



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

AUDIT REPORT

On the

BATO WATER DISTRICT

Bato, Camarines Sur

For the Years Ended December 31, 2010-2011



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. V
Rawis, Legazpi City
Telefax. Nos. : 482-0547; 482-0548

May 13, 2014

ENGR. PAUL RAYMOND L. BONNEVIE

General Manager
Bato Water District
Bato, Camarines Sur

Sir:

We are pleased to transmit the Annual Audit Report of that agency for the years ended December 31, 2010 and 2011 in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent Sections of Presidential Decree No. 1445, otherwise known as the "Government Auditing Code of the Philippines."

The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

We request that the observations and recommendations contained in the said report be fully addressed, and we would appreciate being informed of the actions taken in this regard within 60 days from receipt hereof.

We acknowledge the cooperation extended to our audit team by the officials and employees of the District, through whose assistance and support the submission of this report was made possible.

Very truly yours,


EDEN T. RAFANAN
Director IV
Regional Director

Copy furnished:

- Administrator, LWUA
- Auditor, LWUA
- Office of the President
- House of Representatives
- Philippine Senate
- Corporate Government Sector, COA
- File, Regional Director, COA ROS



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THE BOARD OF DIRECTORS

Bato Water District
Bato, Camarines Sur

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D. SCOPE OF AUDIT

A financial and compliance audit was conducted on the operations of the Bato Water District, Bato, Camarines Sur for Calendar Years ended December 31, 2010 and 2011. The audit included, but not limited to, the analysis of financial and accounting records, determination of the validity and propriety of the Agency's transactions.

E. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements. The agency did not conduct the yearly physical count of its Property, Plant and Equipment valued in the books at P10,231,121.72 and P13,935,847.77 as of December 31, 2010 and December 31, 2011, respectively. The inadequacy of its records did not permit us to apply adequate alternative procedures to determine the validity of the account.

F. OBSERVATIONS AND RECOMMENDATIONS

1. The reported year-end account balances of Accounts Receivable (121) for CYs 2011 and 2010 amounting to P1,675,999.06 and P1,506,430.66, respectively, did not reconcile with the amount reflected in the Schedule/Aging of Receivables totaling P1,390,598.85 and P1,202,675.30, resulting in a variance of P285,400.21 for CY 2011 and P303,755.36 in CY 2010, contrary to sound accounting principle.

We recommended that Management undertake the reconciliation of the Schedule/Aging of receivables with the General Ledger account, Accounts Receivable immediately to ensure correctness of Accounting Data.

We further recommended that the reconciliation of the Receivable accounts be done on a regular basis.

2. The accuracy, validity and existence of the December 31, 2010 and December 31, 2011 balances of the Property, Plant and Equipment (PPE) and Inventories accounts year end are doubtful due to the failure of the Water District to conduct physical inventory taking.

We recommended that Management create an Inventory Committee, which shall conduct the physical inventory of its PPE accounts and submit the required inventory report for validation. We further recommended that the inventory taking for PPE be done annually, while for Inventories, semestrally, in accordance with COA rules and regulations on the matter.

3. The continued adoption of the First in First Out (FIFO) method in the costing of inventories is not in keeping with the prescribed valuation method in the National Government Accounting System (NGAS)-Corporate.

We recommended that Management apply the Moving Average Method in costing issuance and balances of inventories in accordance with NGAS for Corporate.

4. The Water District was not able to set aside or provide for the correct amount for its Sinking Fund for CYs 2010 and 2011, thus, the balances of the Sinking Fund account (198) as of December 31, 2011 and 2010 amounting to P206,399.81 and P165,241.10, respectively, were understated.

We recommended that the Management strictly set aside 3% of their collections for the Sinking Fund account as required by LWUA.

We also recommended that the necessary adjustment to the CY 2011 Sinking Fund account be made and the needed amount be deposited to correct the Sinking Fund account balance.

G. IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the eleven (11) audit recommendations, two (2) were implemented, eight (8) were partially implemented and one (1) was not implemented.



INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Bato Water District
Bato, Camarines Sur

We have audited the accompanying financial statements of Bato Water District, which comprise the statement of financial position as of December 31, 2010 and December 31, 2011 and the statement of comprehensive income and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory informations.

Management 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 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 those financial statements based on our audit. We conducted our audit in accordance with International 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 the accounting policies use 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 qualified audit opinion.

