



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. I  
San Fernando City, La Union  
Tel No. (072) 888-5780/888-1320

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March 30, 2015

**The Board of Directors**  
Mangaldan Water District  
Mangaldan, Pangasinan

**Mesdames/Sirs:**

We transmit herewith the report on the financial and compliance audit of the accounts and operations of Mangaldan Water District, Mangaldan, Pangasinan, for the year ended December 31, 2014, in compliance with Section 2, Article IX-D of the Philippine Constitution of the Philippines and pertinent sections of Presidential Decree 1445.

The audit was conducted to ascertain the propriety of financial transactions and compliance with prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

We rendered a qualified opinion on the presentation of the financial statements because the computed Allowance for Doubtful Account was taken up in the books as direct addition to the prior year's balances instead of an adjustment, resulting to overstatement of Allowance for Doubtful Account and understatement of net income by P1,077,269.58.

The report consists of four parts: Part I – Audited Financial Statements, Part II – Detailed Observations and Recommendations, Part III – Status of Prior Year's Unimplemented Audit Recommendations and Part IV – Annexes. The observations and recommendations were discussed with the concerned management officials and staff in an exit conference held on February 13, 2015. Management's comments are included in the report, where appropriate.

Aside from the audit observation which was the basis of the auditor's opinion, other significant observations were the following:

- a. The grant of benefits and allowances to officials and employees of Mangaldan Water District with a total amount of P 2,596,097.00 was deemed irregular for lack of legal basis.

We have recommended that Management require all officers and employees of the District to refund the amount of P2,596,097.00 Mid-Year and Year-End Financial Assistance disbursed without legal basis.

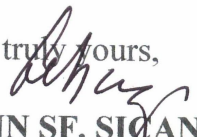
- b. Procurement of common-use goods or ordinary and office supplies of the District were not in accordance with Sections 48, 51 and 54.2 of the Revised Implementing Rules and Regulations of RA 9184.

We have recommended that management particularly the Bids and Award Committee to strictly observe the procurement procedures, rules and regulations provided under Sections 48.1, 51, 52.1(b) and 54.2 of the Revised IRR of RA 9184. Failure therefore would render the official directly or indirectly involved in the procurement process, and where circumstances warrant would held them liable for their actions relative thereto. For repeat orders, the first or the original purchase order should be indicated in the subsequent purchase order/s as the basis for the procurement. To avoid the aforesaid violations, procurement of the District's common-use goods should be made on one time in bulk for at least per quarter.

Details of other observations and recommendations were discussed in Part II – Audit Observations and Recommendations of the report.

We request that the comments and observations and recommendations contained in the said report be fully addressed and we would appreciate being informed of the action taken in this regard within sixty (60) days from receipt hereof, pursuant to Section 88 of the General Provisions of Republic Act No. 10633, otherwise known as the General Appropriations Act of 2014, by accomplishing the Agency Action Plan and Status of Implementation attached herewith.

We acknowledge the support and cooperation extended to the audit team by the officials and staff of that Water District.

Very truly yours,  
  
**LYNN SF. SICANGCO**  
Regional Director



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. I  
San Fernando City, La Union  
Tel No. (072) 888-5780/888-1320

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March 30, 2015

**ENGR. MARCELO M. PETONIO**

General Manager  
Mangaldan Water District  
Mangaldan, Pangasinan

**Dear Engr. Petonio:**

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We have recommended that Management require all officers and employees of the District to refund the amount of P2,596,097.00 Mid-Year and Year-End Financial Assistance disbursed without legal basis.

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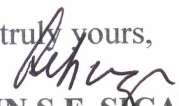
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We acknowledge the support and cooperation extended to the audit team by the officials and staff of that Water District.

Very truly yours,

  
**LYNN S.F. SICANGCO**  
Regional Director



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

**ANNUAL AUDIT REPORT  
ON THE**

**MANGALDAN WATER DISTRICT  
Mangaldan, Pangasinan**

**For the Year Ended December 31, 2014**

## EXECUTIVE SUMMARY

### A. Introduction

Pursuant to the provisions of Presidential Decree 198, as amended, the Mangaldan Water District was formed by virtue of Resolution No. 28, series of 1979 which was passed by the Sangguniang Bayan of the Municipality of Mangaldan on May 12, 1979. The Mangaldan Water District was first operated under the administration of the Municipality of Mangaldan under the name "Mangaldan Water Works Authority."

