



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Lianga Water District
Lianga, Surigao del Sur

We have audited the accompanying financial statements of the Lianga Water District, which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, 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 information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Philippine Financial Reporting Standards and for such internal control as the 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 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 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 adverse audit opinion.

Basis for Adverse Opinion

Subsidiary Ledgers (SL) of the Loans Payable with the Local Water Utilities Administration (LWUA) with total balance of P8,183,185.28 were not updated and reconciled with the General Ledger (GL) account which showed a balance of P38,609,899.38 resulting in an unreconciled difference of P30,426,714.10 while confirmation with the LWUA revealed a balance of P26,367,830.01 or a variance of P12,242,069.37 with the GL balance, thus casting doubt on the reliability of the reported balance for Loans Payable in the Statement of Financial Position.

Adverse Opinion

In our opinion, because of the significance and materiality of the matter discussed in the preceding paragraph, the financial statements do not present fairly the financial position of the Lianga Water District as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

By:


ATTY. MARISOL D. LEGASPI
Director III
Assistant Regional Director

February 28, 2017

COA, Regional Office No. XIII
Butuan City



Republic of the Philippines

Lianga Water District

CABLE ADDRESS

"LIWAD"

Annex-A, Market Mall, Lianga, Surigao del Sur, Code - 8307

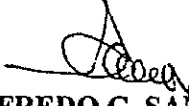
TIN 000-556-812 Tel. No. (086) 616-0020 Email: liwad1979@yahoo.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Lianga Water District is responsible for all information and representations contained in the accompanying Condensed Statement of Financial Position as at December 31, 2016 and related Condensed Statement of Comprehensive Income and Statement of Cash Flows for the year then ended. The Financial Statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on 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.


JULIUS CHRISTIAN G. CALANGIAN
Accounting Processor A


WILFREDO G. SANCHEZ
General Manager D

Liang Water District
CONDENSED STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	December 2016	December 2015	Restated Value January 2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	(Note 3) P 2,149,181.75	P 784,581.83	P 632,079.19
Receivables	(Note 4) 3,817,562.92	3,534,481.97	3,637,815.07
Inventories	(Note 5) 451,673.57	470,880.20	667,251.16
Other Current Assets	6,100.00	6,100.00	6,100.00
Total Current Assets	P 6,424,518.24	P 4,796,044.00	P 4,943,245.42
Non-Current Assets			
Property, Plant and Equipment	(Note 6) 28,145,011.33	28,813,955.09	29,268,378.93
Total Non-Current Assets	P 28,145,011.33	P 28,813,955.09	P 29,268,378.93
TOTAL ASSETS	<u>34,569,529.57</u>	<u>33,609,999.09</u>	<u>34,211,624.35</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Financial Liabilities	(Note 7) 145,287.31	1,553,121.04	698,110.96
Inter-Agency Payables	(Note 8) 404,698.85	819,824.31	856,160.58
Trust Liabilities	(Note 9) 117,408.00	117,408.00	117,408.00
Other Payables	493,691.38	493,691.38	493,691.38
Total Current Liabilities	<u>1,161,085.54</u>	<u>2,984,044.73</u>	<u>2,165,370.92</u>
Non-Current Liabilities			
Financial Liabilities	(Note 10) 38,609,899.38	39,472,280.38	42,279,568.74
Total Non-Current Liabilities	<u>38,609,899.38</u>	<u>39,472,280.38</u>	<u>42,279,568.74</u>
Total Liabilities	<u>39,770,984.92</u>	<u>42,456,325.11</u>	<u>44,444,939.66</u>
Equity			
Government Equity	4,444,095.55	4,444,095.55	4,444,095.55
Revaluation Surplus			
Shares, Grants and Donations			
Retained Earnings/(Deficit)	13 (9,645,550.90)	(13,290,421.57)	(14,677,410.86)
Total Equity	<u>(5,201,455.35)</u>	<u>(8,846,326.02)</u>	<u>(10,233,315.31)</u>
TOTAL LIABILITIES AND EQUITY	<u>34,569,529.57</u>	<u>33,609,999.09</u>	<u>34,211,624.35</u>