Basis for Qualified Opinion

The agency did not conduct the yearly physical count of its Property, Plant and Equipment valued in the books at P10,231,121.72 and P13,935,847.77 as of December 31, 2010 and December 31, 2011, respectively. The inadequacy of its records did not permit us to apply adequate alternative procedures to determine the validity of the account.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statement present fairly in all material respects, the financial position of Bato Water District as of December 31, 2010 and December 31, 2011 and its financial performance and its cash flow for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT

By:


TITA B. EMBESTRO

State Auditor V

Supervising Auditor

February 2, 2013

EXECUTIVE SUMMARY

A. INTRODUCTION

Bato Water District (BWD), formerly known as Bato Rural Waterworks Association (BRUWASA) was created by virtue of Sangguniang Bayan Resolution No.1898-105 dated December 15, 1989. On April 30, 1990, the Local Water Utilities Administration (LWUA) issued the water district Conditional Certificate of Conformance (CCC) No. 437, which qualified it to avail of financial assistance for its developmental plans and targets.

Just like any water district and in consonance with the provisions of Presidential Decree No. 198, the Bato Water District was formed for the following purposes:

- Acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural use for residential lands within the boundaries of the water district;
- Providing, maintaining an operating, waste water collections, treatment and disposal facilities, and;
- Conducting such other functions and operations incidental to water resource development, utilization and disposal within such districts as are necessary or incidental to said purpose.

Bato Water District is categorized as a "small" water district with 1,729 metered, active and billed concessionaires as of December 31, 2011. It has eleven personnel under the stewardship of Engr. Paul Raymond Bonnevie as the General Manager.

Bato Water District's Board of Directors is composed of:


Name	Position
Mr. Precioso L. Penaflorida	Chairman
Ms. Remedios L. Intia	Vice-Chairman
Ms. Jenette R. Mendez	Secretary
Mr. Norman L. Gapas	Member
Mr. Rodrigo I. Timbang	Member

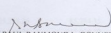
Republic of the Philippines
BATO WATER DISTRICT
Bato, Camarines Sur

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the BATO WATER DISTRICT is responsible for all information and representation contained in the Balance Sheets as of December 31, 2010 and 2011 and the related Statements of Income and Expenses and the Statements of Cash Flows for the period then ended. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of 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 recognized.


JULIETAG VALLEJO
Senior Accounting Processor B


ENGR. PAUL RAYMOND L. BONNEVIE
General Manager D

B. FINANCIAL HIGHLIGHTS

The following are the financial highlights:

		CY 2011		CY 2010		Increase (Decrease)
Assets	P	18,554,743.91	P	18,835,359.63	P	(280,615.72)
Liabilities		13,058,322.04		13,384,486.78		(326,164.74)
Equity		5,496,421.87		5,450,872.85		45,549.02
Gross Income		9,128,155.40		9,105,750.13		22,405.27
Expenses		8,926,690.63		8,071,390.16		855,300.47
Net Income		201,464.77		1,034,359.97		(832,895.20)

C. OPERATIONAL HIGHLIGHTS

The following are the operational highlights for CYs 2010 and 2011 in terms of service connections, water sales and collections from water bills:

CY 2010

	Target	Accomplishment	% of Accomplishment
Service Connections	120	72	60.00%
Sales	P11,110,837.00	P8,990,722.55	80.92%
Collections from water bills	P11,110,837.00	P8,841,097.25	79.57%

CY 2011

	Target	Accomplishment	% of Accomplishment
Service Connections	120	61	50.83%
Sales	P11,026,952.00	P8,987,800.70	81.51%
Collections from water bills	P11,026,952.00	P8,790,754.60	79.72%

BATO WATER DISTRICT (BWD)

Bato, Camarines Sur

BALANCE SHEET

As of December 31, 2010 and 2011

(With Comparative Figures for CY 2009)

