



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

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**INDEPENDENT AUDITOR'S REPORT**

**THE BOARD OF DIRECTORS**

Binmaley Water District

Binmaley, Pangasinan

*Report on the Financial Statements*

We have audited the accompanying financials statements of Binmaley Water District, which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income statement, 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 notes.

*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 which 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 the International Standards 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 to 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 audit opinion.

*Basis for Qualified Opinion*

As discussed in detail under the audit findings portion of this report, the existence, validity and correctness of the properties of the District valued at P241,437,483.38 were not ascertained due to the absence of physical inventory as well as the corresponding inventory report.

*Qualified Opinion*

In our opinion, except for the 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 **Binmaley Water District** as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Qualified Opinion*

In our opinion, except for the 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 **Binmaley Water District** as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**COMMISSION ON AUDIT**

**By:**



**PEDRO F. SISON, JR.**  
**Supervising Auditor**

February 28, 2014



# Binmaley Water District


Binmaley, Pangasinan

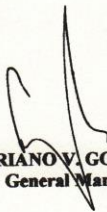
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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of BINMALEY WATER DISTRICT is responsible for all information and representations contained in the accompanying Balance Sheet as of December 31, 2013 and the related Statement of Income and Expenses and Cash Flow for the year then ended. The financial statements have been prepared in conformity with generally accepted state accounting principles 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 transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

  
**MANUEL A. D. DE VERA**  
Division Manager C (Admin & Finance Div.)

  
**MARIANO V. GONZALO**  
General Manager





**BINMALEY WATER DISTRICT**  
**Binmaley, Pangasinan**  
**DETAILED BALANCE SHEET**  
**AS OF DECEMBER 31, 2013**

(With Comparative Figures of 2012)

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
<b>Cash (Note 2)</b>		
Cash- Collecting Officer	935,706.76	867,334.63
Working Fund	8,537.36	10,000.00
Payroll Fund	-	-
Cash in Bank- Local Currency Current Account	1,219,172.07	2,438,413.87
Cash in Bank- Local Currency Savings Account	12,092,813.28	6,988,732.66
<b>Total</b>	<u>14,256,229.47</u>	<u>10,304,481.16</u>
<b>Receivable Accounts (Note 3)</b>		
Accounts Receivable	3,162,685.25	3,027,190.30
Allowance for Doubtful Accounts	(67,607.83)	(67,607.83)
Accounts Receivable- Net	3,095,077.42	2,959,582.47
<b>Total</b>	<u>3,095,077.42</u>	<u>2,959,582.47</u>
<b>Other Receivables</b>		
Advances to Officers and Employees	-	647.00
Other Receivable	361,076.51	370,972.45
<b>Total</b>	<u>361,076.51</u>	<u>371,619.45</u>
<b>Inventories</b>		
Office Supplies Inventory	233,934.93	243,369.83
Accountable Forms Inventory	288,718.96	111,957.80
Chemicals and Filtering Supplies Inventory	89,900.00	117,600.00
Service Connection Materials Inventory	678,479.47	615,321.64
Construction Materials Inventory	806,174.22	607,947.96
<b>Total</b>	<u>2,097,207.58</u>	<u>1,696,197.23</u>
<b>Prepayments, Deposits and Deferred Charges</b>		
Prepaid Rent	36,000.00	36,000.00
Guaranty Deposits	130,551.00	130,551.00
Other Prepayments and Deposits	100,000.00	100,000.00
<b>Total</b>	<u>266,551.00</u>	<u>266,551.00</u>
<b>TOTAL CURRENT ASSETS</b>	<u>20,076,141.98</u>	<u>15,598,431.31</u>

**NON-CURRENT ASSETS****Investments**

Other Investments

**TOTAL NON-CURRENT ASSETS**

-	-
-	-

**PROPERTY, PLANT AND EQUIPMENT****Land and Other Improvements**

Land	9,494,101.05	7,562,901.05
Land Improvements	80,380.00	80,380.00
Accumulated Depreciation- Land Improvements	(19,079.10)	(16,416.90)
<b>Total</b>	<b>9,555,401.95</b>	<b>7,626,864.15</b>

**Plant, Buildings and Structures**

Plant (UPIS)	51,506,791.31	50,432,268.83
Accumulated Depreciation- Plant	(19,064,297.17)	(17,739,197.14)
Buildings and Other Structures	207,415,223.00	206,818,594.28
Accumulated Depreciation- Buildings and Other	(23,405,688.56)	(20,167,618.59)
<b>Total</b>	<b>216,452,028.58</b>	<b>219,344,047.38</b>

