



**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, 2016, 2015 and 2014



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. III
City of San Fernando, Pampanga

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Bustos Water District
Bustos, Bulacan

We have audited the accompanying financial statements of Bustos Water District, which comprise the Statement of Financial Position as at December 31, 2016, 2015 and 2014, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows 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 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. Likewise, we were guided by Corporate Government Sector Memorandum dated December 15, 2016, prescribing for the General Audit Instructions on the 2016 Audit of

Water Districts and the Preparation of the Annual Audit Reports. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Bases for Qualified Opinion

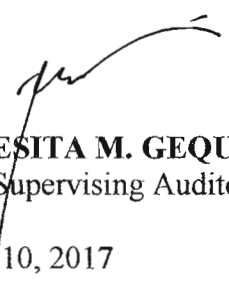
As stated in Part II of the report, accounting errors and deficiencies on the assets, liabilities and equity accounts significantly misstated the financial statements taken as a whole, as follows: (a) the accuracy of the Accounts Receivable was doubtful because of the under provision of Allowance for Doubtful accounts for CYs 2014, 2015 and 2016 amounting to ₱72,129.03, 259,527.55 and ₱377,638.62, respectively; (b) unreliable Property, Plant and Equipment (PPE) account with a carrying value of ₱42,210,844.65 due to (i) discrepancies between the trial balance and lapsing schedule of the balances of PPEs and Accumulated Depreciations of ₱1,828,675.28 and ₱127,004.57, respectively; (ii) net understatement of PPE and Retained Earning amounting to ₱525,529.80 because of misclassification of PPE accounts and inconsistencies with COA Circular No. 2005-002 dated April 14, 2005 and non-conformity of the computation of accumulated depreciation with COA Circular No. 2003-007; and (c) understatement of accrued expenses and overstatement of the Retained Earnings account by ₱322,771.65 due to under recording of accumulated compensated absences.

Qualified Opinion

In our opinion, except for the effects and the possible effects of the matters discussed 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, 2016, 2015 and 2014, and its financial performance, changes in its equity and its cash flows for the years then ended in accordance with State accounting principles.

COMMISSION ON AUDIT

By:



TERESITA M. GEQUINTO
OIC-Supervising Auditor

April 10, 2017



BUSTOS WATER DISTRICT

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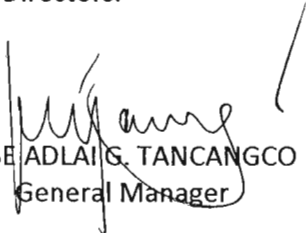
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Bustos Water District is responsible for all information and representation contained in the Statement of Financial Position as of December 31, 2014, 2015 and 2016, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, including the Statement of Cash Flows for the years 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 DG. MATEO

Division Manager –Finance and Commercial

BUSTOS WATER DISTRICT
STATEMENT OF FINANCIAL POSITION
As of December 31, 2016
(With Comparative Figures for CYs 2015, 2014 and 2013)

	2016	2015	2014	2013
ASSETS				
Current Assets				
Cash and Cash Equivalents (Note 3)	P16,716,663.29	P9,751,122.45	P10,216,241.20	P16,365,458.17
Receivables (Note 4)	3,784,653.88	3,875,713.52	4,140,403.84	3,755,871.36
Inventories (Note 5)	1,992,059.71	1,750,871.65	1,201,596.03	1,460,548.15
Prepayments and Other Charges	2,672.06	2,672.06	2,672.06	2,672.06
Other Current Assets	4,727,155.30	4,616,749.28	1,520,772.48	1,199,125.69
Total Current Assets	27,223,204.24	19,997,128.96	17,081,685.61	22,783,675.43
Non Current Assets				
Sinking Fund (Note 6)	717,848.94	715,659.41	10,895,332.25	711,324.24
Property, Plant and Equipment (Note 7)	42,210,844.65	39,362,747.50	24,370,299.75	21,440,555.88
Items in Transit	450,092.00	631,772.72	750,000.00	329,571.00
Other Assets (Note 8)	2,433,927.13	4,052,165.24	3,623,658.85	1,804,949.00
Total Non-Current Assets	45,812,712.72	44,762,344.87	39,639,290.85	24,286,400.12
TOTAL ASSETS	P73,035,916.96	P64,759,473.83	P56,720,976.46	P47,070,075.55
LIABILITIES AND EQUITY				
LIABILITIES				
Current Liabilities				
Accounts Payable	P1,970,552.97	1,356,136.17	1,336,093.42	837,905.32
Inter-Agency Payables (Note 9)	518,433.77	407,694.48	552,872.59	649,212.11
Other Current Liabilities	3,071,947.47	3,904,576.02	2,295,048.88	1,888,373.86
Total Current Liabilities	5,560,934.21	5,668,406.67	4,184,014.89	3,375,491.29
Non Current Liabilities				
Other Long Term Liabilities (Note 10)	P2,774,803.13	P2,415,150.16	P1,826,384.37	P1,353,245.84
Other Deferred Credits	13,486.32	12,106.31	9,398.21	7,390.97
Total Non-Current Liabilities	2,788,289.45	2,427,256.47	1,835,782.58	1,360,636.81
TOTAL LIABILITIES	8,349,223.66	8,095,663.14	6,019,797.47	4,736,128.10
EQUITY				
Government Equity	651,510.00	651,510.00	651,510.00	651,510.00
Retained Earnings	64,035,183.30	56,012,300.69	50,049,668.99	41,682,437.45
TOTAL EQUITY	64,686,693.30	56,663,810.69	50,701,178.99	42,333,947.45
TOTAL LIABILITIES AND EQUITY	P73,035,916.96	P64,759,473.83	P56,720,976.46	P47,070,075.55

See Accompanying Notes to Financial Statements.

