



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, 2015

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. Again, on March 1, 2015, the Water District was re-categorized to Category B.

B. Highlights of Financial Operation

Presented below is the summary of financial highlights of the District for the period ending December 31, 2015.

	2015	2014
Total Income	P49,182,701.25	P47,248,235.60
Appropriations	48,729,000.00	47,981,050.00
Expenditures	36,002,300.77	39,231,855.00
Assets	95,858,089.14	82,100,188.56
Liabilities	6,669,205.45	7,154,894.62
Government Equity	89,188,883.69	74,945,293.94

C. Highlights of Operations

Presented below is the summary of operational highlights of the District for the period ending December 31, 2015.

Program/Projects	Budget	Actual	Variance
Supply and delivery of one (1) brand new Diesel generator set	900,000.00	715,000.00	185,000.00
Construction of Pump house beam of perimeter fence with cyclone wire including back filling	1,500,000.00	1,415,641.83	84,358.17
Landscaping of Motor Pool and Pumping Station	500,000.00	166,580.00	333,420.00
Mini expansion of service area	1,900,000.00	871,060.69	1,028,939.31
Renovation of Storerooms	800,000.00	97,083.39	702,916.61

Supply and Installation of 1.25 KVA DX Transformer and electrical service	800,000.00	105,882.83	694,117.17
Other PPE	600,000.00	105,000.00	495,000.00

D. Scope of Audit and Methodology

A comprehensive audit was conducted on the accounts and operations of the Mangaldan Water District for the year ended December 31, 2015. 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 Auditor rendered an unqualified opinion on the fair presentation of the Financial Statements as to the financial position of Mangaldan Water District as of December 31, 2015, and its financial performance and cash flows for the year then ended, in accordance with generally accepted accounting principles.

F. Significant Audit Observations and Recommendations

The District was 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 commended management on this.

However, the following are the significant Audit Observations and Recommendations that affected the performance and operations of the District. These were discussed with the Agency officials concerned during the exit conference and their corresponding comments were incorporated in Part II of the report, where appropriate:

- a. The Year End Financial Assistance granted to officials and employees of Mangaldan Water District in a total amount of P1,712,790.00 lacks legal basis, hence irregular.

We have recommended that Management require all officers and employees of the District to refund the amount of P1,712,790.00 Year-End Financial Assistance disbursed without legal basis.

- b. Corporate funds of the Water District were deposited to a private bank, despite the accessibility of a Government Financial Institution (GFI) within the 20 kilometer radius, nor prior approval was also secured from the Department of Finance, hence resulting to a weak internal control over safeguarding of cash and exposes fund to probable loss due to possible bank's bankruptcy.

We have recommended that Water District deposit and maintain accounts with GFIs accessible within the 20 kilometers radius, in accordance with DOF Circular No. 001-2015 dated June 1, 2015. Otherwise, prior approval shall be obtained from the DOF if deposits are maintained with a proposed/private bank.

- c. Reconciliation of the discrepancy of P 10,191.35 between the Aging Schedule and the General Ledger is remote due to the billing and collection system's lack of facility to generate an Aging Schedule showing concessionaire's individual receivable balances exclusive of penalties, casting doubt on the accuracy and reliability of accounts receivable balances in violation of Section 12 of the Manual on NGAS, Volume II.

We have recommended that management contract an Information Technology (IT) expert or a programmer to install a facility in the District's billing and collection system that will generate an Aging Schedule of Concessionaires' individual receivable balances excluding penalties and reconcile the discrepancy between the Aging Schedule and the General Ledger. Henceforth, any unlocated discrepancy shall be maintained to assure records of future receivable transactions on water meter bills are reconciled.

- d. Non-payment by the District of its tax liabilities totaling P 9,075,248.40 may result in accumulation of and incurrence of legal repercussions.

We have recommended that management consistently follow up and act immediately on the settlement of the remaining delinquent accounts(60%) after paying the 40% compromise settlement invoking pertinent provision/s of Revenue Regulations No. 30-2002 dated December 16, 2002 to avoid the BIR from garnishment of the District's deposit accounts and or other repercussions.

G. Summary of Audit Suspensions, Disallowances and Charges

As of December 31, 2015, unsettled disallowances amounted to P 6,248,167.50, no suspensions and charges were outstanding.