On October 6, 1980, the Conditional Certificate of Conformance (CCC No. 139) was issued by the Local Water Utilities Administration (LWUA). On March 12, 1992, in the Entry of Final Judgment, the Supreme Court ruling declared all Local Water Districts as government-owned and/or controlled corporation. It became a medium water district on February 15, 1999, re-categorized as Big Water District on September 1, 2004, and eventually as Category C on March 16, 2012.

### B. Highlights of Financial Operation

Presented below is the summary of financial highlights of the District for the period ending December 31, 2014.

	2014	2013
Total Income	P47,248,235.60	P43,022,710.54
Appropriations	47,981,050.00	41,340,108.00
Expenditures	39,231,855.00	37,535,118.82
Assets	82,100,188.56	70,480,450.31
Liabilities	7,154,894.62	7,941,468.54
Government Equity	74,945,293.94	62,538,981.77

### C. Highlights of Operations

Presented below is the summary of operational highlights of the District for the period ending December 31, 2014.

Program/Projects	Budget	Actual	Variance
Expansion Projects	P4,000,000.00	P1,845,782.49	P2,154,217.51
Drilling of 1 exploratory production well at Bgy. Macayug	2,000,000.00	2,165,220.00	(165,220.00)
Construction of perimeter fence at Bgy. Macayug	1,500,000.00	251,038.36	1,248,963.64
Other property, plant & equipment	500,000.00	313,480.00	186,520.00

#### **D. Scope of Audit**

A comprehensive audit was conducted on the accounts and operations of the Mangaldan Water District for the year ended December 31, 2014. The audit consisted of review of operating procedures, inspection of programs and projects, interview with concerned officials and employees, verification, reconciliation and analysis of accounts and such other procedures deemed necessary.

#### **E. Auditor's Opinion on the Financial Statements**

The Audit Team rendered a qualified opinion on the presentation of the financial statements because the computed Allowance for Doubtful Account was taken up in the books as direct addition to the prior year's balances instead of an adjustment, resulting to overstatement of Allowance for Doubtful Account and understatement of net income by P1,077,269.58.

#### **F. Significant Audit Observations and Recommendations**

The District's financial statements showed a significant improvement in its financial condition and results of operations as compared against last year's figures. Cash and cash equivalents of P28,200,991.86 represents an increased amount by 69.% from last year's P16,612,316.80. This year, net income showed an increase of 30.36% from last year's net income of P9,501,684.26. Total equity was registered at P74,945,023.94 or an increase of 19.8% from last year's figure of P62,538,981.77/. 2013 total liabilities of P3,727,563.11 decreased by P769,909.00 or 20.65% this year. The District was also able to maintain its Non-Revenue Water to the maximum acceptable level of 20% as a result of conscientiously monitoring and fixing leakages, always on guard for any illegal tapping and connections, etc.

We have commended management for the relentless efforts of continuously maintaining its good performance and for unceasingly improving its operations.

However, presented below is a summary of the significant Audit Observations and Recommendations which were discussed with the agency officials concerned during the exit conference and their corresponding comments were incorporated in Part II of the report:

- a. Computed Allowance for Doubtful Account was taken up in the books as direct addition to the prior year's balances instead of an adjustment, in violation of Section 66 of Volume I, Accounting Policies of New Government Accounting System, resulting to overstatement of Allowance for Doubtful Account and understatement of net income by P1,077,269.58.

We have recommended that management make the necessary adjustment as follows:

Allowance for Doubtful Accounts	P1,077,269.58
Prior Year's Adjustment	P1,077,269.58

We have also recommended that management should adopt the provision of doubtful accounts based on NGAS Manual.

- b. The grant of benefits and allowances to officials and employees of Mangaldan Water District with a total amount of P 2,596,097.00 was deemed irregular for lack of legal basis.

We have recommended that Management require all officers and employees of the District to refund the amount of P2,596,097.00 Mid-Year and Year-End Financial Assistance disbursed without legal basis.

- c. Procurement of common-use goods or ordinary and office supplies of the District were not in accordance with Sections 48, 51 and 54.2 of the Revised Implementing Rules and Regulations of RA 9184.

We have recommended that management particularly the Bids and Award Committee to strictly observe the procurement procedures, rules and regulations provided under Sections 48.1, 51, 52.1(b) and 54.2 of the Revised IRR of RA 9184. Failure therefore would render the official directly or indirectly involved in the procurement process, and where circumstances warrant would held them liable for their actions relative thereto. For repeat orders, the first or the original purchase order should be indicated in the subsequent purchase order/s as the basis for the procurement. To avoid the aforesaid violations, procurement of the District's common-use goods should be made on one time in bulk for at least per quarter.