(See Accompanying Notes to Financial Statements)

Liang Water District
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
 December 31, 2016

		2016		2015
Income				
Service and Business Income	(Note 11) P	16,301,932.94	P	13,813,786.56
Other Non-Operating Income	(Note 11)	<u>142,493.70</u>		<u>90,394.85</u>
Total Income	P	<u>16,444,426.64</u>	P	<u>13,904,181.41</u>
Less: Operating Expenses:				
Personnel Services	(Note 12) P	5,964,382.62	P	5,243,507.21
Maintenance and Other Operating Expenses	(Note 12)	4,242,637.26		4,259,020.07
Non-Cash Expenses	(Note 12)	<u>2,923,399.42</u>		<u>3,042,561.17</u>
Total Operating Expenses	P	<u>13,130,419.30</u>	P	<u>12,545,088.45</u>
Net Income	P	<u>3,314,007.34</u>	P	<u>1,359,092.96</u>

(See Accompanying Notes to Financial Statements)

Liang Water District
STATEMENT OF CHANGES IN EQUITY
As of December 31, 2016

	Government Equity	Retained Earnings/(Deficit)	TOTAL
BALANCE AT JANUARY 1, 2015	4,444,095.55	(14,642,920.75)	(10,198,825.20)
ADJUSTMENTS:			
Add/(Deduct)			
Change in Accounting Policy			
Prior Period Errors			
Other Adjustment			
RESTATED BALANCE AT JANUARY 1, 2015	4,444,095.55	(14,642,920.75)	(10,198,825.20)
CHANGES IN EQUITY FOR 2015			
Add/(Deduct)			
Additional Capital from National Government			
Comprehensive Income for the year		1,359,092.96	1,359,092.96
Prior Period Errors		(6,593.78)	(6,593.78)
Other Adjustments			-
RESTATED BALANCE AT DECEMBER 31, 2015	4,444,095.55	(13,290,421.57)	(8,846,326.02)
CHANGES IN EQUITY FOR 2016			
BALANCE AT DECEMBER 31, 2015	4,444,095.55	(13,290,421.57)	(8,846,326.02)
Add/(Deduct)			
Additional Capital from National Government			-
Comprehensive Income for the year		3,314,007.34	3,314,007.34
Prior Period Errors		16,320.00	16,320.00
Other Adjustments		314,543.33	314,543.33
BALANCE AT DECEMBER 31, 2016	4,444,095.55	(9,645,550.90)	(5,201,455.35)

Langa Water District
STATEMENT OF CASH FLOWS
December 31, 2016

		2016		2015
Cash Flows from Operating Activities				
<i>Cash Inflows</i>				
Collection of Water Bills	P	15,631,328.30	P	13,667,031.34
Collection of Other Water Revenues		1,097,438.51		693,877.23
Refund of overpayment of expenses and Cash Advances		79,093.02		138,053.77
<i>Total Cash Inflow(s)</i>	P	<u>16,807,859.83</u>	P	<u>14,498,962.34</u>
<i>Cash Outflows</i>				
Personal services	P	3,746,769.82	P	3,240,338.22
Maintenance and other operating expenses		2,561,715.20		2,502,197.27
Purchases of inventories		1,142,682.88		191,453.48
Other assets		96,203.79		270,203.23
Payment of Payables		1,005,796.12		1,957,309.63
Other disbursements		3,151,946.73		2,509,524.83
Release of loans/advances		525,592.88		395,164.11
<i>Total Cash Outflow(s)</i>	P	<u>12,230,707.42</u>	P	<u>11,066,190.77</u>
Net Cash (Used In) Provided by Operating Activities	P	<u>4,577,152.41</u>	P	<u>3,432,771.57</u>
Cash Flows from Investing Activities:				
<i>Cash Inflow(s)</i>				
<i>Total Cash Inflow(s)</i>	P	<u>-</u>	P	<u>-</u>
<i>Cash Outflows</i>				
Purchase/acquisition of property, plant and equipment	P	212,552.49	P	270,435.98
<i>Total Cash Outflow(s)</i>		<u>212,552.49</u>		<u>270,435.98</u>
Net Cash Flows Provided (used to) by Investing Activities	P	<u>(212,552.49)</u>	P	<u>(270,435.98)</u>
Cash Flows from Financing Activities:				
<i>Cash Outflow</i>				
Cash payment of int.on loans payable and other fin. charges	P	3,000,000.00	P	3,000,000.00
Payments of domestic and foreign loans		-		-
<i>Total Cash Outflow(s)</i>		<u>3,000,000.00</u>		<u>3,000,000.00</u>
Net Cash Flows Provided (Used) from Financing Activities	P	<u>(3,000,000.00)</u>	P	<u>(3,000,000.00)</u>
Net Cash from Operating, Investing and Financing	P	<u>1,364,599.92</u>	P	<u>162,335.59</u>
Add: Cash and Cash Equivalents-Beginning		784,581.83		622,246.24
Cash Balance, December 31	P	<u>2,149,181.75</u>	P	<u>784,581.83</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 Historical Background