H. Status of Prior Year's Audit Recommendations

Out of twelve prior year's unimplemented audit recommendations, six were fully implemented, one was not implemented and five were not implemented as of December 31, 2015, which are reiterated in Part II of the Report.



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, 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 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.

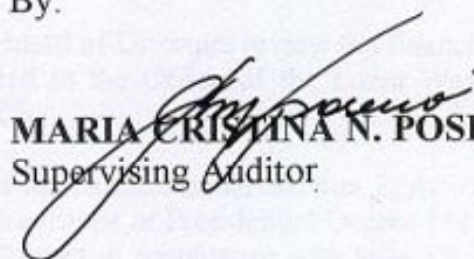
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Mangaldan Water District as of December 31, 2015, and its financial performance and cash flows for the year then ended, in accordance with generally accepted accounting principles.

COMMISSION ON AUDIT

By:


MARIA CRISTINA N. POSERIO
Supervising Auditor

February 26, 2016



Republic of the Philippines
MANGALDAN WATER DISTRICT

Serafica St., Mangaldan, 2432 Pangasinan

Tel. Nos: (075) 523-5884; (075) 653-0574

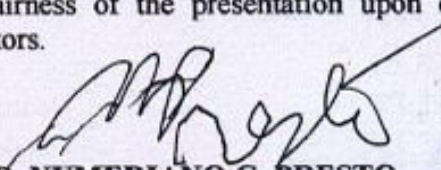
STATEMENT OF MANagements RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **MANGALDAN WATER DISTRICT** is responsible for all information and representations contained in the accompanying Balance Sheet as of December 31, 2015 and the related Statement of Income and Expenses and Cash Flow for the year ended. The Financial Statements have been prepared in conformity with generally accepted state of accounting principle and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that all transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The **MANGALDAN WATER DISTRICT** Board of Directors review the financial statements before such are approved and submitted to the Office of the Local Water Utilities Administration, Balara, Diliman, Quezon City.

The Commission on Audit, in pursuance of its mandate under Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree 1445, has audited the financial statements of the Water District in accordance with laws, COA and INTOSAI standards and applicable generally accepted auditing standards and has expressed its opinion on the fairness of the presentation upon completion of such examination in its report to Creditors.



DR. NUMERIANO G. PRESTO
Chairman of the Board



ENGR. MARCELO M. PETONIO
General Manager



MS. VIOLETA B. GAYAGA
Div. Manager B- Finance

"Water is life..... Use it Wisely"

**MANGALDAN WATER DISTRICT
DETAILED BALANCE SHEET**

as of December 31, 2015
(with comparative figures for 2014)

ASSETS	<u>2015</u>	<u>2014</u>
Current Assets		
Cash on Hand (Note 1)	P 207,655.07	P 161,271.55
Petty Cash Fund (Note 2)	5,000.00	5,000.00
Cash in Bank - Local Currency (Note 3)		
Cash in Bank - Current Account DBP	27,091,625.10	18,654,509.09
Cash in Bank - Savings Account MRB	1,148,745.20	1,232,886.05
Cash in Bank - Current Account Landbank-EBCS	980,670.86	687,384.56
Cash in Bank - Time Deposit CD- DBP	3,598,764.03	3,565,830.33
Cash in Bank - Time Deposit Postal -MSF	650,090.99	645,138.01
Cash in Bank - Time Deposit LB -MSF	3,274,040.66	3,248,972.27
Receivables		
Account Receivable: -General Customers (Note 4)	2,498,426.66	2,367,322.80
Allowance for Doubtful Accounts (Note 12)	270,292.04	1,340,608.36
Accounts Receivable - Net	2,228,134.62	1,026,714.44
Other Receivables (Note 5)	134,000.00	106,500.00
Prepaid Insurance (Note 7)	100,164.43	103,284.33
Other Deferred Debits (Note 9)	9,722.01	251,718.75
Other current assets (Note 8)	401,434.35	401,434.35
Inventories (Note 6)		
Office Supplies Inventory	31,678.12	13,388.14
Accountable forms inventory	195,928.14	166,169.20
Fuel, Oil & Lubricants	21,890.31	26,101.51
Other Supplies Inventory-Chemicals	27,390.00	12,080.00
Construction Materials & Supplies	961,771.33	772,282.92
Total Current Assets	P 41,068,705.22	P 31,080,665.50
Non-Current Assets		
Sinking Fund (Note 10)	6,799,379.63	6,250,838.39
	<u>6,799,379.63</u>	<u>6,250,838.39</u>
Property Plant & Equipment (Note 11)	<u>1,688,035.00</u>	<u>1,688,035.00</u>
Land	171,670.98	1,287.50
Land Improvements, net	178,435.00	5,000.00
Land Improvements	6,764.02	3,712.50
Accumulated Depreciation	<u>814,912.58</u>	<u>571,202.19</u>
Electrification, Power & Energy Structure, net	1,759,273.00	1,417,040.17
Electrification Power & Energy Structure	944,360.42	845,837.98
Accumulated Depreciation		