#### **G. Summary of Audit Suspensions, Disallowances and Charges**

As of December 31, 2014, unsettled disallowances amounted to P3,355,648.50 and no suspensions and charges were outstanding.

#### **H. Status of Prior Year's Unimplemented Audit Recommendations**

Out of four prior year's unimplemented audit recommendations, two were fully implemented and two were not implemented as of December 31, 2014.

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**PART I**

**AUDITED FINANCIAL STATEMENTS**



Republic of the Philippines  
**COMMISSION ON AUDIT**  
City of San Fernando, La Union  
**CGS 7-A – Water Districts and  
Other Stand Alone Agencies**

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## **INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors  
Mangaldan Water District  
Mangaldan, Pangasinan**

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

We have audited the accompanying financial statements of Mangaldan Water District, which comprise the statement of financial position as of December 31, 2014, 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 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 International Standard of 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 unqualified audit opinion.

### **Basis for Qualified Opinion**

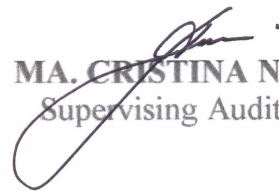
As discussed in Part II of the Report, the computed Allowance for Doubtful Account was taken up in the books as direct addition to the prior year's balances instead of an adjustment, resulting to overstatement of Allowance for Doubtful Account and understatement of net income by P1,077,269.58.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mangaldan Water District as of December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard.

### **COMMISSION ON AUDIT**

By:

  
**MA. CRISTINA N. POSERIO**  
Supervising Auditor

February 27, 2015

# MANGALDAN WATER DISTRICT

## DETAILED BALANCE SHEET

as of December 31, 2014

(With comparative figures for 2013)

ASSETS	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash on Hand (Note 1)	P 161,271.55	P 165,690.52
Petty Cash Fund (Note 2)	5,000.00	5,000.00
Cash in Bank - Local Currency (Note 3)		
Cash in Bank - Current Account DBP	18,654,509.09	8,742,482.52
Cash in Bank - Savings Account MRB	1,232,886.05	994,519.79
Cash in Bank - Current Account Landbank-EBCS	687,384.56	0.00
Cash in Bank - Time Deposit CD- DBP	3,565,830.33	3,538,683.44
Cash in Bank - Time Deposit Postal -MSF	645,138.01	639,259.13
Cash in Bank - Time Deposit LB -MSF	3,248,972.27	2,526,681.40
<b>Receivables</b>		
Account Receivables -General Customers (Note 4)	2,367,322.80	2,704,024.61
Allowance for Doubtful Accounts (Note 13)	1,340,608.36	1,077,269.58
Accounts Receivable - Net	1,026,714.44	1,626,755.03
Other Receivables (Note 6)	106,500.00	106,500.00
Prepaid Insurance (Note 8)	103,284.33	128,830.95
Other Deferred Debits (Note 10)	251,718.75	274,218.75
Other current assets (Note 9)	401,434.35	401,434.35
<b>Inventories (Note 7)</b>		
Office Supplies Inventory	13,388.14	8,430.08
Accountable forms inventory	166,169.20	138,066.95
Fuel, Oil & Lubricants	26,101.51	17,005.32
Other Supplies Inventory-Chemicals	12,080.00	29,240.00
Construction Materials & Supplies	772,282.92	657,388.44
<b>Total Current Asset</b>	<b>P 31,080,665.50</b>	<b>P 20,000,186.67</b>
<b>Non-Current Assets</b>		
Sinking Fund (Note 11)	6,250,838.39	5,503,776.76
	<b>6,250,838.39</b>	<b>5,503,776.76</b>
<b>Property Plant &amp; Equipment (Note 12)</b>		
Land	1,688,035.00	1,688,035.00
Land Improvements, net	1,287.50	1,737.50
Land Improvements	5,000.00	5,000.00
Accumulated Depreciation	3,712.50	3,262.50
Electrification, Power & Energy Structure, net	571,202.19	667,964.35
Electrification Power & Energy Structure	1,417,040.17	1,417,040.17
Accumulated Depreciation	845,837.98	749,075.82