**Equipment and Machinery**

Leasehold Imprvt.-Building & Other Structures	161,593.16	161,593.16
Accumulated Depreciation- Leasehold Imprvt.	(145,433.84)	(145,433.84)
Office Equipment	411,650.00	533,816.40
Accumulated Depreciation- Office Equipment	(269,274.02)	(403,602.11)
Laboratory Equipment	14,950.00	14,950.00
Accumulated Depreciation- Laboratory Equipme	(13,455.00)	(13,455.00)
IT Equipment	1,124,854.00	1,151,735.00
Accumulated Depreciation – IT Equipment	(896,496.51)	(878,633.25)
Land Transport Equipment	1,984,288.87	973,164.36
Accumulated Depreciation – Land Transport Equ	(880,041.02)	(793,133.26)
Other Machinery and Equipment	8,130,294.56	7,358,068.57
Accumulated Depreciaton- Other Machinery and	(4,696,294.20)	(4,209,974.26)
<b>Total</b>	<b>4,926,636.00</b>	<b>3,749,095.77</b>

**Furniture, Fixtures and Books**

Furniture and Fixtures	-	146,147.52
Accumulated Depreciation- Furniture and Fixtur	-	(98,679.06)
<b>Total</b>	<b>-</b>	<b>47,468.46</b>

**Construction-in-Progress**

Construction-in-Progress- Plant	10,503,416.85	10,503,416.85
Construction-in-Progress- Buildings and Other Str	-	-
<b>Total</b>	<b>10,503,416.85</b>	<b>10,503,416.85</b>

**TOTAL PROPERTY, PLANT AND EQUIPMENT**

241,437,483.38	241,270,892.61
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**OTHER ASSETS**

Sinking Fund	1,954,262.41	1,621,337.21
Restricted funds	2,854,316.21	2,085,987.75
Other Assets	2,451,393.78	2,393,630.88
<b>TOTAL OTHER ASSETS</b>	<u>7,259,972.40</u>	<u>6,100,955.84</u>

<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>268,773,597.76</u>	<u>262,970,279.76</u>
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**LIABILITIES AND EQUITY**  
**CURRENT LIABILITIES****Payable Accounts**

Accounts Payable	41,897.94	41,897.94
<b>Total</b>	<u>41,897.94</u>	<u>41,897.94</u>

**Inter-Agency Payables**

Due to National Government Agencies -BIR	152,002.43	150,223.43
Due to National Government Agencies -GSIS	269,936.44	191,745.47
Due to National Government Agencies -HDMF	42,087.04	50,133.07
Due to National Government Agencies-PHIC	13,250.00	12,950.00
<b>Total</b>	<u>477,275.91</u>	<u>405,051.97</u>

**Other Payables**

Due to Officers and Employees	-	-
Due to Other Funds	256,716.91	222,118.85
<b>Total</b>	<u>256,716.91</u>	<u>222,118.85</u>

**Loans/ Lease Payable**

Current Portion of Long-term Debt (Note 5)	3,318,637.40	1,606,282.43
Interest Payable	-	-
<b>Total</b>	<u>3,318,637.40</u>	<u>1,606,282.43</u>

**TOTAL CURRENT LIABILITIES**

4,094,528.16	2,275,351.19
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**DEFERRED CREDITS**

Customers' Deposit (Note 7)	4,051,948.70	3,706,214.55
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<b>TOTAL DEFERRED CREDITS</b>	<u>4,051,948.70</u>	<u>3,706,214.55</u>
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**NON-CURRENT LIABILITIES**

Loans Payable (Note 6)	24,890,344.53	28,574,857.34
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<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>24,890,344.53</u>	<u>28,574,857.34</u>
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<b>TOTAL LIABILITIES</b>	<u>33,036,821.39</u>	<u>34,556,423.08</u>
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**EQUITY**

Government Equity	188,853,236.22	188,853,236.22
Retained Earnings	46,883,540.15	39,560,620.46
<b>TOTAL EQUITY</b>	<u>235,736,776.37</u>	<u>228,413,856.68</u>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDIT ACCOUNTS</b>	<u>268,773,597.76</u>	<u>262,970,279.76</u>

*(See Accompanying Notes to Financial Statements)*

**BINMALEY WATER DISTRICT**  
**Binmaley, Pangasinan**  
**DETAILED INCOME STATEMENT**  
For the period Ending December 31, 2013

(With Comparative Figures of 2012)