Office Building , net	5,942,085.65	6,092,271.60
Office Building	8,437,664.63	8,340,580.74
Accumulated Depreciation	2,495,578.98	2,248,309.14
Other Structure, net	99,264.46	111,996.58
Other Structure	292,213.60	292,213.60
Accumulated Depreciation	192,949.14	180,217.02
Office Equipment, net	385,931.47	458,888.15
Office Equipment	1,572,972.54	1,546,772.79
Accumulated Depreciation	1,187,041.07	1,087,884.64
Furnitures & Fixtures, net	278,536.00	171,426.80
Furnitures & Fixtures	628,137.96	479,108.25
Accumulated Depreciation	349,601.96	307,681.45
IT Equipment & Software, net	178,017.22	69,743.72
IT Equipt. & Software	624,371.94	483,831.94
Accumulated Depreciation	446,354.72	414,088.22
Library Books, net	70.00	70.00
Library Books	3,400.00	3,400.00
Accumulated Depreciation	3,330.00	3,330.00
Machinery, net	2,564,367.66	2,088,674.17
Machinery	5,668,294.00	4,848,294.00
Accumulated Depreciation	3,103,926.34	2,759,619.83
Communication Equipment, net	36,824.45	53,869.25
Communication Equipment	189,045.75	189,045.75
Accumulated Depreciation	152,221.30	135,176.50
Motor Vehicle, net	1,442,297.48	1,592,477.48
Motor Vehicle	3,159,038.67	3,159,038.67
Accumulated Depreciation	1,716,741.19	1,566,561.19
Transportation Equipment, net	11,708.20	2,901.00
Transportation Equipment	46,023.00	35,663.00
Accumulated Depreciation	34,314.80	32,762.00
Other Property Plant & Equipment, net	2,402,554.87	2,584,834.78
Other PPE	7,139,860.17	6,666,988.17
Accumulated Depreciation	4,737,305.30	4,082,153.39
Wells, Resrvoir Pumping Station, net	15,942,285.51	12,942,727.67
Wells, Reservoir & Pumping Station	22,690,447.64	18,993,377.47
Accumulated Depreciation	6,748,162.13	6,050,649.80
Waterways, Aqueducts, net	16,031,442.76	16,277,569.98
Waterways, Aqueducts etc.	27,229,408.69	26,655,899.00
Accumulated Depreciation	11,197,965.93	10,378,329.02
Total Property Plant & Equipment	47,990,004.29	44,707,975.87
Construction Work in Progress	0.00	60,708.80
Total Non-Current Assets	54,789,383.92	51,019,523.06
TOTAL ASSETS	P 95,858,089.14	P 82,100,188.56

LIABILITIES AND CAPITAL

Current Liabilities

Inter Agency Payables:		
Due to BIR (Note 14)	151,320.84	143,654.03
Due to GSIS (Note 15)	253,202.10	228,981.79
Due to Phil. Health (Note 16)	15,600.00	14,425.00
Guarranty Deposits Payable (Note 17)	3,339,421.00	3,331,291.65
Accts. Payable (Note 13)	518,928.47	367,203.32
Performance Bonds Payable (Note 18)	278,125.75	61,603.75
Other Payable (Note 19)	0.00	9,443.80
Other Deferred Credits (Note 20)	61,450.18	40,637.17
Total Current Liabilities	P 4,618,048.34	P 4,197,240.51
Other Liability Accounts		
Non-Current Liabilities		
Loans Payable (Domestic) (Note 21)	2,051,157.11	2,957,654.11
Total Non-Current Liabilities	P 2,051,157.11	P 2,957,654.11
Capital		
Donated Capital (Note 22)	615,720.00	0.00
Retained Earnings (Note 23)	88,573,163.69	74,945,293.94
Total Capital	89,188,883.69	74,945,293.94
TOTAL LIABILITIES & CAPITAL	P 95,858,089.14	P 82,100,188.56