Office Building	8,340,580.74	8,340,580.74
Accumulated Depreciation	2,248,309.14	2,000,865.04
Other Structure, net	<b>111,996.58</b>	<b>124,953.68</b>
Other Structure	292,213.60	292,213.60
Accumulated Depreciation	180,217.02	167,259.92
Office Equipment, net	<b>458,888.15</b>	<b>384,060.01</b>
Office Equipment	1,546,772.79	1,383,079.79
Accumulated Depreciation	1,087,884.64	999,019.78
Furnitures & Fixtures, net	<b>171,426.80</b>	<b>154,464.66</b>
Furnitures & Fixtures	479,108.25	415,559.25
Accumulated Depreciation	307,681.45	261,094.59
IT Equipment & Software, net	<b>69,743.72</b>	<b>98,479.29</b>
IT Equipt. & Software	483,831.94	479,681.94
Accumulated Depreciation	414,088.22	381,202.65
Library Books, net	<b>70.00</b>	<b>70.00</b>
Library Books	3,400.00	3,400.00
Accumulated Depreciation	3,330.00	3,330.00
Machinery, net	<b>2,088,674.17</b>	<b>2,340,767.02</b>
Machinery	4,848,294.00	4,802,714.00
Accumulated Depreciation	2,759,619.83	2,461,946.98
Communication Equipment, net	<b>53,869.25</b>	<b>11,522.72</b>
Communication Equipment	189,045.75	132,229.75
Accumulated Depreciation	135,176.50	120,707.03
Motor Vehicle, net	<b>1,592,477.48</b>	<b>1,766,097.22</b>
Motor Vehicle	3,159,038.67	3,154,438.67
Accumulated Depreciation	1,566,561.19	1,388,341.45
Transportation Equipment, net	<b>2,901.00</b>	<b>4,143.00</b>
Transportation Equipment	35,663.00	35,663.00
Accumulated Depreciation	32,762.00	31,520.00
Other Property Plant & Equipment, net	<b>2,584,834.78</b>	<b>2,876,612.05</b>
Other PPE	6,666,988.17	6,381,188.17
Accumulated Depreciation	4,082,153.39	3,504,576.12
Wells, Reservoir Pumping Station, net	<b>12,942,727.67</b>	<b>13,291,255.70</b>
Wells, Reservoir & Pumping Station	18,993,377.47	18,742,339.11
Accumulated Depreciation	6,050,649.80	5,451,083.41
Waterways, Aqueducts, net	<b>16,277,569.98</b>	<b>15,226,608.98</b>
Waterways, Aqueducts etc.	26,655,899.00	24,810,116.51
Accumulated Depreciation	10,378,329.02	9,583,507.53
Total Property Plant & Equipment	<b>44,707,975.87</b>	<b>44,976,486.88</b>
Construction Work in Progress	<b>60,708.80</b>	
Total Non Current Assets	<b>51,019,523.06</b>	<b>50,480,263.64</b>
<b>TOTAL ASSETS</b>	<b>P 82,100,188.56</b>	<b>P 70,480,450.31</b>

## LIABILITIES AND CAPITAL

### Current Liabilities

Inter Agency Payables:

Due to BIR (Note 15)

143,654.03 167,134.53

Due to GSIS (Note 16)

228,981.79 234,051.47

Due to Phil. Health (Note 17)

14,425.00 14,375.00

Guarranty Deposits Payable (Note 18)

3,331,291.65 3,318,283.00

Accts. Payable (Note 14)

367,203.32 377,820.51

Performance Bonds Payable (Note 19)

61,603.75 61,603.75

Other Payable (Note 20)

9,443.80 0.00

Other Deferred Credits (Note 21)

40,637.17 40,637.17

P 4,197,240.51 P 4,213,905.43

Total Current Liabilities

Other Liability Accounts

Non-Current Liabilities

Loans Payable (Domestic) (Note 22)

2,957,654.11 3,727,563.11

3.554R

P 2,957,654.11 P 3,727,563.11

Total Non-Current Liabilities

Capital

Retained Earnings (Note 23)

62,538,981.77 53,433,443.57

Prior Year Adjustment

19,455.60 -396,146.06

Net Income

12,386,856.57 9,501,684.26

Total Capital

74,945,293.94 62,538,981.77

**TOTAL LIABILITIES & CAPITAL**

P 82,100,188.56 P 70,480,450.31

(See Accompanying Notes to Financial Statements)

**MANGALDAN WATER DISTRICT**  
**Mangaldan, Pangasinan**  
**DETAILED STATEMENT OF INCOME AND EXPENSES**  
**For the year ended DECEMBER 31, 2014**  
*(With Comparative Figures for 2013)*

