



Republic of the Philippines
COMMISSION ON AUDIT
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OFFICE OF THE REGIONAL DIRECTOR

August 19, 2020

ENGR. PAULINO S. CUNANAN
General Manager
Pili Water District
Pili, Camarines Sur

Sir:

We are pleased to transmit the Annual Audit Report on the audit of the accounts and operations of the Pili Water District, Pili, Camarines Sur, for the year ended December 31, 2019, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 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, and the Status of Implementation of Prior Years' Audit Recommendations, which were discussed with concerned officials and staff on June 10, 2020.

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, 2019.

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,


ATTY. JOEL S. ESTOLATAN
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
9. Secretary, Department of Budget and Management
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INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Pili Water District
Pili, Camarines Sur

Qualified Opinion

We have audited the financial statements of the Pili Water District, Pili, Camarines Sur, which comprise the Statement of Financial Position as at December 31, 2019, 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 matter described in the *Basis for Qualified Opinion* section, the financial statements present fairly, in all material respects, the financial position of the Pili Water District, as at December 31, 2019, and its comprehensive income and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standard (PFRS).

Basis for Qualified Opinion

As discussed in Part II of the Audit Report, Notices of Disallowances (NDs) that have become final and executory totaling ₱0.84 million remained unrecorded in the books of the Water District (WD) as of December 31, 2019, understating both the asset and the equity accounts in the Financial Statements.

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 matter 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

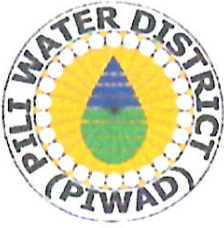
Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:


ADENDA B. DEVORA
State Auditor IV
OIC – Office of the Supervising Auditor

June 15, 2020



Republic of the Philippines
PILI WATER DISTRICT

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☎ (054) 477 - 7136; (054) 477 - 7131/477 - 7133 Local 102 - 116
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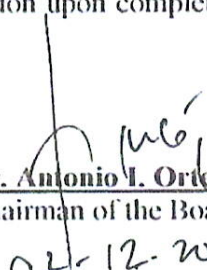
Management System
ISO 9001:2015
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ID: 910054292

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of the Pili Water District is responsible for the preparation of the financial statements as at December 31, 2019, 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 Pili 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.


Dr. Antonio L. Ortega
Chairman of the Board

02-12-2020

Date Signed


Aileen R. Marcaida, CPA

Acting Department Manager - AGSD

02-12-2020

Date Signed


Engr. Paulino S. Cunanan
General Manager

02-12-2020

Date Signed

PILI WATER DISTRICT

Pili, Camarines Sur

Statement of Financial Position
 As at December 31, 2019
 (With Comparative Figures for CY 2018)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	2	P 36,616,413.34	P 52,407,734.75
Receivables, net	3	12,583,793.81	10,177,407.73
Inventories	4	16,833,480.90	13,348,669.43
Prepayments	5	722,856.96	570,055.68
Total Current Assets		P 66,756,545.01	P 76,503,867.59
Non-Current Assets			
Investments	6	P 22,740,103.67	P 17,416,461.97
Property, Plant and Equipment, net	7	247,737,921.77	223,195,584.32
Intangible Assets, net	8	111,024.93	185,337.40
Other Assets	9	2,352,046.30	2,164,012.52
Total Non-Current Assets		P 272,941,096.67	P 242,961,396.21
TOTAL ASSETS		P 339,697,641.68	P 319,465,263.80
LIABILITIES			
Current Liabilities			
Current Financial Liabilities	10	P 24,768,160.25	P 14,152,596.32
Inter-Agency Payables	11	1,349,719.95	2,336,153.06
Trust Liabilities	12	1,201,006.56	1,209,621.16
Other Payables	13	2,945,992.20	3,179,666.45
Total Current Liabilities		P 30,264,878.96	P 20,878,036.99
Non-Current Liabilities			
Non-Current Financial Liabilities	14	P 34,488,659.16	P 48,073,484.87
Deferred Credits	15	8,097,294.95	9,009,300.65
Total Non-Current Liabilities		P 42,585,954.11	P 57,082,785.52
TOTAL LIABILITIES		P 72,850,833.07	P 77,960,822.51
EQUITY			
Retained Earnings/(Deficit)	16	P 266,846,808.61	P 241,504,441.29
TOTAL EQUITY		P 266,846,808.61	P 241,504,441.29
TOTAL LIABILITES AND EQUITY		P 339,697,641.68	P 319,465,263.80

(See accompanying Notes to Financial Statements)

PILI WATER DISTRICT

Pili, Camarines Sur

Statement of Comprehensive Income
For the Year Ended December 31, 2019
(With Comparative Figures for CY 2018)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Income			
Service and Business Income	17	₱ 114,735,417.46	₱ 103,189,653.78
Shares, Grants and Donations	18	<u>409,582.44</u>	<u>409,582.44</u>
Total Income		₱ 115,144,999.90	₱ 103,599,236.22
Less: Expenses			
Personnel Services	19	₱ 28,228,031.23	₱ 27,554,879.75
Maintenance and Other			
Operating Expenses	20	38,427,358.91	30,721,123.41
Financial Expenses	21	5,255,887.98	6,337,795.36
Non-Cash Expenses	22	<u>18,603,369.87</u>	<u>15,850,671.39</u>
Total Expenses		₱ 90,514,647.99	₱ 80,464,469.91
Net Income (Loss)		₱ 24,630,351.91	₱ 23,134,766.31

(See accompanying Notes to Financial Statements)

PILI WATER DISTRICT

Pili, Camarines Sur

Statement of Changes in Equity
For the Year Ended December 31, 2019
(With Comparative Figures for CY 2018)

