REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Mendez Water District
Mendez, Cavite

Qualified Opinion

We have audited the financial statements of the Mendez Water District (MWD), which comprise the Statement of Financial Position as at December 31, 2017 to 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the years then ended, and Notes to Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly in all material respects, the financial position of the MWD as at December 31, 2017 to 2021, its comprehensive income, and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

As discussed in Part II - Audit Observations and Recommendations portion of this Report, the Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the MWD due to the unreconciled variances of ₱4,120,115.97, ₱5,677,219.14, ₱6,680,995.45, ₱4,061,180.67 and (₱778,796.45) for CYs 2017, 2018, 2019, 2020 and 2021, respectively, of the Property, Plant and Equipment (PPE) account. Also, there was no accrual of unused earned leave credits of the MWD's regular employees with a monetary value of ₱5,916,248.21 at year-end which resulted in the understatement of the Leave Benefits Payable and Terminal Leave Benefits accounts by the same amount. Likewise, audit fees due to the Commission on Audit (COA) of ₱729,976.95 was misclassified under the Due to Other Government Corporations account instead of the Due to National Government Agencies (NGAs) account, while ₱150,468.00 was unrecorded at year-end which overstated the Due to Other Government Corporations and Retained Earning accounts by ₱729,976.95 and ₱150,468.00, respectively, and understated the Due to NGAs account by ₱880,444.95.

Moreover, there was an unreconciled variance of ₱128,874.53 on the Inventory account, misclassification of non-accountable forms of ₱69,472.00, outright recognition as expense of unused check booklets of ₱1,704.00, and unsubstantiated Other Supplies and Materials Inventory of ₱12,150.00 at year-end. Further, rates used for the Allowance for Impairment of Accounts Receivable was unreliable at year-end.

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRSs, 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.

Those charged with governance are responsible for overseeing the MWD's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:

SYLVIA A. ESPIRITU
Supervising Auditor

September 30, 2022

MENDEZ WATER DISTRICT
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **Mendez Water District** is responsible for the preparation of the financial statements as at December 31, 2017, 2018, 2019, 2020 and 2021, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the **Mendez Water District** in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

MARIETTA P. SALAZAR
Division Manager C -
Administrative, Commercial and Financial

February 14, 2022
Date Issued

REDENTOR C. BOBADILLA
General Manager

February 14, 2022
Date Issued

MENDEZ WATER DISTRICT
STATEMENT OF FINANCIAL POSITION
As of December 31, 2017, 2018, 2019, 2020 and 2021
(With Comparative Figures for CY 2016)