BUSTOS WATER DISTRICT
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2016
(With Comparative Figures for CYs 2015, 2014 and 2013)

	2016	2015	2014	2013
INCOME				
Income from Waterworks				
System - Net	P37,807,218.54	P35,492,880.21	P34,038,620.22	P32,696,518.33
Fines and Penalties	1,760,148.78	1,717,876.63	1,799,156.63	1,717,721.99
Other Business and Service	510,324.19	467,089.30	396,671.34	413,676.46
Interest/Miscellaneous Revenue	109,905.42	92,895.67	144,994.95	256,889.77
Total Income	40,187,596.93	37,770,741.81	36,379,443.14	35,084,806.55
EXPENSES				
Personal Services (Note 11)	14,512,713.42	14,642,439.90	13,974,032.99	15,926,854.18
Maintenance and Other				
Operating Expenses (Note 12)	17,650,111.42	16,468,498.16	15,922,145.07	13,731,301.28
Total Expenses	32,162,824.84	31,110,938.06	29,896,178.06	29,658,155.46
NET INCOME	P8,024,772.09	P6,659,803.75	P6,483,265.08	P5,426,651.09

See Accompanying Notes to Financial Statements.

BUSTOS WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2016
(With Comparative Figures for CYs 2015, 2014 and 2013)

	2016	2015	2014	2013
Government Equity	651,510.00	651,510.00	651,510.00	651,510.00
Retained Earnings				
Beginning Balance	56,012,300.69	50,049,668.99	41,682,437.45	36,183,133.84
Prior Years' Adjustments	(1,889.48)	(697,172.05)	1,883,966.46	72,652.52
Net Income for the year	8,024,772.09	6,659,803.75	6,483,265.08	5,426,651.09
Total	64,035,183.30	56,012,300.69	50,049,668.99	41,682,437.45
TOTAL EQUITY	₱64,686,693.30	₱56,663,810.69	₱50,701,178.99	₱42,333,947.45

See accompanying Notes to Financial Statements.

BUSTOS WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(With Comparative Figures for CYs 2015, 2014 and 2013)

	2016	2015	2014	2013
Cash Flows from Operating Activities				
Cash Inflows				
Collection of Income/Revenue	P 42,074,156.10	P 38,734,300.44	P37,053,008.44	P35,841,598.03
Cash Transfer from Sinking Fund		10,180,391.92		
Total Cash Inflows	42,074,156.10	48,914,692.36	37,053,008.44	35,841,598.03
Cash Outflows				
Payment of salaries and wages and benefits	10,547,955.71	9,654,296.85	9,269,061.88	11,300,151.35
Payment of power (pump) consumption	6,450,382.33	6,671,273.01	7,358,081.84	6,738,462.89
Purchase of supplies and materials	3,920,003.43	2,021,013.72	1,447,836.18	1,625,799.21
Remittance of taxes withheld to BIR	2,736,471.32	3,480,483.03	2,600,881.51	2,707,306.56
Remittance of amount due to GSIS, Pag-IBIG and Philhealth	3,885,381.02	3,841,022.10	3,727,959.23	3,775,463.56
Payment of other operating and maintenance expenses	3,448,119.28	5,613,065.02	5,413,639.45	3,113,095.99
Total Cash Outflows	30,988,313.09	31,281,153.73	29,817,460.09	29,260,279.56
Cash Provided by/(Used in) Operating Activities	11,085,843.01	17,633,538.63	7,235,548.35	6,581,318.47
Cash Flows from Investing Activities				
Cash Outflows				
Purchase of properties	4,120,302.17	14,706,771.33	3,384,765.32	976,903.40
Deposit to Meralco - Camachilihan Project	0.00	3,391,886.05	0.00	0.00
Provision for Expansion	0.00	0.00	10,000,000.00	0.00
Total Cash Outflows	4,120,302.17	18,098,657.38	13,384,765.32	976,903.40
Cash Used in Investing Activities	(4,120,302.17)	(18,098,657.38)	(13,384,765.32)	(976,903.40)
Net Cash Provided by/(Used in) Operating, Investing and Financing Activities	6,965,540.84	(465,118.75)	(6,149,216.97)	5,604,415.07
Add: Cash and Cash Equivalents, Beginning	9,751,122.45	10,216,241.20	16,365,458.17	10,761,043.10
CASH AND CASH EQUIVALENTS, ENDING (Note 3)	P16,716,663.29	P9,751,122.45	P10,216,241.20	P16,365,458.17

See Accompanying Notes to Financial Statements.