



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

**ANNUAL AUDIT REPORT**  
**on the**  
**BULAN WATER DISTRICT**  
**Bulan, Sorsogon**

BOD

**For the Year Ended December 31, 2020**



## EXECUTIVE SUMMARY

### A. Introduction

The Bulan Water District (BWD) was formed on May 9, 1975 by virtue of Sangguniang Bayan Resolution No. 23, series of 1975. It derives its authority and powers as a water district from Presidential Decree (PD) No. 198, otherwise known as the Provincial Water Utilities Act of 1973, as amended by PD No. 768, PD No. 1479 and Republic Act (RA) No. 9286. Its Conditional Certificate of Conformance (CCC) No. 22 was issued on April 20, 1976 by the Local Water Utilities Administration (LWUA) after complying with the legal requirements, thus, qualifying the Water District (WD) to LWUA's technical and financial assistance for expansion of water facilities.

An audit of the financial transactions and operations of the WD was conducted for calendar year (CY) 2020. The audit had the objective of ascertaining the fairness of presentation of the financial statements presented by the WD for the purpose of expressing an opinion thereon. It was also conducted to ascertain the validity, propriety and compliance of its financial transactions and operations with prescribed laws, rules and regulations.

To attain the audit objectives, the audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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. Due to the voluminous transactions of the WD, the audit was conducted on a test basis, applying the audit procedures and techniques such as vouching, inspections and interviews.

In CY 2020, the WD conducted service connection and reconnection to concessionaires, raising 173 additional service connections from 5,451 to 5,624 or an increase of 3.17 per cent as of December 31, 2020.

### B. Financial Highlights

The following are the financial highlights composed of comparative financial position and results of operations for CYs 2020 and 2019:

#### I. Comparative Financial Position:

Particulars	2020	2019	Increase/ (Decrease)
Assets	₱88,283,227.56	₱65,626,314.88	₱22,656,912.68
Liabilities	63,018,065.70	43,569,227.24	19,448,838.46
Equity	25,265,161.86	22,057,087.64	3,208,074.22



## II. Sources and Application of Funds:

Income	2020	2019	Increase/ (Decrease)
Waterworks Systems Fees	₱21,984,212.65	₱24,101,663.26	₱ (2,117,450.61)
Interest Income	30,488.35	32,588.07	(2,099.72)
Fine and Penalties-Business Income	774,063.55	915,659.78	(141,596.23)
Other Business Income	607,291.63	654,316.44	(47,024.81)
Total Income	₱23,396,056.18	₱25,704,227.55	₱ (2,308,171.37)

Expenses	2020	2019	Increase/ (Decrease)
Personnel Services	₱ 11,998,217.94	₱9,588,265.08	₱2,409,952.86
Maintenance and Other Operating Expenses	5,159,743.32	6,393,663.50	(1,233,920.18)
Financial Expenses	1,574,814.20	1,238,972.68	335,841.52
Non-Cash Expenses	2,187,985.76	2,027,349.05	160,636.71
Total Expenses	20,920,761.22	19,248,250.31	1,672,510.91
Net Income	₱2,475,294.96	₱6,455,977.24	₱ (3,980,682.28)

## C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because the accuracy and existence of the net book value of the Property, Plant and Equipment (PPE) totaling ₱41.35 million or 46.83 per cent of the total assets as of December 31, 2020 was not ascertained due to inability of the WD to conduct actual physical count, prepare and maintain property records and reconcile the same with accounting records, thus, rendering the year-end balance of the PPE account unreliable.

## D. Summary of Significant Audit Observations and Recommendations

1. The increase in the year-end balance of Accounts Receivable (AR) and Allowance for Impairment-AR accounts by ₱136,855 or 6.81 per cent and ₱35,685 or 8.71 per cent, respectively, could be attributed to Management's leniency in the enforcement of collection policies of prior years' receivables.

We recommended and Management agreed to intensify and improve its collection policies and strategies to enable them to collect past due accounts from concessionaires; and continuously sustain its operations and finance more projects for the betterment of the services being provided to the concessionaires.



2. Land account balance amounting ₱4.91million as of December 31, 2020 consists of nine lots, one of which has a Transfer of Certificate of Titles (TCT) and the other eight lots' TCT have not yet been consolidated in the name of the Bulan Water District thus, absolute ownership is not safeguarded and the valuation of one donated lot was not recorded in the books of accounts, affecting the reliability and accuracy of the Land and other related accounts.

We recommended and Management agreed to:

- a. Exert best effort in securing the required documents for the immediate application and transfer of TCT of the eight lots under the name of the WD or consider other legal measures to expedite the possible titling of all lots purchased by the WD to avoid risk of possible court litigation in the future; and
  - b. Recognize the proper valuation of Lot No. 1 in the books of the WD and fully disclose the facts and circumstances regarding the Land account in the Notes to fairly present the balances of the Land and affected accounts in the financial statements.
3. Ongoing construction and installation of Intake Box at Lakha Spring, by administration, with project cost of ₱0.62 million consisting of labor and materials were paid thru cash advances and were inappropriately recorded to the account Due from Officer and Employee instead of Advances to Special Disbursing Officer and related liquidation was recorded as Water Supply Systems (WSS) instead of the Construction in Progress (CIP) - Infrastructure Assets account thus, affected accounts are not fairly presented in the financial statement as of December 31, 2020.

