



## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

Calabanga Water District  
San Antonio, Calabanga, Camarines Sur

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Calabanga Water District, Calabanga, Camarines Sur, which comprise the statement of financial position as of December 31, 2015 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 generally accepted 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 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 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 audit opinion.

### ***Basis for Qualified Opinion***

As discussed in Part II of the report:

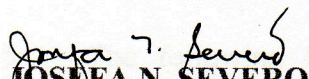
1. The year-end balance of Accounts Receivable in the amount of ₱6,706,388.45 was inadequately supported with subsidiary ledgers and a discrepancy of ₱1,907,490.79 existed between the records of the Accounting and the Billing Sections, thus, rendering the accuracy and correctness of the account doubtful.
2. Accounts Payable was overstated while Inter-Agency Payables were understated collectively by ₱310,694.60 due to the erroneous recording of the payables/trust liabilities to the various government owned and controlled corporations as Accounts Payable.
3. The balance of Guaranty Deposits Payable amounting to ₱282,701.00 is unreliable due to the absence of subsidiary ledgers and other pertinent records to support the account.

### ***Opinion***

In our opinion, except for the effects and the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Calabanga Water District, as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with the generally accepted state accounting principles.

### **COMMISSION ON AUDIT**

By:

  
**JOSEFA N. SEVERO**  
State Auditor V  
Supervising Auditor



June 29, 2016