(See Accompanying Notes to Financial Statements)

LIABILITIES AND CAPITAL

Current Liabilities

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Non-Current Liabilities		
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Total Non-Current Liabilities	P 2,051,157.11	P 2,957,654.11
Capital		
Donated Capital (Note 22)	615,720.00	0.00
Retained Earnings (Note 23)	88,573,163.69	74,945,293.94
Total Capital	89,188,883.69	74,945,293.94
TOTAL LIABILITIES & CAPITAL	P 95,858,089.14	P 82,100,188.56

(See Accompanying Notes to Financial Statements)

MANGALDAN WATER DISTRICT
DETAILED STATEMENT OF INCOME AND EXPENSES

For the year ended December 31, 2015
(With Comparative Figures for 2014)

	<u>2015</u>	<u>2014</u>
Income from Waterworks System	P 46,342,060.40	P 44,628,332.16
Other Business Income	1,077,038.55	808,055.02
Fines and Penalties	1,763,602.30	1,672,660.05
GROSS INCOME	P 49,182,701.25	P 47,109,047.23

Less: EXPENSES

Personal Services

Salaries, Wages-Regular	7,918,122.50	7,683,648.22
Salaries, Wages-Casual	95,318.17	14,215.93
Salaries, Wages-Emergency	88,147.50	104,390.00
Personnel Economic Relief Allowance (PERA)	836,181.84	817,749.99
Representation Allowance (RA)	304,260.00	298,920.00
Transportation Allowance (TA)	282,000.00	282,000.00
Clothing Allowance	170,000.00	170,000.00
Productivity Incentive Allowances	85,000.00	75,000.00
Other Bonuses & Allowances	4,640,733.00	4,834,079.00
Honoraria	635,380.00	473,000.00
Overtime	78,232.21	74,221.19
Cash Gift	171,250.00	170,000.00
Year end bonus	690,866.00	643,200.50
Life, Retirement & Insurance Contribution	962,054.70	923,454.42
Pag-Ibig Contribution	41,900.00	41,000.00
Phil. Health Insurance	89,175.00	86,500.00
ECC Contribution	41,670.00	40,850.90
Terminal Leave Benefits	388,824.49	444,905.60
Other Personnel Benefits	0.00	99,280.56
Total Personal Services	P 17,519,115.41	P 17,276,416.31

Maintenance & Other Operating Expenses

Travelling Expense - Local	148,645.50	182,576.13
Training Expense	57,300.00	100,600.00
Office Supplies	130,666.76	145,126.65
Accountable Forms	320,801.06	304,456.50
Medical,Dental,Laboratory Expenses	61,920.00	51,480.00

Gasoline, Oil and Lubricants	474,026.78	582,175.57
Other Supplies Expense - Chlorine	782,570.00	637,670.00
Electricity	9,591,880.00	9,033,953.77
Cooking Gas	3,049.00	3,380.00
Postage and Deliveries	2,535.00	2,806.00
Telephone Expense - Landline	74,611.83	81,246.95
Telephone Expense - Mobile	193,982.72	133,390.64
Internet	21,895.80	17,565.00
Cable satellite	4,950.00	5,410.00
Membership dues	25,638.00	9,751.00
Ads	4,250.00	15,440.00
Printing & Binding Expense	179,227.00	171,504.00
Rent Expense	11,400.00	22,800.00
Representation Expense	283,341.52	228,222.31
Delivery expense	50.00	180.00
Subscription Expense	14,974.00	13,682.00
Survey Expense	0.00	5,000.00
Rewards & Other Claims	108,456.50	103,989.62
Legal Services	24,300.00	26,000.00
Auditing Services	88,077.75	0.00
Consultancy Services	33,500.00	0.00
General Services	22,097.17	13,443.04
Culture & Athletes Expense	0.00	19,065.00
Security Services	642,750.00	584,750.00
Repair & Maintenance-Electrification Power & Energy	11,760.75	7,919.35
Repair & Maintenance-Office Building	88,917.00	5,264.35
Repair & Maintenance-Other Structure	0.00	0.00
Repair & Maintenance-Office Equipment	19,622.20	33,797.50
Repair & Maintenance - Furn. & Fixtures	11,223.74	2,559.75
Repair & Maintenance-IT Equipt. Software	9,666.00	48,352.00
Repair & Maintenance-Machinery	32,060.00	0.00
Repair & Maintenance - Communication Equipment	474.00	660.00
Repair & Maintenance-Motor Vehicle	72,502.74	50,609.84
Repair & Maintenance-Other Transportation Equipt.	0.00	0.00
Repair & Maintenance-Other PPE	25,299.00	26,655.00
Repair & Maintenance-Wells, Resrv. & Pump. Station	110,209.22	48,167.07
Repair & Maintenance- Waterways, Aqueducts, etc.	152,198.04	23,281.77
Donations	27,886.00	19,741.00
Extra Ordinary Expense (EME)	93,999.96	93,999.96
Miscellaneous Expense (GAD)	24,700.00	0.00
Taxes, Duties & Licenses	919,112.38	878,233.88