We recommended and Management agreed to adopt COA Circular No. 2020-002 and instruct the Accountant to record the suggested adjusting entries to reclassify the affected accounts for accurate and reliable reporting of accounts, as follows:

To reclassify the affected accounts:

CIP - Infrastructure Assets	₱131,314	
WSS		₱131,314

Accounting Entries on the grant and liquidation of cash advance:

1) Advances to Special Disbursing Officer	xxx	
Cash in Bank		xxx
2) CIP/ Expenses	xxx	
Advances to Special Disbursing Officer		xxx

4. Recorded payments for materials and labor of the Intake Box infrastructure project totaling ₱0.58 million were made through cash advances granted to unbonded officers contrary to the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184,





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

---

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

Bulan Water District  
Bulan, Sorsogon

### **Qualified Opinion**

We have audited the financial statements of Bulan Water District, Bulan, Sorsogon, which comprise the Statement of Financial Position as at December 31, 2020, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies.

In our opinion, except for the effects of the matters described in the *Basis of Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bulan Water District as at December 31, 2020, and its comprehensive income and its cash flows for the year then ended in accordance with the with the Philippine Financial Reporting Standards (PFRS).

### **Basis for Qualified Opinion**

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because the accuracy and existence of the net book value of the Property, Plant and Equipment (PPE) totaling ₱41.35 million or 46.83 per cent of the total assets, as of December 31, 2020 was not ascertained due to inability of the WD to conduct actual physical count, prepare and maintain property records and reconcile the same with accounting records, thus, rendered the year-end balance of the PPE accounts unreliable.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



### **Key Audit Matters**

Except for the matters described in the *Basis for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, 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.

Those charged with governance are responsible for overseeing the WD's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **COMMISSION ON AUDIT**

By:



**EDNA A. BELMONTE**

State Auditor IV

Supervising Auditor

June 3, 2021




Republic of the Philippines  
**BULAN WATER DISTRICT**  
De Vera St., Zone-4, Bulan, Sorsogon  
Tel No. (056) 555-2605; Email- [bulanwaterdistrict@gmail.com](mailto:bulanwaterdistrict@gmail.com)

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

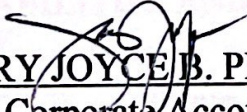
The Management of the **Bulan Water District** is responsible for the preparation of the financial statements as at **December 31, 2020**, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes 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.

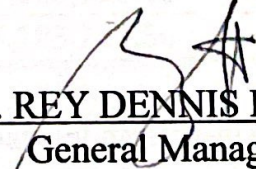
The Commission on Audit has audited the financial statements of the **Bulan Water District** in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

  
CHRISTOPHER G. ARMENGOL  
Chairman of the Board

February 12, 2021  
Date Signed

  
MARY JOYCE B. PENOS  
Senior Corporate Accountant B

February 12, 2021  
Date Signed

  
ENGR. REY DENNIS L. GILBAS  
General Manager

February 12, 2021  
Date Signed



**BULAN WATER DISTRICT**

Bulan, Sorsogon

**Statement of Financial Position**

As at December 31, 2020

(With Comparative Figures for CY 2019)

	Note	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	2	P 4,871,063.67	P 6,095,660.30
Receivables, net	3	1,726,996.07	1,625,825.70
Inventories	4	2,656,748.56	1,962,221.41
Other Current Assets	5	10,375,413.02	10,114,995.81
<b>Total Current Assets</b>		<b>P 19,630,221.32</b>	<b>P 19,798,703.22</b>
<b>Non-Current Assets</b>			
Other Investments	6	470,499.36	811,556.47
Property, Plant and Equipment, net	7	67,558,171.88	45,016,055.19
Intangible Assets	8	624,335.00	0.00
<b>Total Non-Current Assets</b>		<b>P 68,653,006.24</b>	<b>P 45,827,611.66</b>
<b>TOTAL ASSETS</b>		<b>P 88,283,227.56</b>	<b>P 65,626,314.88</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Current Financial Liabilities	9	P 1,618,918.02	P 1,832,651.21
Inter-Agency Payables	10	0.16	2,262.07
Trust Liabilities	11	345,735.60	345,735.60
<b>Total Current Liabilities</b>		<b>P 1,964,653.78</b>	<b>P 2,180,648.88</b>
<b>Non - Current Liabilities</b>			
Non-Current Financial Liabilities	12	P 61,024,873.05	P 41,360,039.49
Deferred Credits/Unearned Income	13	28,538.87	28,538.87
<b>Total Non-Current Liabilities</b>		<b>P 61,053,411.92</b>	<b>P 41,388,578.36</b>
<b>Total Liabilities</b>		<b>P 63,018,065.70</b>	<b>P 43,569,227.24</b>
<b>Equity</b>			
Retained Earnings		P 25,265,161.86	P 22,057,087.64
<b>Total Equity</b>		<b>P 25,265,161.86</b>	<b>P 22,057,087.64</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 88,283,227.56</b>	<b>P 65,626,314.88</b>