	Note	2021	2020	2019	2018	2017	2016
ASSETS							
Current Assets							
Cash and Cash Equivalents	3	P 11,260,314.72	P 7,621,256.53	P 7,085,288.61	P 6,161,277.97	P 8,310,881.06	P 8,087,591.78
Receivables	4	2,797,317.86	3,104,264.55	1,680,393.61	1,676,382.68	1,805,433.81	1,694,921.95
Inventories	5	624,506.77	982,279.97	783,538.97	823,365.31	808,618.10	2,292,053.58
Other Current Assets	6	2,474,716.72	3,076,689.48	3,100,855.00	3,344,265.55	2,839,636.42	3,516,270.28
Total Current Assets		**17,156,856.07**	**14,784,490.53**	**12,650,076.19**	**12,005,291.51**	**13,764,569.39**	**15,590,837.59**
Non-Current Assets							
Property, Plant and Equipment	7	28,065,016.89	28,480,675.29	28,784,916.53	29,163,179.20	29,240,626.98	31,112,606.84
Other Non-Current Assets	8	3,432,878.68	3,432,878.68	3,743,476.86	3,743,476.86	3,303,442.38	70,385.22
Total Non-Current Assets		**31,497,895.57**	**31,913,553.97**	**32,528,393.39**	**32,906,656.06**	**32,544,069.36**	**31,182,992.06**
Total Assets		**P 48,654,751.64**	**P 46,698,044.50**	**P 45,178,469.58**	**P 44,911,947.57**	**P 46,308,638.75**	**P 46,773,829.65**
LIABILITIES							
Current Liabilities							
Financial Liabilities	9	P 1,413,975.00	P 3,690,674.08	P 1,548,851.00	P 1,490,816.00	P 1,435,293.21	P 1,384,867.00
Inter-Agency Payables	10	1,425,395.06	1,000,841.06	1,250,260.84	1,051,634.58	1,099,804.22	1,024,331.41
Trust Liabilities	11	36,260.86	36,260.86	37,529.46	14,923.94	1,192.84	1,192.84
Other Payables	12	0.00	0.00	170,645.80	323,687.00	613,525.00	122,654.59
Total Current Liabilities		**2,875,630.92**	**4,727,776.00**	**3,007,287.10**	**2,881,061.52**	**3,149,815.27**	**2,533,045.84**
Non-Current Liabilities							
Financial Liabilities	13	19,102,695.86	20,516,225.86	22,129,241.67	23,678,092.67	25,167,762.67	26,602,891.67
Total Non-Current Liabilities		**19,102,695.86**	**20,516,225.86**	**22,129,241.67**	**23,678,092.67**	**25,167,762.67**	**26,602,891.67**
Total Liabilities		**21,978,326.78**	**25,244,001.86**	**25,136,528.77**	**26,559,154.19**	**28,317,577.94**	**29,135,937.51**
EQUITY							
Government Equity		6,277,634.23	5,902,994.23	1,084,444.23	86,063.54	86,063.54	86,063.54
Retained Earnings/(Deficit)		20,398,790.63	15,551,048.41	18,957,496.58	18,266,729.84	17,904,997.27	17,551,828.60
Total Equity		**26,676,424.86**	**21,454,042.64**	**20,041,940.81**	**18,352,793.38**	**17,991,060.81**	**17,637,892.14**
Total Liabilities and Equity		**P 48,654,751.64**	**P 46,698,044.50**	**P 45,178,469.58**	**P 44,911,947.57**	**P 46,308,638.75**	**P 46,773,829.65**

(See accompanying Notes to Financial Statements)

MENDEZ WATER DISTRICT
STATEMENT OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017, 2018, 2019, 2020 and 2021
(With Comparative Figures for CY 2016)

	Note	2021	2020	2019	2018	2017	2016
Income							
Service and Business Income	14	P 35,970,064.20	P 33,174,180.41	P 32,082,254.84	P 30,077,397.83	P 28,226,633.69	P 26,453,134.59
Other Non-Operating Income	15	30,670.50	36,667.00	35,614.00	0.00	0.00	36,585.98
Total Income		**36,000,734.70**	**33,210,847.41**	**32,117,868.84**	**30,077,397.83**	**28,226,633.69**	**26,489,720.57**
Expenses							
Personnel Services	16	13,567,813.78	13,763,668.68	11,664,197.64	11,143,187.43	10,711,773.58	8,883,280.08
Maintenance and Other Operating Expenses	17	14,416,653.86	15,044,593.64	16,542,404.77	15,757,020.76	13,254,561.30	11,732,717.68
Financial Expenses	18	791,089.00	870,857.00	949,032.00	1,017,234.38	1,083,221.00	1,144,872.00
Non-Cash Expenses	19	2,447,171.40	2,458,548.65	2,264,201.67	2,071,180.28	2,413,239.39	3,238,109.60
Total Expenses		**31,222,728.04**	**32,137,667.97**	**31,419,836.08**	**29,988,622.85**	**27,462,795.27**	**24,998,979.36**
Comprehensive Income/(Loss)		P **4,778,006.66**	P **1,073,179.44**	P **698,032.76**	P **88,774.98**	P **763,838.42**	P **1,490,741.21**