			CY 2011		CY 2010		CY 2009
ASSETS							
Current Assets							
Cash and Cash Equivalent	Note 2	P	2,297,247.38	P	2,356,485.61	P	4,164,856.39
Receivables	Note 3		1,650,571.51		1,481,003.11		1,391,069.11
Inventories	Note 4		462,280.34		399,735.05		374,611.60
Prepayments	Note 5		2,397.84		1,616.17		2,716.25
Total Current Assets		P	4,412,497.07	P	4,238,839.94	P	5,933,253.35
Non-Current Assets							
Property, Plant and Equipment, Net	Note 6	P	13,935,847.77	P	10,231,121.72	P	10,895,046.59
Investments	Note 7		206,399.07		165,241.10		408,718.78
Construction In Progress			-		4,200,156.87		-
Total Non-Current Assets		P	14,142,246.84	P	14,596,519.69	P	11,303,765.37
TOTAL ASSETS		P	18,554,743.91	P	18,835,359.63	P	17,237,018.72
LIABILITIES AND EQUITY							
Liabilities							
Current Liabilities							
Payable Accounts	Note 8	P	125,238.26	P	85,294.35	P	82,505.73
Inter-Agency Payables	Note 9		111,116.76		212,010.19		102,106.16
Other Current Liabilities	Note 10		446,915.49		405,069.51		959,885.10
Total Current Liabilities		P	683,270.51	P	702,374.05	P	1,144,496.99
Non-Current Liabilities	Note 11	P	12,375,051.53	P	12,682,112.73	P	11,507,128.22
Total Liabilities		P	13,058,322.04	P	13,384,486.78	P	12,651,625.21
Equity							
Government Equity	Note 12	P	3,610,984.23	P	3,610,984.23	P	3,610,984.23
Retained Earnings	Note 13		1,885,437.64		1,839,888.62		974,409.28
Total Equity		P	5,496,421.87	P	5,450,872.85	P	4,585,393.51
TOTAL LIABILITIES AND EQUITY		P	18,554,743.91	P	18,835,359.63	P	17,237,018.72

(See accompanying Notes to Financial Statements)

BATO WATER DISTRICT (BWD)

Bato, Camarines Sur

STATEMENT OF CASH FLOWS

For the year ended December 31, 2010 and 2011

(With Comparative Figures for CY 2009)

	CY 2011		CY 2010		CY 2009	
CASH FLOWS FROM OPERATING ACTIVITIES:						
CASH IN FLOWS -						
Collection of Water Bills	P	8,620,388.24	P	8,536,768.32	P	7,815,066.55
Collections of Other Business Income		212,645.60		263,563.45		457,387.75
Fines and Penalties-Business Income		143,063.15		173,791.55		-
Due to Other GOCCS		-		3,164.87		-
Other Receipts		60,779.07		420,356.38		182.00
Refund of Cash Advances		-		-		6,000.00
Total Cash Inflows	P	9,036,876.06	P	9,397,644.57	P	8,278,636.30
CASH OUTFLOWS-						
Payment of Personal Services	P	-	P	3,141,141.11	P	2,413,613.63
Payment of Operating Expenses		5,296,049.96		4,491,044.58		1,900,974.29
Payment of Payables		202,939.77		56,434.45		966,355.09
Remittance of Inter-Agency Payables		1,447,319.89		1,103,275.31		102,106.16
Due to Officers and Employees		28,342.24		134,334.42		-
Payment of Office Supplies Inventory		426,207.08		373,495.51		393,361.92
Prepaid Insurance		4,644.48		1,121.60		2,716.25
Retained Earnings		80,871.92		-		-
Petty Cash Fund		9,962.91		2,062.50		-
Other Paid Expenses		40,595.56		7,252.90		173,356.92
Total Cash Outflows	P	7,536,933.81	P	9,310,162.38	P	5,952,484.26
Total Cash Provided (Used) By Operating Activities	P	1,499,942.25	P	87,482.19	P	2,326,152.04
CASH FLOWS FROM INVESTING ACTIVITIES:						
CASH INFLOWS-						
Interest from bank Deposits	P	13,361.68	P	13,329.35	P	11,520.92
CASH OUTFLOWS-						
Investments	P	40,158.02	P	151,047.88	P	18,278.00
Purchase and Construction of PPE		326,776.99		4,371,293.17		142,063.84
Total Cash Outflows	P	(366,935.01)	P	(4,522,341.05)	P	(160,341.84)
Total Cash Provided (Used) By Investing Activities	P	(353,573.33)	P	(4,509,011.70)	P	(148,820.92)
CASH FLOWS FROM FINANCING ACTIVITIES:						
CASH INFLOWS-						
Acquisition of Loan/Subsidy	P	-	P	4,424,389.73	P	2,973,190.00

