



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Carcar Water District
Carcar City, Cebu

Report on the Financial Statements

We have audited the accompanying financial statements of the Carcar Water District (CWD), which comprise the statement of financial position as at 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

The management of CWD 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 misstatements, 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, on a test basis, 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 qualified opinion.

Basis for Qualified Opinion

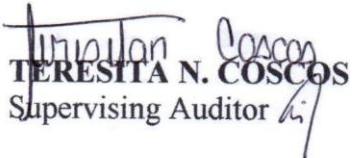
1. The balance of the Property, Plant and Equipment (PPE) account still cannot be relied upon due to the: (a) unresolved differences between the GL balance, the lapsing schedule and the results of the physical count and (b) carry-over of completed projects in the Construction In Progress (CIP) account. The details are discussed in Part II of the herein report.
2. Four donated lots with a total land area of 282 square meters have not yet been recorded in the books of accounts because of lack of valuation.
3. Ownership of sixteen parcels of land which were either donated to or purchased by the Water District with a total approximate land area of 1,621.5 square meters has not yet been absolutely established as these properties are still not titled in the name of the Water District.
4. The Allowance for Doubtful Accounts in the amount of P149,651.91 is considered not adequate to fairly present the estimated realizable value of the Accounts Receivable (AR) since a total of P2,102,901.65, which is approximately 43.21% of the AR balance of P4,866,646.88, pertains to inactive accounts with doubtful collectibility. This condition, if not corrected, affects the reliability of the AR balance at year end.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Carcar Water District as at December 31, 2015 and its financial performance and its cash flows for the year ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

By:


TERESITA N. COSCOS
Supervising Auditor

November 14, 2016