(See accompanying Notes to Financial Statements)

MENDEZ WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
For the Years Ended December 31, 2017, 2018, 2019, 2020 and 2021
(With Comparative Figures for CY 2016)

	Government Equity	Retained Earnings/(Deficit)	Total
BALANCE AT DECEMBER 31, 2015	₱ 86,063.54	₱ 16,096,502.37	₱ 16,182,565.91
CHANGES IN EQUITY FOR 2016			
Add/(Deduct):			
Comprehensive Income for the Year	0.00	1,490,741.21	1,490,741.21
Other Adjustments	0.00	(35,414.98)	(35,414.98)
BALANCE AT DECEMBER 31, 2016	**86,063.54**	**17,551,828.60**	**17,637,892.14**
CHANGES IN EQUITY FOR 2017			
Add/(Deduct):			
Comprehensive Income for the Year	0.00	763,838.42	763,838.42
Other Adjustments	0.00	(410,669.75)	(410,669.75)
BALANCE AT DECEMBER 31, 2017	**86,063.54**	**17,904,997.27**	**17,991,060.81**
CHANGES IN EQUITY FOR 2018			
Add/(Deduct):			
Comprehensive Income for the Year	0.00	88,774.98	88,774.98
Other Adjustments	0.00	272,957.59	272,957.59
BALANCE AT DECEMBER 31, 2018	**86,063.54**	**18,266,729.84**	**18,352,793.38**
CHANGES IN EQUITY FOR 2019			
Add/(Deduct):			
Additional Capital from National Government	998,380.69	0.00	998,380.69
Comprehensive Income for the Year	0.00	698,032.76	698,032.76
Other Adjustments	0.00	(7,266.02)	(7,266.02)
BALANCE AT DECEMBER 31, 2019	**1,084,444.23**	**18,957,496.58**	**20,041,940.81**
CHANGES IN EQUITY FOR 2020			
Add/(Deduct):			
Additional Capital from National Government	4,818,550.00	0.00	4,818,550.00
Comprehensive Income for the Year	0.00	1,073,179.44	1,073,179.44
Other Adjustments	0.00	(4,479,627.61)	(4,479,627.61)
BALANCE AT DECEMBER 31, 2020	**5,902,994.23**	**15,551,048.41**	**21,454,042.64**
CHANGES IN EQUITY FOR 2021			
Add/(Deduct):			
Additional Capital from National Government	374,640.00	0.00	374,640.00
Comprehensive Income for the Year	0.00	4,778,006.66	4,778,006.66
Other Adjustments	0.00	69,735.56	69,735.56
BALANCE AT DECEMBER 31, 2021	**₱ 6,277,634.23**	**₱ 20,398,790.63**	**₱ 26,676,424.86**

MENDEZ WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2017, 2018, 2019, 2020 and 2021
(With Comparative Figures for CY 2016)