CASH OUTFLOWS-

Payment of Loan Amortization	P	275,047.22	P	831,030.81	P	1,011,596.56
Payment of Interest on Loan		925,336.78		979,500.19		1,105,167.36
Payment of Other Financial Charges		5,223.15		700.00		850.00
TOTAL -Cash Outflows	P	(1,205,607.15)	P	(1,811,231.00)	P	(2,117,613.92)
Net Cash Provided (Used) By Financing Activities	P	(1,205,607.15)	P	2,613,158.73	P	855,576.08
Net Cash Provided by Operating, Financing and Investing Activities	P	(59,238.23)	P	(1,808,370.78)	P	3,032,907.20
Cash and Cash Equivalent, Beginning		2,356,485.61		4,164,856.39		1,131,949.19
CASH AND CASH EQUIVALENT, ENDING	P	2,297,247.38	P	2,356,485.61	P	4,164,856.39

Retained Earnings, Beginning	P	1,879,328.62	P	974,496.25	P	(16,283.01)
Net Income		415,915.73		(105,880.63)		623,026.20
Retained Earnings, End	P	2,295,244.35	P	868,615.62	P	897,671.19
Retained Earnings, Beginning	P	1,879,328.62	P	974,496.25	P	(16,283.01)
Net Income		415,915.73		(105,880.63)		623,026.20
Retained Earnings, End	P	2,295,244.35	P	868,615.62	P	897,671.19

BATO WATER DISTRICT (BWD)

Bato, Camarines Sur

STATEMENT OF INCOME AND EXPENSES

For the year ended December 31, 2010 and 2011

(With Comparative Figures for CY 2009)

		CY 2011	CY 2010	CY 2009
Income				
Business Income	Note 14 P	9,113,427.38	P 9,082,693.86	P 8,378,503.27
Less: Sales Discount		(39,923.95)	(109,856.37)	(94,385.25)
Other General Income	Note 15	14,728.02	23,056.27	19,574.70
Total Income		P 9,088,231.45	P 8,995,893.76	P 8,303,692.72
Less: Expenses				
Personal Services	Note 16 P	3,586,156.20	P 3,321,725.93	P 3,255,183.35
Maint. & Other Operating Expenses	Note 17	4,375,291.70	3,659,607.67	3,575,543.52
Financial Expenses	Note 18	925,318.78	980,200.19	1,105,932.36
Total Expenses		P 8,886,766.68	P 7,961,533.79	P 7,936,659.23
NET INCOME		P 201,464.77	P 1,034,359.97	P 367,033.49

Depreciation of Non-Current Assets		1,441,211.89	1,491,271.53	1,601,766.19
Salaries Officers and Employees		28,042.24	174,333.42	
Payment of Office Supplies, Inventory		326,207.08	372,494.41	193,261.40
Property Insurance		1,046.43	1,121.92	747,162.21
Interest Expense		80,271.92		
Other Cash Fund		9,992.81	1,000.76	
Other Profit Transfers		40,907.66	277.34	171,714.08
Total Cash Provided (Used) By Operating Activities		P 7,798,744.81	P 9,076,164.28	P 9,053,494.26
Total Cash Provided (Used) By Operating Activities		P 1,499,942.25	P 87,494.09	P 3,336,782.04

CASH FLOWS FROM INVESTING ACTIVITIES:

CASH INFLOWS:				
Interest from Bank Deposits		11,261.46	15,209.51	11,242.91
CASH OUTFLOWS:				
Acquisition		40,138.53	151,647.88	1,14,775.00
Purchase and Construction of PPE		728,776.90	4,111,750.17	149,080.81
Proceeds from Sale		1,046,573.81	14,252,241.40	1,198,341.74
Total Cash Provided (Used) By Investing Activities		P (101,872.22)	P (4,991,187.54)	P (4,065,310.16)

(See accompanying Notes to Financial Statements)

CASH FLOWS FROM FINANCING ACTIVITIES:

CASH INFLOWS:				
Amortization of Loan Subsidy			1,424,189.73	1,371,598.04

BATO WATER DISTRICT (BWD)

Bato, Camarines Sur

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2010 and 2011

(With Comparative Figures for CY 2009)

	CY 2011		CY 2010		CY 2009	
Government Equity	P	3,610,984.23	P	3,610,984.23	P	3,610,984.23
Retained Earnings, Beginning	P	1,839,888.62	P	974,409.28	P	(16,283.01)
Add/(Less)						
Fundamental Errors		(155,915.75)		(168,880.63)		623,658.80
Net Income (Loss)		201,464.77		1,034,359.97		367,033.49
Retained Earnings, End	P	1,885,437.64	P	1,839,888.62	P	974,409.28
Balances Ending, December 31	P	5,496,421.87	P	5,450,872.85	P	4,585,393.51

(See accompanying Notes to Financial Statements)