The Lianga Water District (LIWAD) was created by virtue of Municipal Council Resolution in July 1979. It was subsequently issued a Conditional Certificate of Conformance No. 104 by the Local Water Utilities Administration on December 4, 1979. Upon its formation, the LIWAD acquired the ownership and management of the two water systems in accordance with Presidential Decree (PD) No. 198, as amended.

As of December 31, 2016, LIWAD has 2,395 active concessionaires and is amended by 14 permanent employees and three casual employees.

LIWAD has two reservoirs namely: Diatagon and Ban-as and one pumping station at Baribian,

Note 2 Significant Accounting Policies

- a. The water District adopts The Philippine Financial Reporting Standards prescribed by the Commission on Audit.
- b. Property Plant & Equipment (PPE) is carried at cost less depreciation.
- c. Depreciation is computed on a straight-line method based on estimated useful lives of the assets.
- d. Petty cash fund is maintained under the imprest system. Whenever the working fund runs low, a replenishment check is drawn equal to petty cash disbursements.
- e. Income and Expenses – the accrual method of accounting is adopted wherein income is recognized and recorded when earned regardless when it is collected and expenses are recognized when incurred.

Note 3 Cash and Cash EquivalentsP2,149,181.75

Cash Collecting Officer..... 27,750.05

Cash in Bank

<u>Name of Bank</u>	<u>Account No.</u>	<u>Amount</u>
Philippine National Bank	324734700017	97,350.92
Land Bank of the Philippines	0971-0789-52	852,374.77
Land bank of the Philippines	0972-1217-89	<u>1,171,706.01</u>
Total		<u>2,121,431.70</u>

Total cash and Cash equivalent P2,149,181.75

Note 4 ReceivablesP3,817,562.92

This account refers to dues from concessionaires for water Services rendered. Accounts receivable is recognized every month on the billing summary submitted by the Commercial Section and subsequently credited upon collection of the amounts dues.

Accounts Receivable Beg.	3,303,281.58
Total Billed	16,151,882.05
Total Collections	15,884,564.50
Adjustments	3,900.12
Accounts Receivable Ending.....	<u>3,574,499.25</u>

Other Receivables	
Unpaid Materials	P 89,730.62
Records Damaged by Termite	70,580.00
Disallowance of the District's Job Order Employees	15,675.50
GM's Disallowance (RATA)	60,000.00
Accounts receivable from concessionaires	<u>21,962.00</u>
Total	P <u>257,948.12</u>

Allowance for Doubtful Accounts.....(P 14,884.45)

Total ReceivablesP 3,817,562.92

Note 5 Inventories..... P 451,673.57

Purchase of materials and supplies are carried in the inventory account at cost. First in First out method in issuance of materials.

Account Name	December 2016
Office Supplies Inventory	21,174.19
Accountable Forms Inventory	12,120.50
Other Supplies and Materials Inventory	418,378.88
Total	451,673.57

Note 6 Property Plant & EquipmentP28,145,011.33

This pertains to tangible assets of the LIWAD which are used in its normal Operations and have useful lives of more than one year.