	<u>2014</u>	<u>2013</u>
Income from Waterworks System	P 44,628,332.16	P 40,524,247.71
Other Business Income	808,055.02	790,550.23
Fines and Penalties	1,672,660.05	1,564,835.20
<b>GROSS INCOME</b>	<b>P <u>47,109,047.23</u></b>	<b>P <u>42,879,633.14</u></b>
<b>Less: EXPENSES</b>		
<b>Personal Services</b>		
Salaries, Wages-Regular	7,683,648.22	7,366,862.28
Salaries, Wages-Casual	14,215.93	310,011.08
Salaries, Wages-Emergency	104,390.00	46,060.00
Personnel Economic Relief Allowance (PERA)	817,749.99	843,846.91
Representation Allowance (RA)	298,920.00	299,829.09
Transportation Allowance (TA)	282,000.00	282,000.00
Clothing Allowance	170,000.00	162,500.00
Productivity Incentive Allowances	75,000.00	77,500.00
Other Bonuses & Allowances	4,834,079.00	4,210,479.36
Honoraria	473,000.00	448,900.00
Overtime	74,221.19	96,492.24
Cash Gift	170,000.00	177,500.00
Year end bonus	643,200.50	642,915.50
Life, Retirement & Insurance Contribution	923,454.42	922,903.52
Pag-Ibig Contribution	41,000.00	42,400.00
Phil. Health Insurance	86,500.00	86,937.50
ECC Contribution	40,850.90	42,030.70
Terminal Leave Benefits	444,905.60	337,634.37
Other Personnel Benefits	99,280.56	587,964.16
<b>Total Personal Services</b>	<b>P <u>17,276,416.31</u></b>	<b>P <u>16,984,766.71</u></b>
<b>Maintenance &amp; Other Operating Expenses</b>		
Travelling Expense - Local	182,576.13	143,215.01
Training Expense	100,600.00	26,900.00
Office Supplies	145,126.65	133,104.14
Accountable Forms	304,456.50	278,143.76
Medical,Dental,Laboratory Expenses	51,480.00	73,080.00

Gasoline, Oil and Lubricants	582,175.57	542,169.29
Other Supplies Expense - Chlorine	637,670.00	630,210.00
Electricity	9,033,953.77	8,303,824.23
Cooking Gas	3,380.00	4,280.00
Postage and Deliveries	2,806.00	2,215.00
Telephone Expense - Landline	81,246.95	49,838.69
Telephone Expense - Mobile	133,390.64	137,044.22
Internet	17,565.00	13,470.66
Cable satellite	5,410.00	4,400.00
Membership dues	9,751.00	26,833.00
Ads	15,440.00	19,300.00
Printing & Binding Expense	171,504.00	163,251.00
Rent Expense	22,800.00	13,530.00
Representation Expense	228,222.31	207,412.31
Delivery expense	180.00	290.00
Subscription Expense	13,682.00	17,212.80
Survey Expense	5,000.00	0.00
Rewards & Other Claims	103,989.62	54,901.21
Legal Services	26,000.00	25,550.00
Auditing Services	0.00	0.00
General Services	13,443.04	19,253.75
Culture & Athletes Expense	19,065.00	5,437.00
Security Services	584,750.00	466,300.00
Repair & Maintenance-Electrification Power & Energy	7,919.35	11,089.20
Repair & Maintenance-Office Building	5,264.35	5,700.06
Repair & Maintenance-Other Structure	0.00	0.00
Repair & Maintenance-Office Equipment	33,797.50	29,233.00
Repair & Maintenance - Furn. & Fixtures	2,559.75	0.00
Repair & Maintenance-IT Equipt. Software	48,352.00	12,100.00
Repair & Maintenance-Machinery	0.00	510.00
Repair & Maintenance - Communication Equipment	660.00	0.00
Repair & Maintenance-Motor Vehicle	50,609.84	44,073.60
Repair & Maintenance-Other Transportation Equipt.	0.00	1,925.00
Repair & Maintenance-Other PPE	26,655.00	60,020.00
Repair & Maintenance-Wells, Resrv. & Pump. Station	48,167.07	252,446.56
Repair & Maintenance- Waterways, Aqueducts, etc.	23,281.77	33,493.85
Donations	19,741.00	82,634.20
Extra Ordinary Expense (EME)	93,999.96	93,999.96
Taxes, Duties & Licenses	878,233.88	800,806.66