	2013	2012
<b>Business and Service Income:</b>		
Generation, Transmission and Distribution Income	45,789,959.56	43,685,805.24
Interest Income	54,003.98	60,528.97
Other Business and Service Income	208,175.00	176,900.00
Fines and Penalties- Service Income	2,012,552.50	1,918,201.40
<b>Total Business and Service Income</b>	<u>48,064,691.04</u>	<u>45,841,435.61</u>
<b>Less: Operating Expenses:</b>		
<b>Operation Expenses:</b>		
<b>Personal Services</b>		
Salaries and Wages-Regular	7,094,923.00	6,716,795.17
Salaries and Wages-Contractual	110,715.00	-
Personnel Economic Relief Allowance (PERA)	175,500.00	180,000.00
Additional Compensation (ADCOM)	540,000.00	538,500.00
Representation Allowance	222,000.00	172,000.00
Transportation Allowance	222,000.00	172,000.00
Clothing and Uniform Allowance	150,000.00	150,000.00
Honoraria (Directors' Fees & Remunerations,etc)	557,140.00	838,540.00
Year-end Bonus	733,051.00	708,690.00
Other Bonuses and Allowances	2,234,500.00	2,512,944.00
Life and Retirement Insurance Contributions	861,297.96	805,750.56
PAG-IBIG Contributions	36,300.00	36,000.00
PHILHEALTH Contributions	78,875.00	75,075.00
ECC Contributions	35,692.80	35,552.12
Provident Fund Contributions	850,324.56	672,494.60
Vacation and Sick Leave Benefits	2,138.20	-
Overtime & Holiday Pay	396,093.67	461,014.72
Other Personnel Benefits	1,371,480.00	1,361,882.50
<b>Total Personal Services</b>	<u>15,672,031.19</u>	<u>15,437,238.67</u>
<b>Other operations Expenses</b>		
Office Supplies Expense	139,186.60	103,354.37
Fuel, Oil and Lubricants Expenses	317,392.54	286,296.33
Other Supplies Expenses	22,372.38	20,038.23
Travel Expenses	49,406.00	71,367.72
Training and Scholarship Expenses	90,929.40	43,834.66
Electricity	248,349.76	247,860.90
Fuel	-	-



Postage and Deliveries	1,180.00	1,025.00
Telephone Expenses- Landline	80,590.21	79,611.49
Telephone Expenses- Mobile	25,222.00	15,590.00
Internet Expenses	-	-
Cable, Satellite, Telegraph and Radio Expenses	4,800.00	4,400.00
Printing Expenses	-	-
Advertising, Promotional and Marketing Expenses	70,100.00	69,600.00
Taxes, Duties and Licenses	841,635.90	818,164.38
Insurance Premiums	71,271.93	26,954.30
Indemnities and Other Claims	-	-
Representation Expenses	558,478.57	572,543.36
Rent/ Lease Expenses	180,000.00	84,000.00
Generation, Transmission and Distribution Exp.	11,082,848.18	10,853,972.59
Extraordinary and Miscellaneous Expenses	224,971.00	200,443.66
Membership Dues and Cont. to Organizations	47,655.00	23,476.00
Donations	27,160.00	49,910.00
Auditing Services	8,186.35	-
Computer Data Processing Services	72,000.00	52,800.00
Other Professional Services	48,000.00	48,000.00
Depreciation - Land Improvements	2,662.20	2,662.20
Depreciation - Plant (UPIS)	1,469,387.13	1,010,534.44
Depreciation - Buildings and Other Structures	3,238,069.97	3,215,773.13
Depreciation - Leasehold Imprvt-Bldgs& Other Stri	-	-
Depreciation - Office Equipment	30,424.20	29,691.90
Depreciation - Laboratory Equipment	-	1,569.75
Depreciation - Land Transport Equipment	86,907.76	21,475.30
Depreciation - Other Machinery and Equipment	486,319.94	453,050.81
Depreciation - Furniture and Fixtures	5,329.53	5,194.60
Depreciation - IT Equipment	72,472.26	79,307.70
Other Losses	-	-
Other Maintenance and Operating Expenses	462,080.18	-
<b>Total Other Operations Expenses</b>	<u>20,065,388.99</u>	<u>18,492,502.82</u>
<b>Total Operation Expenses</b>	<u>35,737,420.18</u>	<u>33,929,741.49</u>

**Maintenance Expenses:**

Maintenance Supplies Expenses	-	-
Repairs and Maintenance - Land Improvements	-	-
Repairs and Maintenance - Plant (UPIS)	124,954.43	262,387.77
Repairs and Maintenance - Bldgs. & Other Struct.	2,150.00	-
Repairs and Maintenance - Leasehold Imprvt-B&O	-	-
Repairs and Maintenance - Office Equipment	7,775.00	29,655.00
Repairs and Maintenance - Laboratory Equipment	-	-
Repairs and Maintenance - Land Transport Equip't	48,095.25	51,053.00
Repairs and Maintenance - Other Mach.and Equip't	64,772.00	161,481.00
Repairs and Maintenance - Furniture and Fixtures	1,240.00	-

