044) 761-1665 Manila Line: (02) 552-5038

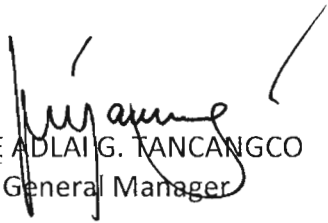
Telefax Nos. (044) 761-1665 & (02) 552-5038 e-mail address: bustoswaterdistrict@yahoo.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Bustos Water District is responsible for all information and representation contained in the Statement of Financial Position as of December 31, 2012 and Statement of Comprehensive Income including the Statement of Cash Flow for the year then ended. The financial statements have been prepared in conformity with applicable laws and regulations and generally accepted accounting principles applied on a consistent basis and reflect amounts that are based on the best estimates and informed judgment of Management with appropriate consideration for materiality.

In this regard, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Commission on Audit, in pursuance of its mandate under Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree 1445, has audited the financial statements of the District in accordance with the COA laws and standards, and applicable generally accepted auditing standards and has expressed its opinion on the fairness of presentation upon completion of such examination in its report to Board of Directors.


JOSE ADLAI G. TANCANGCO
General Manager


EMERITA AGNES G. MATEO
Division Manager – Finance and Commercial



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General Manager


EMERITA AGNES DG. MATEO
Division Manager – Finance and Commercial

BUSTOS WATER DISTRICT
STATEMENT OF FINANCIAL POSITION
As of December 31, 2013
(With Comparative Figures for CYs 2012 and 2011)

	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS				
Current Assets				
Cash	3 P	16,365,458.17	10,761,043.10	7,059,159.02
Receivables	4	3,755,871.36	3,421,505.65	3,110,301.61
Inventories	5	1,460,548.15	1,220,551.63	903,544.56
Other Current Assets	6	1,201,797.75	1,462,912.06	1,462,912.06
Total Current Assets		<u>22,783,675.43</u>	<u>16,866,012.44</u>	<u>12,535,917.25</u>
Non Current Assets				
Sinking Fund	7	711,324.24	711,324.24	709,283.09
Property, Plant & Equipment - Net	8	21,440,555.88	20,949,266.73	20,262,625.67
Other Assets	9	2,134,520.00	1,654,166.15	1,644,067.83
Total Non Current Assets		<u>24,286,400.12</u>	<u>23,314,757.12</u>	<u>22,615,976.59</u>
TOTAL ASSETS	P	<u><u>47,070,075.55</u></u>	<u><u>40,180,769.56</u></u>	<u><u>35,151,893.84</u></u>
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities	10 P	3,375,491.29	1,655,484.99	848,462.11
Other Long - Term Liabilities	11	1,353,245.84	1,687,827.90	1,713,812.47
Other Deferred Credits		7,390.97	2,812.83	694.61
Total Liabilities		<u>4,736,128.10</u>	<u>3,346,125.72</u>	<u>2,562,969.19</u>
Equity				
Government Equity		651,510.00	651,510.00	651,510.00
Retained Earnings	12	41,682,437.45	36,183,133.84	31,937,414.65
Total Equity		<u>42,333,947.45</u>	<u>36,834,643.84</u>	<u>32,588,924.65</u>
TOTAL LIABILITIES & EQUITY	P	<u><u>47,070,075.55</u></u>	<u><u>40,180,769.56</u></u>	<u><u>35,151,893.84</u></u>

(See Accompanying Notes to Financial Statements)

BUSTOS WATER DISTRICT
STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2013
(With Comparative Figures for CYs 2012 and 2011)