Fidelity Bonds Premium	13,312.50	13,312.50
Insurance Expense	148,917.98	156,006.14
Bad Debts Expense	263,338.78	275,736.31
Loss of Assets	0.00	23,096.06
Depreciation Expense - Land Improvements	450.00	450.00
Depreciation Expense - Elec.Power & Energy	96,762.16	98,125.82
Depreciation Expense - Office Building	247,444.10	250,777.40
Depreciation Expense - Other Structures	12,957.10	13,089.98
Depreciation Expense - Office Equipment	92,265.85	89,769.36
Depreciation Expense - Furnitures & Fixtures	47,496.72	43,579.54
Depreciation Expense - IT Equipt. & Software	32,885.57	37,456.05
Depreciation Expense - Library Books	0.00	73.50,
Depreciation Expense - Machinery	297,672.85	303,318.60
Depreciation Expense - Communication Equipment	14,469.47	2,539.45
Depreciation Expense - Motor Vehicles	195,389.49	137,428.23
Depreciation Expense - Other Transp. Equipment	1,242.00	1,815.00
Depreciation Expense - Other PPE	575,552.27	450,349.26
Depreciation Expense - Wells, Reserv. & Pump. Stat.	599,566.39	587,936.60
Depreciation Expense - Waterways, Aqueducts, Etc.	794,821.49	758,835.60
<b>Total</b>	<b>P 17,169,450.37</b>	<b>P 16,032,893.56</b>
<b>Financial Expenses</b>	100.00	150.00
Documentary Stamps	3,201.35	3,173.01
To Interest on Long Term Debts	412,211.00	500,043.00
<b>TOTAL EXPENSES</b>	<b>P 415,512.35</b>	<b>P 503,366.01</b>
<b>Income(Loss) from Operations</b>	<b>P 34,861,379.03</b>	<b>P 33,521,026.28</b>
ADD: Other Income	12,247,668.20	9,358,606.86
Interest from Savings Account	139,188.37	143,077.40
<b>NET INCOME(LOSS ) BEFORE INCOME TAX</b>	<b>P 12,386,856.57</b>	<b>P 9,501,684.26</b>

*See Accompanying Notes to Financial Statements*

**STATEMENT OF CHANGES IN EQUITY**  
**As of December 31, 2014**  
**(With Comparative Figures for 2013)**

		2014		2013
<b>Retained Earnings</b>				
Balance at beginning of period	P	62,538,981.77	P	53,423,121.73
Prior period adjustment				
Net income/loss for the period		<u>12,386,586.57</u>		<u>9,501,684.26</u>
<b>Balance at end of period</b>	<b>P</b>	<b><u>74,925,568.34</u></b>	<b>P</b>	<b><u>62,924,805.99</u></b>
 <b>Prior Year Adjustment</b>	 P	 19,455.60	 P	 12,771.84
		-		(398,596.06)
	<b>P</b>	<b><u>74,945,023.94</u></b>	<b>P</b>	<b><u>(385,824.22)</u></b>
 <b>TOTAL EQUITY</b>	 P	 <b><u>74,945,023.94</u></b>	 P	 <b><u>62,538,981.77</u></b>

**MANGALDAN WATER DISTRICT**  
**Cash Flow Statement**  
**as of December 31, 2014**  
*(With comparative figures for 2013)*

	2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows:</b>		
Collection of Water Bills	46,638,376.12	41,782,014.76
Collection of Misc. Service Revenues	618,039.85	599,055.35
Interest Income (Net)	88,925.19	90,871.43
Guaranty Deposits	37,145.70	40,393.65
Sale of Materials, Other Fittings	1,899,286.53	2,086,423.64
Refund of Advances	42,422.27	125,740.47
Other Miscellaneous	62,916.09	37,582.94
<b>Total Cash Inflows</b>	<b><u>49,387,111.75</u></b>	<b><u>44,762,082.24</u></b>
<b>Cash Outflows:</b>		
Payment of Personal Services	12,214,262.28	11,180,513.50
Payment of Operating Expenses	12,164,003.87	11,292,599.02
Payment of Advances	305,000.00	422,000.00
Payment of Office Supplies/Materials	1,197,283.54	769,327.90
Prepayments	103,035.92	148,293.14
Payment of Payables	3,063,063.80	5,318,857.02
Remittances of GSIS/ Pag-Ibig/W.tax & Others	4,497,082.50	5,136,275.96
<b>Total Cash Outflows</b>	<b><u>33,543,731.91</u></b>	<b><u>34,267,866.54</u></b>
<b>Cash Inflow:</b>		
Collection of Bid Document	34,000.00	5,000.00
<b>Total Cash Inflow</b>	<b><u>34,000.00</u></b>	<b><u>5,000.00</u></b>
<b>Cash outflow</b>		
Property Plant & Equipment	294,139.00	2,332,103.40
Const. Work in Progress	2,112,445.78	233,907.25
<b>Total Cash Outflow</b>	<b><u>2,406,584.78</u></b>	<b><u>2,566,010.65</u></b>
<b>Cash Flow from Financing activities</b>		
Payment of interest on loan	412,211.00	500,043.00
Payment of domestic loan	769,909.00	682,077.00
<b>Total Cash provided by financing activities</b>	<b><u>1,182,120.00</u></b>	<b><u>1,182,120.00</u></b>
Transfer for Reserve	700,000.00	1,000,000.00
<b>Total</b>	<b><u>700,000.00</u></b>	<b><u>1,000,000.00</u></b>