Repairs and Maintenance - IT Equipment	-	1,900.00
<b>Total Maintenance Expenses</b>	<u>248,986.68</u>	<u>506,476.77</u>
<b>Total Operation and Maintenance Expenses</b>	<u>35,986,406.86</u>	<u>34,436,218.26</u>
<b>Utility Operating Income</b>	<u>12,078,284.18</u>	<u>11,405,217.35</u>
<b>Other Income</b>		
Other Income	230,402.20	161,456.66
<b>Total Income</b>	<u>230,402.20</u>	<u>161,456.66</u>
<b>Net Income Before Interest &amp; Financial Charges</b>	<u>12,308,686.38</u>	<u>11,566,674.01</u>
Interest Expenses	3,606,448.98	4,381,681.75
<b>Net Income for the Period</b>	<u><u>8,702,237.40</u></u>	<u><u>7,184,992.26</u></u>

**BINMALEY WATER DISTRICT**  
**Binmaley, Pangasinan**  
**CASH FLOW STATEMENT**  
**December 31, 2013**  
**(With Comparative figures for 2012)**

	<u>2013</u>	<u>2012</u>
<b><u>Cash Flows from Operating Activities</u></b>		
<b>Cash Inflows:</b>		
Collection of Water Bills	P 47,667,017.11	P 45,138,849.44
Collection of Other Water Revenues	430,775.77	337,497.16
Refund of overpayment of exp. And Cash Adv.	285,883.87	237,668.35
Sale of service connection materials	1,281,280.16	1,081,382.12
Customer Deposit	401,824.90	317,442.45
Interest Income	26,737.08	25,388.62
<b>Total Cash Inflows</b>	<b><u>P 50,093,518.89</u></b>	<b><u>P 47,138,228.14</u></b>
<b>Cash Outflows:</b>		
Payment of Operating Expenses:		
Payroll	P 3,004,309.62	P 3,039,297.23
Fuel/Power for Pumping	8,513,699.34	8,330,219.53
Chemicals	843,870.00	785,105.00
Other Operation and Maint. Expenses	12,763,438.62	14,659,479.83
Payment of Payables	1,684,622.30	2,037,852.46
Purchase of Inventories	2,610,512.85	2,550,219.30
Payment of prepaid expenses	-	-
Remittance of GSIS/PAG-IBIG/Withholding Taxes	7,581,505.67	6,857,623.08
<b>Total Cash Outflows</b>	<b><u>P 37,001,958.40</u></b>	<b><u>P 38,259,796.43</u></b>
<b>Total Cash Provided (used) by Operating Activities</b>	<b><u>P 13,091,560.49</u></b>	<b><u>P 8,878,431.71</u></b>
<b><u>Cash Flows from Investing Activities:</u></b>		
<b>Cash Inflows:</b>		
Receipt from repayment of long term loans by LGUs	P -	P -
Proceeds from maturing Treasury Bills/Bonds/Short-Term Inv.	-	-
Proceeds from sale of:	-	-
Office Equipment, Furniture and Fixtures		
Transportation Equipment		
Other Property, Plant and Equipment		
<b>Total Cash Inflows</b>	<b>P -</b>	<b>P -</b>
<b>Cash Outflows:</b>		
Addition to Sinking Fund	P 328,652.61	P 109,502.42
Cash Deposit- Miscellaneous Special Fund	801,424.90	316,942.45
Purchase/construction of		
Other Machinery & Equipment	723,425.99	678,450.00
Office Equipment, IT Equipment Furnitures and Fixtures	1,602,424.51	150,812.24
Land, Buildings and Other Structures	2,562,282.72	215,000.00
Construction in Progress	-	1,705,106.68
<b>Total Cash Outflows</b>	<b><u>P 6,018,210.73</u></b>	<b><u>P 3,175,813.79</u></b>
<b>Total Cash Provided (Used) by Investing Activities</b>	<b><u>P (6,018,210.73)</u></b>	<b><u>P (3,175,813.79)</u></b>
<b><u>Cash Flows from Financing Activities</u></b>		
<b>Cash Inflows:</b>		
Proceeds from Borrowings (Loans Payable)	P -	P -
Proceeds from PDIC (Insured Portion)	-	-
<b>Cash Outflows:</b>		
Cash payment of int. on loans/bonds pay. and other fin.'l charges	782,846.43	
Payments of domestic loans	2,338,755.02	1,600,264.25