	<u>2019</u>	<u>2018</u>
Appropriated Retained Earnings		
Restricted Capital	₱ <u>23,380,787.96</u>	₱ <u>23,380,787.96</u>
Unappropriated Retained Earnings		
Retained Earnings, beginning	₱ 218,123,653.33	₱ 194,725,543.31
Add: Net Income for the year	<u>24,630,351.91</u>	<u>23,134,766.31</u>
Total	₱ <u>242,754,005.24</u>	₱ <u>217,860,309.62</u>
Add/(Less): Prior Years' Adjustment	<u>712,015.41</u>	<u>263,343.71</u>
Retained Earnings, Ending	₱ <u>243,466,020.65</u>	₱ <u>218,123,653.33</u>
TOTAL EQUITY	₱ <u><u>266,846,808.61</u></u>	₱ <u><u>241,504,441.29</u></u>

PILI WATER DISTRICT
Pili, Camarines Sur

Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Figures for CY 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	P <u>4,802,036.02</u>	P <u>5,434,895.84</u>
Collection of service and business income	3,700,559.77	4,434,969.59
Collection of other income	1,101,476.25	999,926.25
Collection of Receivables	P <u>103,775,047.60</u>	P <u>95,657,018.08</u>
Collection of loans and receivables	103,775,047.60	95,657,018.08
Trust Receipts	P <u>0.00</u>	P <u>81,900.00</u>
Receipt of bail bonds	0.00	81,900.00
Other Receipts	P <u>3,290,524.41</u>	P <u>15,978,815.32</u>
Advance collection of income	272,968.22	207,670.17
Unused Petty Cash Fund	9,533.89	0.00
Refund of cash advances	185,660.60	163,326.12
Proceeds from Transfer of Funds	0.00	15,500,000.00
Other Miscellaneous Receipts	2,822,361.70	25,631.21
Insurance Claim for Warehouse building	0.00	82,187.82
Adjustments	P <u>29,342.00</u>	P <u>230,625.40</u>
Restoration of cash for cancelled/lost/stale checks/ADA	29,342.00	230,625.40
Total Cash Inflows	P <u>111,896,950.03</u>	P <u>117,383,254.64</u>
Cash Outflows		
Payment of Expenses	P <u>47,374,812.19</u>	P <u>41,431,851.27</u>
Payment of personnel services	26,889,845.65	24,062,332.16
Payment of maintenance and other operating expenses	20,484,966.54	17,369,519.11
Purchase of Inventories	P <u>2,293,651.71</u>	P <u>548,204.66</u>
Purchase of inventory held for consumption	2,293,651.71	548,204.66
Grant of Cash Advances	P <u>1,813,632.00</u>	P <u>1,022,622.00</u>
Advances to officers and employees	1,813,632.00	1,022,622.00
Prepayments	P <u>695,569.55</u>	P <u>9,064,581.26</u>
Other Prepayments	695,569.55	9,064,581.26
Payments of Accounts Payable	P <u>24,846,690.34</u>	P <u>16,241,195.18</u>
Remittance of Personnel Benefit Contributions and Mandatory Deductions	P <u>14,470,757.22</u>	P <u>4,572,340.59</u>
Remittance of taxes withheld	6,107,092.84	0.00
Remittance to GSIS/Pag-IBIG/PhilHealth	8,363,664.38	4,572,340.59

	<u>2019</u>	<u>2018</u>
Other Disbursements	P <u>0.00</u>	P <u>1,533,584.63</u>
Refund of bail bond	0.00	100,567.50
Other disbursements - Refund of Advance Payment"	0.00	1,433,017.13
Adjustments	P <u>0.00</u>	P <u>851,490.24</u>
Other adjustments-Transfer of funds from	0.00	851,490.24
Total Cash Outflows	P <u>91,495,113.01</u>	P <u>75,265,869.83</u>
Net Cash Provided by (Used in) Operating Activities	P <u>20,401,837.02</u>	P <u>42,117,384.81</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest earned	P 160,717.06	P 166,390.32
Adjustments Proceeds of funds from LBP to DBP	5,407,946.35	7,992,382.91
Total Cash Inflows	P <u>5,568,663.41</u>	P <u>8,158,773.23</u>
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	P <u>19,061,505.83</u>	P <u>27,172,534.26</u>
Construction of buildings and other structures	1,181,939.35	4,483,141.52
Purchase of machinery and equipment	3,892,744.70	1,293,033.98
Purchase of transportation equipment	730,000.00	3,870,326.43
Purchase of furniture, fixtures and books	44,269.29	2,295,559.60
Construction in Progress	12,842,649.57	14,905,712.73
Purchase of other property, plant and equipment	369,902.92	324,760.00
Adjustments: Reserve(Sinking fund)	P <u>5,084,316.00</u>	P <u>5,084,316.00</u>
Total Cash Outflows	P <u>24,145,821.83</u>	P <u>32,256,850.26</u>
Net Cash Provided By (Used In) Investing Activities	P <u>(18,577,158.42)</u>	P <u>(24,098,077.03)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Long-Term Liabilities	P <u>17,616,000.01</u>	P <u>17,635,575.14</u>
Payment of domestic loans	17,616,000.01	17,635,575.14
Total Cash Outflows	P <u>17,616,000.01</u>	P <u>17,635,575.14</u>
Net Cash Provided By (Used In) Financing Activities	P <u>(17,616,000.01)</u>	P <u>(17,635,575.14)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	P <u>(15,791,321.41)</u>	P <u>383,732.64</u>
Cash and Cash Equivalents, January 1	<u>52,407,734.75</u>	<u>52,024,002.11</u>
Cash and Cash Equivalents, December 31	P <u><u>36,616,413.34</u></u>	P <u><u>52,407,734.75</u></u>