Net Cash Inflow (Outflow) used by operating, investing & financing activities	11,588,675.06	5,751,085.05
ADD: CASH AND CASH EQUIVALENTS - BEG.	<u>16,612,316.80</u>	<u>10,861,231.75</u>
<b>CASH &amp; CASH EQUIVALENTS, END</b>	<b><u>28,200,991.86</u></b>	<b><u>16,612,316.80</u></b>

Cash Balance Breakdown:

Cash on Hand		161,271.55
Working Fund		5,000.00
Cash in Bank	DBP	18,654,509.09
	MRB	1,232,886.05
EBCS	LB	687,384.56
TD CD	DBP	3,565,830.33
TD MSF	Postal	645,138.01
TD MSF	LB	3,248,972.27
		<u>28,200,991.86</u>

## **Notes to Financial Statements**

### **I. General Information**

#### **a. Agency Background**

Pursuant to the provisions of Presidential Decree 198, as amended, the Mangaldan Water District was formed by virtue of Resolution No. 28, series of 1979 which was passed by the Sangguniang Bayan of the Municipality of Mangaldan on May 12, 1979. The Mangaldan Water District was first operated under the administration of the Municipality of Mangaldan under the name "Mangaldan Water Works Authority."

On October 6, 1980, the Conditional Certificate of Conformance (CCC No. 139) was issued by the Local Water Utilities Administration (LWUA). On March 12, 1992, in the Entry of Final Judgment, the Supreme Court ruling declared all Local Water Districts as government-owned and/or controlled corporation. It became a medium water district on February 15, 1999 re-categorized as Big Water District on September 1, 2004, then as Category C on March 16, 2012.

#### **b. Objectives:**

1. Acquire, install, improve, maintain and operate water supply and distribution system for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of the district;
2. Provide, maintain and operate water collections, treatment and disposal facilities;
3. Conduct such other functions and operations incidental to water resources development, utilization and disposal within the district, as are necessary and incidental to said purpose.

#### **a. Organizational Set-up**

The Water District is headed by Engr. Marcelo M. Petonio as General Manager. He is assisted by Ms. Violeta B. Gayaga, Finance Division Manager, Ms. Violeta O. Garcia, Commercial Division Manager and Ms. Marlyn C. de Guzman, Administrative Division Manager. It has 32 regular employees, 2 co-terminus employees, and 2 job order employees.

## **Basis of Financial Statements Presentation**

The Financial Statement of the Mangaldan Water District as of December 31, 2013 has been prepared in accordance with generally accepted accounting principles and standards.

### **Summary of Significant Accounting Policies**

- a. The Mangaldan Water District adopted the New Government Accounting System as prescribed by the Commission on Audit for its financial statements.
- b. Revenue and Expenses – the accrual method of accounting for income and expense is used which means that income is recognized when earned regardless of when received and expenses are recognized when incurred regardless of when paid.
- c. Depreciation – Provision for depreciation is computed based on the straight line method with partial implementation of COA Circular No. 2003-07 dated December 11, 2003.

## **II. BALANCE SHEET**

### **Note 1 Cash on Hand**

This account represents undeposited collection by the Cashier.

<b>2014</b>	<b>2013</b>
P161,271.55	P 165,690.52

### **Note 2 Petty Cash Fund**

This fund is intended to defray petty expenses and is operated on an imprest fund basis.

<b>2014</b>	<b>2013</b>
P5,000.00	P 5,000.00

**Note 3 Cash in Bank**

This pertains to the bank deposits maintained by the Water District broken down as follows:

Current Account:	2014	2013
DBP (CA-0535004056-030)	P18,654,509.09	P8,742,482.52
RBM(CA-10021-10117-9)	1,232,886.05	994,519.790
LB-EBCS(CA-	<u>687,384.56</u>	<u>0</u>
Total	P20,574,779.70	9,737,002.31
Time Deposit for guaranty payment:		
DBP(0535-004056-160)	<u>3,565,830.33</u>	<u>3,538,683.44</u>
Time Deposit for Retirement Fund:		
Postal Bank (TD No. 010021-000308)	645,138.01	639,259.13
Land Bank (0495-09)	<u>3,248,972.27</u>	<u>2,526,681.40</u>
Total	P 3,165,940.53	P 3,165,940.53

**Note 4 Accounts Receivable – Gen. Customers**

This includes all amounts arising from water bills rendered to the customers.