	Note	<u>2013</u>	<u>2012</u>	<u>2011</u>
INCOME				
Income from Waterworks System	P	32,696,518.33	P 31,367,243.32	P 29,961,448.78
Fines & Penalties		1,717,721.99	1,605,078.11	421,112.05
Interest Income		180,225.68	172,160.70	1,551,124.23
Other Business Income		490,340.55	401,130.25	136,662.71
Total Income		<u>35,084,806.55</u>	<u>33,545,612.38</u>	<u>32,070,347.77</u>
EXPENSES				
Personal Expenses	13	15,926,854.18	15,441,268.10	14,816,134.32
Maintenance & Other Operating Expenses	14	12,428,023.89	12,665,844.92	12,054,492.78
Depreciation Expense		1,303,277.39	1,193,599.79	1,079,594.02
Total Expenses		<u>29,658,155.46</u>	<u>29,300,712.81</u>	<u>27,950,221.12</u>
NET INCOME		<u><u>P 5,426,651.09</u></u>	<u><u>P 4,244,899.57</u></u>	<u><u>P 4,120,126.65</u></u>

(See Accompanying Notes to Financial Statements)

BUSTOS WATER DISTRICT
STATEMENT OF GOVERNMENT EQUITY
As of December 31, 2013
(With Comparative Figures for CYs 2012 and 2011)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Retained earnings, beginning of the year	P 36,834,643.84	P 32,588,924.65	P 28,618,063.00
Prior period adjustments	72,652.52	819.62	(149,265.00)
As Restated	36,907,296.36	32,589,744.27	28,468,798.00
Net Income	5,426,651.09	4,244,899.57	4,120,126.65
Retained earnings, end of the year	P <u>42,333,947.45</u>	P <u>36,834,643.84</u>	P <u>32,588,924.65</u>

(See Accompanying Notes to Financial Statements)

BUSTOS WATER DISTRICT
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013
(With Comparative Figures for CYs 2012 and 2011)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from Operating Activities			
Cash Inflows:			
Cash receipts from concessionaires	P 35,661,372.35	P 34,033,560.10	P 32,794,537.28
Refund of cash advances	151,648.52	83,034.91	235,823.26
Total Cash Inflows	<u>35,813,020.87</u>	<u>34,116,595.01</u>	<u>33,030,360.54</u>
Cash Outflows:			
Payments of payroll	11,300,151.35	10,840,894.84	10,867,144.25
Payments for maintenance & other operating expenses	8,920,563.29	9,555,923.24	9,153,047.83
Purchase of supplies and materials	1,625,799.21	1,452,295.53	1,002,661.47
Remittance of withholding/franchise taxes	2,707,306.56	2,546,988.90	2,142,163.41
Remittance of GSIS/Pag-IBIG/Philhealth	3,775,463.56	3,573,454.77	3,397,348.80
Advances to Officers & Employees	1,082,644.11	1,371,236.49	1,473,364.11
Total Cash Outflows	<u>29,411,928.08</u>	<u>29,340,793.77</u>	<u>28,035,729.87</u>
Net cash provided by Operating Activities	<u>6,401,092.79</u>	<u>4,775,801.24</u>	<u>4,994,630.67</u>
Cash Flow from Investing Activities			
Cash Outflows:			
Purchase of Property, Plant & Equipment	<u>976,903.40</u>	<u>1,246,077.86</u>	<u>651,952.46</u>
Cash used in Investing Activities	<u>976,903.40</u>	<u>1,246,077.86</u>	<u>651,952.46</u>
Cash Flow from Financing Activities			
Cash Outflows:			
Payment of Loan Amortization	-	-	1,787,455.00
Cash Inflows:			
Interest Income	180,225.68	172,160.70	-
Cash used/provided by Financing Activities	<u>180,225.68</u>	<u>172,160.70</u>	<u>1,787,455.00</u>
Total cash provided by Operating, Investing and Financing Activities	5,604,415.07	3,701,884.08	2,555,223.21
Add: Cash balance, beginning of the year	10,761,043.10	7,059,159.02	4,503,935.81
Cash balance, end of the year	<u><u>P 16,365,458.17</u></u>	<u><u>P 10,761,043.10</u></u>	<u><u>P 7,059,159.02</u></u>

(See Accompanying Notes to Financial Statements)