Fidelity Bonds Premium	13,312.50	13,312.50
Insurance Expense	124,015.49	148,917.98
Bad Debts Expense	6,953.26	263,338.78
Depreciation Expense - Land Improvements	3,051.52	450.00
Depreciation Expense - Elec.Power & Energy	98,522.44	96,762.16
Depreciation Expense - Office Building	247,269.84	247,444.10
Depreciation Expense - Other Structures	12,732.12	12,957.10
Depreciation Expense - Office Equipment	99,156.43	92,265.85
Depreciation Expense - Furnitures & Fixtures	41,920.51	47,496.72
Depreciation Expense - IT Equipt. & Software	32,266.50	32,885.57
Depreciation Expense - Library Books	0.00	0.00
Depreciation Expense - Machinery	344,306.51	297,672.85
Depreciation Expense - Communication Equipment	17,044.80	14,469.47
Depreciation Expense - Motor Vehicles	150,180.00	195,389.49
Depreciation Expense - Other Transp. Equipment	1,552.80	1,242.00
Depreciation Expense - Other PPE	655,151.91	575,552.27
Depreciation Expense - Wells, Reserv. & Pump. Stat.	697,512.33	599,566.39
Depreciation Expense - Waterways, Aqueducts, Etc.	819,636.91	794,821.49
Total	P 18,271,113.29	P 17,169,450.37
Financial Expenses		
Bank Charges	200.00	100.00
Documentary Stamps	3,228.48	3,201.35
Interest on Long Term Debts	208,963.00	412,211.00
Total Financial Expenses	212,391.48	415,512.35
TOTAL EXPENSES	P 36,002,620.18	P 34,861,379.03
Income(Loss) from Operations	P 13,180,081.07	P 12,247,668.20
ADD: Other Income		
Interest from Savings Account	165,957.85	139,188.37
NET INCOME(LOSS) BEFORE INCOME TAX	P 13,346,038.92	P 12,386,856.57

See Accompanying Notes to Financial Statements

MANGALDAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY

As of December 31, 2015

(With Comparative Figures for 2014)

	2015		2014
Government Equity			
Balance at beginning of period	615,720.00		0.00
Reclassifications of capital accounts	0.00		0.00
Additions/Deductions	0.00		0.00
Balance at end of period	<u>615,720.00</u>		<u>0.00</u>
Retained Earnings			
Balance at beginning of period	P 74,945,293.94	P	62,538,981.77
Prior period adjustment	281,830.83		19,455.60
Net income/loss for the period	13,346,038.92		12,386,856.57
Balance at end of period	<u>P 88,573,163.69</u>	P	<u>74,945,293.94</u>
 TOTAL EQUITY	 <u><u>P 89,188,883.69</u></u>	 P	 <u><u>74,945,293.94</u></u>

CASH FLOW STATEMENT
as of December 31, 2015-
(with comparative figures for 2014)