Total Cash Outflows	<u>P 3,121,601.45</u>	<u>P 1,600,264.25</u>
Total Cash Provided (used) by Financing Activities	<u>P (3,121,601.45)</u>	<u>P (1,600,264.25)</u>
Cash Provided by Operating, Investing and Financing Activities	3,951,748.31	4,102,353.67
Add: Cash and Cash Equivalents - Beginning	<u>10,304,481.16</u>	<u>6,202,127.49</u>
Cash and Cash Equivalents, Ending	<u><u>P 14,256,229.47</u></u>	<u><u>P 10,304,481.16</u></u>

**BINMALEY WATER DISTRICT**  
**Binmaley, Pangasinan**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the Year ended December 31, 2013**  
**(With Comparative figures for 2012)**

	<u><b>2013</b></u>	<u><b>2012</b></u>
Government Equity Beginning	P 188,853,236.22	P 188,853,236.22
Retained Earnings	39,560,620.46	32,991,186.00
Add/(Deduct): Prior Period Adjustments	(1,379,317.71)	7,184,992.26
Add: Net Income	8,702,237.40	(615,557.80)
<b>Balances at Year-end</b>	<u><u><b>P 235,736,776.37</b></u></u>	<u><u><b>P 228,413,856.68</b></u></u>

**BINMALEY WATER DISTRICT**  
**Binmaley, Pangasinan**

**NOTES TO FINANCIAL STATEMENTS**  
CY 2013

**1. SIGNIFICANT ACCOUNTING POLICIES**

**a. Accounting System**

The Binmaley Water District adopts the Unified CPS-NGAS Accounting System.

**b. Revenue and Expense Recognition**

The District adopts the accrual method of accounting for both income and expense. Under this method, expenses are recognize and recorded regardless of when paid while revenues or income are recognized and recorded when earned regardless of when collected.

**c. Inventories**

Inventories consisting of supplies and materials are recorded at cost using the moving average method.

**d. Property, Plant and Equipment**

Property, plant and equipment are carried in the books at cost less accumulated depreciation. Depreciation is computed using the straight line method.

**2. CASH AND CASH EQUIVALENTS**

This account consists of the following:

	<b>2013</b>	<b>2012</b>
Cash-Collecting Officer	935,706.76	867,334.63
Working Fund	8,537.36	10,000.00
Cash in Bank-LCCA- (LBP 2422-1025-77)	1,219,172.07	2,438,413.87
Cash in Bank-Local Currency Savings Account (LBP 2421-1434-66)	12,092,813.28	6,988,732.66
<b>TOTAL</b>	<b>14,256,229.47</b>	<b>10,304,481.16</b>

**3. ACCOUNTS RECEIVABLE**

Accounts Receivable represents uncollected water bills from active and inactive concessionaires.



Other Receivables refer to the amount due from customers or other parties arising from transactions other than water sales and unpaid materials used by concessionaires.

#### 4. OTHER ASSETS

The Other Assets-Other Assets Accounts includes the foreclosed deposit at People's Rural Bank in the amount of P2,277,809.17.

#### 5. CURRENT PORTION OF LONG TERM DEBT

This represents the current portion of long term debt from Local Water Utilities Administration and Land Bank of the Philippines. It consists of the following:

	2013	2012
Loan Account No. 3-164	-0-	-0-
Loan Account No. 3-796	-0-	93,876.43
Loan Account No. 4-1923	-0-	365,974.00
Loan Account No. 4-2184	1,302,353.00	1,121,988.00
Loan Account No. 10-0003	-0-	24,444.00
LBP Loan 1	1,832,985.84	-0-
LBP Loan 2	183,298.56	-0-
<b>TOTAL</b>	<b>3,318,637.40</b>	<b>1,606,282.43</b>

#### 6. LOANS PAYABLE-NON-CURRENT

	2013	2012
Loan Account No. 3-164	-0-	-0-
Loan Account No. 3-796	-0-	2,841,909.09
Loan Account No. 4-1923	-0-	15,212,276.25
Loan Account No. 4-2184	9,218,315.00	10,520,668.00
Loan Account No. 10-0003	-0-	4.00
LBP Loan 1	15,580,380.23	-0-
LBP Loan 2	91,649.30	-0-
<b>TOTAL</b>	<b>24,890,344.53</b>	<b>30,181,164.77</b>

#### 7. CUSTOMERS' DEPOSITS

This account represents the amount deposited by customers before the extension of any service connections as a security for the payment of subsequent bills as a guarantee deposit.