2014	2013
P 2,367,322.80	P 2,704,024.61

**Note 5 Other Receivable**

This amount represents collectible from CENPELCO and others.

2014	2013
P 106,500.00	P 106,500.00

**Note 6 Inventories**

This account represents the following:

	2014	2013
Office Supplies	P 13,388.14	P8,430.08
Accountable forms inventory	166,169.20	138,066.95
Fuel, Oil & Lubricants	26,101.51	17,005.32
Other Supplies Inventory - Chemicals	12,080.00	29,240.00
Const. Materials Inventory	<u>772,282.92</u>	<u>657,388.44</u>
Total	P 990,021.77	P 850,130.79

**Note 7 Prepaid Insurance**

Amount of advanced for insurance premiums of insurable government property.

2014	2013
P103,284.33	P 128,830.95

**Note 8 Other Current Assets**

2014	2013
P 401,434.35	P 401,434.35

**Note 9 Other Deferred Debits**

2014	2013
P 274,218.75	P 251,718.75

**Note 10 Sinking Funds**

The fund is intended for specific long term purposes. It includes, among other debt service reserve, which will be used for loan repayments and operation and maintenance reserve for repairs of damaged WD's facilities.

	2014	2013
Sinking Fund (LBP)	P 5,503,776.76	P 4,454,743.80

**Note 11 Property, Plant and Equipment (net)**

This pertains to the assets of the Water District which are used or expected to be used in its normal business operations and have expected useful lives of more than one (1) year, broken down as follows:

	2014	2013
Land	P 1,688,035.00	P 1,658,035.00
Land Improvement	5,000.00	1,737.50
Electrification, Power and Energy Structures	1,417,040.16	667,964.35
Office Building	8,340,580.74	6,339,715.70
Other Structures	292,213.60	124,953.68
Office Equipment	1,546,772.79	384,060.01
Furniture and Fixtures	479,108.25	154,464.66
IT Equipment and Software	483,831.94	98,479.29
Library Books	3,400.00	70.00
Machinery	4,848,294.00	2,340,767.02
Communication Equipment	189,045.75	11,522.72
Motor Vehicle	3,159,038.67	1,766,097.22
Transportation Equipment	35,663.00	4,143.00
Other Property, Plant and	6,666,988.17	2,876,612.05

Equipment		
Wells, Reservoir and Pumping Station	18,993,377.47	13,291,255.70
Waterways, Aqueducts, etc.	<u>26,655,899.00</u>	<u>15,266,608.98</u>
TOTAL	P 74,804,288.54	P 72,083,279.90
Less: Accumulated Depreciation	<u>30,096,312.67</u>	<u>27,106,792.82</u>
Net Property, Plant and Equipment	P 44,707,975.87	P 50,480,263.64

**Note 12 Allowance for Doubtful Accounts**

Represents the estimated amount of Accounts Receivables which is probable to become uncollectible.

2014	2013
P 1,340,608.36	P 801,533.27

**Note 13 Accounts Payable**

Amount of indebtedness from suppliers and others.

2014	2013
P 367,203.32	P 447,042.25

**Note 14 Due to BIR**

Amount of taxes due for the period.

2014	2013
P 143,654.03	P 151,379.30

**Note 15 Due to GSIS**

This amount represents employee-employer share contributions and other amount withheld for remittance to the GSIS.

2014	2013
P 228,981.79	P 218,639.64

**Note 16 Due to Philhealth**

Employer/employee contributions withheld to be remitted to Phil health Insurance.

2014	2013
P 14,425.00	P 13,875.00

**Note 17 Guaranty Deposit Payable**

This comprises the deposit made by the customers before the extension of any service connections as security for the payment of subsequent bill.

2014	2013
P 3,331,291.65	P 3,335,952.60

**Note 18 Performance Bonds Payable**

Receipts of cash bond to guarantee the performance of the contract.

2014	2013
P 61,603.75	P 61,603.75

**Note 19 Other Deferred Credits**

Refunded by SSS for employer-employee contribution.

2014	2013
P 40,637.17	P 40,637.17

**Note 20    Loans Payable**

This comprises the amount of Loans contracted by the Water District with the Local Water Utilities Administration (LWUA) used to finance various properties.

	2014	2013
Loan Payable – 3-554 RL	P 3,727,563.11	P 4,409,640.11

**Note 21    Retained Earnings**

This represents the accumulated earnings or losses of the Water District.

	2014	2013
	P 62,538,981.77	P 53,423,121.73