	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Cash Inflows:		
Collection of Water Bills	47,974,559.04	46,638,376.12
Collection of Misc. Service Revenues	791,771.85	618,039.85
Interest Income (Net)	115,478.65	88,925.19
Guaranty Deposits	39,337.45	37,145.70
Sale of Materials, Other Fittings	2,551,911.31	1,899,286.53
Refund of Advances	35,908.00	42,422.27
Other Miscellaneous	111,530.89	62,916.09
	<u>51,620,497.19</u>	<u>49,387,111.75</u>
Total Cash Inflows		
Cash Outflows:		
Payment of Personal Services	12,294,182.39	12,214,262.28
Payment of Operating Expenses	13,094,904.98	12,164,003.87
Payment of Advances	270,000.00	305,000.00
Payment of Deposit to CENPELCO	27,500.00	
Payment of Office Supplies/Materials	31,208.10	1,197,283.54
Prepayments	1,350,144.75	103,035.92
Payment of Payables	106,221.23	3,063,063.80
Remittances of GSIS/ Pag-Ibig/W.tax & Others	5,038,080.90	
	4,541,896.28	4,497,082.50
	<u>36,754,138.63</u>	<u>33,543,731.91</u>
Total Cash Outflows		
Cash Inflow:		
Collection of Bid Document	6,000.00	34,000.00
Total Cash Inflow	<u>6,000.00</u>	<u>34,000.00</u>
Cash outflow		
Property Plant & Equipment	387,562.31	294,139.00
Const. Work in Progress	4,113,736.20	2,112,445.78
Total Cash Outflow	<u>4,501,298.51</u>	<u>2,406,584.78</u>
Cash Flow from Financing activities		
Payment of interest on loan	208,963.00	412,211.00
Payment of domestic loan	906,497.00	769,909.00
Total Cash provided by financing activities	<u>1,115,460.00</u>	<u>1,182,120.00</u>
Transfer for Reserve	500,000.00	700,000.00
Total	<u>500,000.00</u>	<u>700,000.00</u>

Net Cash Inflow (Outflow) used by operating, investing & financing activities	8,755,600.05	11,588,675.06
ADD: CASH AND CASH EQUIVALENTS - BEG.	<u>28,200,991.86</u>	<u>16,612,316.80</u>
CASH & CASH EQUIVALENTS, END	<u>36,956,591.91</u>	<u>28,200,991.86</u>

Cash Balance Breakdown:

Cash on Hand		207,655.07
Working Fund		5,000.00
Cash in Bank	DBP	27,091,625.10
	MRB	1,148,745.20
EBCS	LB	980,670.86
TD CD	DBP	3,598,764.03
TD MSF	Postal	650,090.99
TD MSF	LB	3,274,040.66
		<u>36,956,591.91</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, Category C on March 16, 2012 and finally, Category B on March 1, 2015.

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.

c. 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 33 regular employees, 2 co-terminus employees, 2 casuals, and 2 job order employees.

Basis of Financial Statements Presentation

The Financial Statements of the Mangaldan Water District as of December 31, 2015 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.

<u>2015</u>	<u>2014</u>
P 207,655.07	P161,271.55

Note 2 Petty Cash Fund

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

<u>2015</u>	<u>2014</u>
P 5,000.00	P 5,000.00

Note 3 Cash in Bank

This pertains to the bank deposits maintained by the Water District broken down on next page:

Current Account:	<u>2015</u>	<u>2014</u>
DBP (CA-0535004056-030)	P 27,091,625.10	P 18,654,509.09
MRB(CA-10021-10117-9)	1,148,744.90	1,232,886.05
LB-EBCS(CA)	<u>980,670.86</u>	<u>687,384.56</u>
Total	P 29,221,040.86	P20,574,779.70

Time Deposit for guaranty payment:

DBP(0535-004056-160)	<u>3,598,764.00</u>	<u>3,565,830.33</u>
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Time Deposit for Retirement Fund:

Postal Bank (TD No. 010021-000308)	650,090.99	645,138.01
Land Bank (0495-09)	<u>3,274,040.66</u>	<u>3,248,972.27</u>
Total	P 3,924,131.65	P 3,894,110.28

Note 4 Accounts Receivable – Gen. Customers

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

	<u>2015</u>	<u>2014</u>
	P 2,498,426.66	P 2,367,322.80

Note 5 Other Receivable

This amount represents collectible from CENPELCO and others.