As of December 31, 2016, the net book value of Property, Plant and equipment presented in the Condensed Statement of Financial Positions totaled to P28,145,011.33.

Particulars Plants, Buildings and Structures	Original Cost	Accumulated Depreciation	Book Value
Land	P 295,666.03	0.00	P 295,666.03
Plant-Utility Plant in Service (UPIS)	35,371,950.32	13,892,033.51	21,479,916.81
Water Meter	4,162,195.47	1,634,666.97	2,527,528.50
Transmission and Distribution Mains	29,154,759.04	11,450,284.36	17,704,474.68
Other Trans. And Dist. Mains	129,926.31	51,027.46	78,898.85
Services	1,925,069.50	756,054.72	1,169,014.78
Water Plant, Structure and Improvements	5,499,925.87	2,160,049.24	3,339,876.63
Structures and Improvement	733,283.90	287,991.03	445,292.87
Reservoir and Tanks	1,487,503.82	584,204.51	903,299.31
Other Structure	771,345.29	302,939.32	468,405.97
Collecting and Impounding Reservoir	2,507,792.86	984,914.38	1,522,878.48
Office Equipment	2,070,167.43	813,040.70	1,257,126.73
Office IT	486,580.00	191,100.17	295,479.83
Office Equipment	276,038.00	108,411.58	167,626.42
Furniture and Fixtures	678,990.10	266,667.60	412,322.50
Motor Vehicles	628,559.33	246,861.35	381,697.98
Other Machinery and Equipment	2,918,732.62	1,146,307.48	1,772,425.14
Pumping Equipment	865,888.10	340,070.21	525,817.89
Hydrants	236,064.12	92,712.18	143,351.94
Tools, Shop and Garage	281,096.10	110,398.11	170,697.99
Water Treatment Equipment	1,495,684.30	587,417.32	908,266.98
Other Property, Plant and Equipment	40,000.00	15,709.66	24,290.34
Total	P 46,156,442.27	P 18,011,430.94	P 28,145,011.33

Note 7 Financial Liabilities (Current)P145,287.31

Particulars	AMOUNT
COA	31,091.35
Davao City Water District	43,849.30
Erve's Fastfood	4,990.00
National Printing Office	5,775.00
R.A. Pipelines System	24,675.83
San Francisco Water District	13,047.50
FDM Petron Filling Station	1,379.30
Floricitia G. Tejero	18,488.53
Gemma P. Doroja	295.00
Romeo S. Ranara	1,610.00
Wilfredo G. Sanchez	85.50
TOTAL	145,287.31

Note 8 Inter-Agency PayablesP404,698.85

Account Name	December 2016
Due to BIR	262,234.73
Due to GSIS	118,377.50
Due to PAG-IBIG	(10,163.38)
Due to PHILHEALTH	34,250.00
GRAND TOTAL	404,698.85

Note 9 Other Current Liabilities P117,408.00

Trust Liability/Guaranty Deposits Payable – P 117,408.00

Customer’s Deposit of LIWAD concessionaires but cannot be accounted because records was damaged by termite.

Note 10 Non-Current LiabilitiesP38,609,899.38

Mortgage/Bonds/Loans Payable*	P 3,601,020.37
Other Long Term Liabilities**	<u>35,008,879.01</u>
Total	<u>P 38,609,899.38</u>

*This account includes loans granted by LWUA to LIWAD per Loan Account No. 3-213, L.A. No. 4-1860 and L.A. No. 4-2263, L.A. No. 10-0081 and L.A. No. 04-0014 per ledger maintained by the District, the outstanding balance of loans from LWUA in only P5,849,930.04 as presented in the table below but the Mortgage/Bonds/Loans Payable account presented in the Balance Sheet totaled only 3,601,020.37 resulting in a significant variance of P 2,248,909.67.