(Please see accompanying Notes to Financial Statements)



**BULAN WATER DISTRICT**

Bulan, Sorsogon

**Statement of Comprehensive Income**  
**For the Year Ended December 31, 2020**  
**(With Comparative Figures for CY 2019)**

	Note	<u>2020</u>	<u>2019</u>
Service and Business Income	14	₱ <u>23,396,056.18</u>	₱ <u>25,704,227.</u>
Less Expenses:			
Personnel Services	15	₱ 11,998,217.94	₱ 9,588,265.
Maintenance and Other			
Operating Expenses	16	5,159,743.32	6,393,663.
Financial Expenses	17	1,574,814.20	1,238,972.
Non-Cash Expenses	18	2,187,985.76	2,027,349.
Total Expenses		₱ <u>20,920,761.22</u>	₱ <u>19,248,250.</u>
Net Income		₱ <u><u>2,475,294.96</u></u>	₱ <u><u>6,455,977.</u></u>

(Please see accompanying Notes to Financial Statements)



# **BULAN WATER DISTRICT**

Bulan, Sorsogon

## **Statement of Changes in Equity For the Year Ended December 31, 2020 (With Comparative Figures for CY 2019)**

	<u>2020</u>	<u>2019</u>
<b>Retained Earnings, Beginning Balance</b>	<b>₱ 22,057,087.64</b>	<b>₱ 15,930,967.95</b>
Add: Net Income for the Year	2,475,294.96	6,455,977.24
<b>Total</b>	<b>₱ 24,532,382.60</b>	<b>₱ 22,386,945.19</b>
Add/(Less) Prior Year's Adjustments	732,779.26	(329,857.55)
<b>Retained Earnings, Ending Balance</b>	<b>₱ 25,265,161.86</b>	<b>₱ 22,057,087.64</b>



**BULAN WATER DISTRICT**  
Bulan, Sorsogon

**Statement of Cash Flows**  
For the Year Ended December 31, 2020  
(With Comparative Figures for CY 2019)

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Collection of service and business income	P 23,345,697.15	P 25,919,330.96
<b>Total Cash Inflows</b>	<u>P 23,345,697.15</u>	<u>P 25,919,330.96</u>
<b>Cash Outflows</b>		
Payment of personnel services	P 7,490,135.22	P 5,642,803.01
Payment of maintenance and other operating expenses	4,163,309.60	5,315,554.36
Liquidation of prior year's cash advances	505,847.56	986,901.73
Purchase of inventory held for consumption	682,248.58	719,939.89
Payments of Accounts Payable	1,312,665.28	984,854.16
Remittance of taxes withheld	3,535,915.40	1,115,095.21
Remittance to GSIS/HDMF/PhilHealth	2,833,402.93	3,256,984.73
<b>Total Cash Outflows</b>	<u>P 20,523,524.57</u>	<u>P 18,022,133.09</u>
<b>Net Cash Provided by/(Used in) Operating Activities</b>	<u>P 2,822,172.58</u>	<u>P 7,897,197.87</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Outflows</b>		
Purchase of land	P 950,000.00	P 2,490,000.00
Purchase of machinery and equipment	192,812.00	0.00
Purchase of furniture, fixtures and books	0.00	587,131.05
Construction of infrastructure assets	96,798.82	58,149.54
Purchase of transportation equipment	0.00	147,631.68
Construction in progress	20,664,674.07	26,271,659.92
Purchase of other property, plant and equipment	964,482.30	1,234,314.08
<b>Total Cash Outflows</b>	<u>P 22,868,767.19</u>	<u>P 30,788,886.27</u>
<b>Net Cash Provided By/(Used In) Investing Activities</b>	<u>P (22,868,767.19)</u>	<u>P (30,788,886.27)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Domestic Loans	P 21,995,890.14	P 26,495,659.92
<b>Total Cash Inflows</b>	<u>P 21,995,890.14</u>	<u>P 26,495,659.92</u>



	<u>2020</u>	<u>2019</u>
<b>Cash Outflows</b>		
Payment of domestic loans	₱ 2,889,520.50	₱ 2,904,702.00
<b>Total Cash Outflows</b>	₱ <u>2,889,520.50</u>	₱ <u>2,904,702.00</u>
Adjustments: Guarantee Reserve	<u>284,371.66</u>	<u>0.00</u>
<b>Net Cash Provided By/(Used In) Financing Activities</b>	₱ <u>18,821,997.98</u>	₱ <u>23,590,957.92</u>
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>	₱ (1,224,596.63)	₱ 699,269.52
Cash and Cash Equivalents, January 1	<u>6,095,660.30</u>	<u>5,396,390.78</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER</b>	₱ <u><u>4,871,063.67</u></u>	₱ <u><u>6,095,660.30</u></u>