	<u>2015</u>	<u>2014</u>
	P 134,000.00	P 106,500.00

Current Account:	<u>2015</u>	<u>2014</u>
DBP (CA-0535004056-030)	P 27,091,625.10	P 18,654,509.09
MRB(CA-10021-10117-9)	1,148,744.90	1,232,886.05
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	P 2,498,426.66	P 2,367,322.80

Note 5 Other Receivable

This amount represents collectible from CENPELCO and others.

	<u>2015</u>	<u>2014</u>
	P 134,000.00	P 106,500.00

Note 6 Inventories

This account represents the following:

	<u>2015</u>	<u>2014</u>
Office Supplies	P 31,678.12	P 13,388.14
Accountable forms inventory	195,928.14	166,169.20
Fuel, Oil & Lubricants	21,890.31	26,101.51
Other Supplies Inventory - Chemicals	27,390.00	12,080.00
Const. Materials Inventory	<u>961,771.33</u>	<u>772,282.92</u>
Total	P 1,238,657.90	P 990,021.77

Note 7 Prepaid Insurance

Amount of advanced for insurance premiums of insurable government property.

	<u>2015</u>	<u>2014</u>
	P 100,164.43	P 103,284.33

Note 8 Other Current Assets

	<u>2015</u>	<u>2014</u>
	P 401,434.35	P 401,434.35

Note 9 Other Deferred Debits

	<u>2015</u>	<u>2014</u>
	P 9,722.01	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.

	<u>2015</u>	<u>2014</u>
Sinking Fund (LBP)	P 6,799,379.63	P 6,250,838.39

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:

	<u>2015</u>	<u>2014</u>
Land	P 1,688,035.00	P 1,688,035.00
Land Improvement	178,435.00	5,000.00
Electrification, Power and Energy Structures	1,759,273.00	1,417,040.16
Office Building	8,437,664.63	8,340,580.74
Other Structures	292,213.60	292,213.60
Office Equipment	1,572,972.54	1,546,772.79
Furniture and Fixtures	628,137.96	479,108.25
IT Equipment and Software	624,371.94	483,831.94
Library Books	3,400.00	3,400.00
Machinery	5,668,294.00	4,848,294.00
Communication Equipment	189,045.75	189,045.75
Motor Vehicle	3,159,038.67	3,159,038.67

Transportation Equipment	46,023.00	35,663.00
Other Property, Plant and Equipment	7,139,860.17	6,666,988.17
Wells, Reservoir and Pumping Station	22,690,447.64	18,993,377.47
Waterways, Aqueducts, etc.	<u>27,229,408.69</u>	<u>26,655,899.00</u>
TOTAL	81,306,621.59	P 74,804,288.54
Less: Accumulated Depreciation	<u>33,316,317.30</u>	<u>30,096,312.67</u>
Net Property, Plant and Equipment	47,990,004.29	P 44,707,975.87

Note 12 Allowance for Doubtful Accounts

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

	<u>2015</u>	<u>2014</u>
	P 270,292.04	P 1,340,608.36

Note 13 Accounts Payable

Amount of indebtedness from suppliers and others.

	<u>2015</u>	<u>2014</u>
	P 518,928.47	P 367,203.32

Note 14 Due to BIR

Amount of taxes due for the period.

	<u>2015</u>	<u>2014</u>
	P 151,320.84	P 143,654.03

Note 15 Due to GSIS

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

<u>2015</u>	<u>2014</u>
P 253,202.10	P 228,981.79

Note 16 Due to Philhealth

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

<u>2015</u>	<u>2014</u>
P 15,600.00	P 14,425.00

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.

<u>2015</u>	<u>2014</u>
P 3,339,421.00	P 3,331,291.65

Note 18 Performance Bonds Payable

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

<u>2015</u>	<u>2014</u>
P 278,125.75	P 61,603.75

Note 19 Other Payables

<u>2015</u>	<u>2014</u>
P 0.00	P 9 443.80

Note 20 Other Deferred Credits

Refunded by SSS for employer-employee contribution.

	<u>2015</u>	<u>2014</u>
	P 61,450.18	P 40,637.17

Note 21 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.

	<u>2015</u>	<u>2014</u>
Loan Payable – 3-554 RL	P 2,051,157.11	P 2,957,654.11

Note 22 Donated Capital

	<u>2015</u>	<u>2014</u>
	P 615,720.00	P 0.00

Note 23 Retained Earnings

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

	<u>2015</u>	<u>2014</u>
	P 88,573,163.69	P 74,945,293.94