Loan Account	Principal Amount of Loan	Outstanding Balance
LA No. 4-1860 RL	14,852,529.78	8,155,519.34
LA No. 4-2263 – A	9,845,724.79	27,665.94
LA No. 4-2263		
LA No. 10-0081	220,000.00	(6,111.00)
LA No. 04-0014	2,934,142.76	(2,327,144.24)
	27,852,397.33	5,849,930.04

**This includes principal balances of the loans not included in the loan accounts mentioned in the preceding paragraph and interest payable recognized in the prior years. Records available showed that interest payable recognized in the prior year amounting to P 17,926,673.38. The District is currently retrieving all documents pertaining to its loans determine the correct balances of all loan-related accounts.

Note 11 IncomeP16,444,426.64

Income of the Lianga Water District comprises the following:

Account Name	2016
Service and Business Income	
Income from Water Works	15,522,064.86
Fines and Penalties	391,177.83
Other Service Income	339,417.15
Other Business Income	49,273.10
Sub Total	16,301,932.94
Other Non-Operating Income	
Miscellaneous Income	140,713.10
Interest Income	1,780.60
Sub Total	142,493.70
GRAND TOTAL	16,444,426.64

Note 12 Expenses P13,130,419.30

It consists of the following:

Personal Services	
Salaries and Wages- Regular	3,121,663.00
Salaries and Wages- Casual/Contractual/Others	315,756.12
Personnel Economic Relief allowance (PERA)	391,909.08
Representation Allowance (RA)	60,000.00
Transportation Allowance (TA)	60,000.00
Clothing Allowance	70,000.00
Other Bonuses and allowances	
Honoraria	396,073.16
Productivity Incentives Allowance	246,500.00
Vacation and Sick Leave Benefits	
Longevity Pay	5,000.00
Overtime and Night Pay	2,119.26
Cash Gift	85,000.00
Year End bonus	262,617.00
Retirement and Life Insurance Premiums	410,119.02

PAG-IBIG contributions	19,500.00
PHILHEALTH contributions	34,045.00
ECC contributions	19,609.20
Other Personnel benefits	464,471.78
Total	P 5,964,382.62
Maintenance and Other Operating Expenses	
Traveling Expenses - Local	374,812.18
Training Expenses	334,570.44
Office Supplies Expenses	89,020.79
Accountable Forms Expenses	53,830.00
Fuel, Oil and Lubricants Expenses	154,982.25
Water Expenses	
Other Supplies Expenses- Chemical and Filtering Supplies Expenses	200,993.97
Electricity Expenses	263,692.25
Postage and Deliveries	11,141.00
Telephone Expenses	45,230.70
Internet Expenses	12,987.00
Membership Dues & Contributions to Organization	15,040.50
Advertising Expenses	30,950.00
Printing and Binding Expenses	78,500.00
Rents Expenses	124,800.00
Representation Expenses	73,378.00
Awards and Rewards	20,000.00
Transportation & Delivery Expenses	26,767.00
Storage Expenses	46,375.00
Legal Services	40,950.00
Auditing Services	68,435.75
General Services	409,764.00
Security Services	286,800.00
Repairs and Maintenance-Infrastructure Assets	505,556.22
Repairs and Maintenance-Buildings and Other Structures	11,508.00
Repairs and Maintenance-Machinery and Equipment	29,451.54
Repairs and Maintenance-Transportation Equipment	199,890.15
Donations	8,500.00
Miscellaneous Expenses	97,217.38
Taxes and Licenses	325,311.66
Fidelity Bond Premiums	16,875.00
Insurance Expenses	10,600.28
Other Maintenance and Operating Expenses	273,844.70
Bank Charges	861.50
Total MOOE	4,242,637.26
Non-Cash Expenses	
Interest Expenses	944,266.12

Depreciation-Infrastructure Assets	1,452,369.91
Depreciation-Buildings and Other Structures	70,278.00
Depreciation-Machinery and Equipment	414,891.09
Depreciation-Transportation Equipment	41,594.30
Total Non-Cash Expenses	2,923,399.42
Total Expenses	13,130,419.30