	2021	2020	2019	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Inflows						
Proceeds from Sale of Goods and Services	₱ 34,056,455.51	₱ 29,523,304.14	₱ 29,967,198.44	₱ 27,959,291.86	₱ 26,365,728.50	₱ 24,870,171.17
Collection of Revenue/Income						
Collection of Service and Business Income	2,281,669.00	2,032,319.00	2,081,035.00	2,188,825.75	1,557,578.03	1,687,195.98
Receipt of Shares, Donations and Grants	0.00	0.00	0.00	22,800.00	0.00	0.00
Collection of Other Non-operating Income	64,922.90	184,623.61	61,171.01	0.00	19,890.00	67,937.02
Receipt of Assistance and Subsidy						
Assistance from Local Government Units	374,640.00	0.00	998,380.69	0.00	0.00	0.00
Collection of Receivables						
Collection of Other Receivables	88,218.05	615.00	5,350.00	11,472.55	15,702.50	53,080.50
Trust Receipts						
Receipt of Customers' Deposits	0.00	36,194.52	49,626.00	67,323.75	0.00	0.00
Other Receipts						
Receipt of Refund of Guaranty Deposits	601,972.76	0.00	219,426.07	90,322.40	71,821.23	60,128.99
Receipt of Unused Petty Cash Fund	4,500.50	73.00	0.00	2,763.00	2,710.00	0.00
Receipt of Refund of Cash Advances	21,555.50	11,091.00	34,564.75	18,208.35	25,119.64	121,916.86
Other Miscellaneous Receipts	0.00	655.56	66,646.40	14,500.00	5,445.04	5,628.61
Total Cash Inflows	**37,493,934.22**	**31,788,875.83**	**33,483,398.36**	**30,375,507.66**	**28,063,994.94**	**26,866,059.13**
Cash Outflows						
Payment of Expenses						
Payment of Personnel Services	10,442,067.72	10,915,802.58	8,695,870.54	7,911,637.42	7,183,382.22	6,108,984.67
Payment of Maintenance and Other Operating Expenses	9,324,669.35	5,008,644.16	14,595,447.32	13,741,329.36	11,351,627.23	9,965,792.53
Payment of Financial Expenses	0.00	0.00	3,200.00	0.00	0.00	2,136,120.12
Purchase of Inventories						
Purchase of Inventory Held for Consumption	775,029.34	330,425.89	295,295.78	157,774.65	122,205.00	285,596.62
Grant of Cash Advances						
Advances for Payroll	0.00	34,378.45	0.00	0.00	0.00	0.00
Advances to Officers and Employees	17,000.00	212,662.70	67,895.72	22,391.14	54,573.69	0.00
Prepayments						
Other Prepayments	0.00	0.00	0.00	0.00	20,000.00	0.00
Refund of Deposits						
Payment of Guaranty Deposits	0.00	0.00	0.00	0.00	0.00	1,215,109.51
Payments of Accounts Payable	4,665,853.33	7,299,941.07	0.00	0.00	0.00	0.00
Remittance of Personnel Benefit Contributions and Mandatory Deductions						
Remittance of Taxes Withheld	2,248,337.34	1,859,356.16	1,522,919.66	1,938,825.29	1,914,474.15	0.00
Remittance to GSIS/Pag-IBIG/PhilHealth/SSS	2,158,075.55	2,068,642.08	2,280,983.14	2,483,987.21	2,385,319.43	3,028,481.40
Remittance of Other Payables	0.00	0.00	1,023,093.00	1,455,796.75	1,144,599.95	0.00

	2021	2020	2019	2018	2017	2016
Other Disbursements						
Refund of Excess Income	0.00	0.00	0.00	0.00	11,444.25	0.00
Refund of Excess Working Fund/Fund Transfers/Trust Fund	0.00	0.00	0.00	10,000.00	10,000.00	0.00
Other Disbursements	0.00	32,000.00	22,000.00	0.00	719,786.39	0.00
Total Cash Outflows	**29,631,032.63**	**27,762,053.09**	**28,506,705.16**	**27,721,741.82**	**24,917,412.31**	**22,740,084.85**
Net Cash Provided by Operating Activities	**7,862,901.59**	**4,026,822.74**	**4,976,693.20**	**2,653,765.84**	**3,146,582.63**	**4,125,974.28**
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash Inflows						
Proceeds from Sale of Other Assets	71,898.50	67,505.00	59,531.00	49,176.50	42,162.00	0.00
Total Cash Inflows	**71,898.50**	**67,505.00**	**59,531.00**	**49,176.50**	**42,162.00**	**0.00**
Cash Outflows						
Purchase/Construction of Property, Plant and Equipment						
Construction of Infrastructure Assets	0.00	0.00	0.00	341,890.32	433,747.72	0.00
Purchase of Machinery and Equipment	0.00	0.00	0.00	78,416.00	64,419.63	0.00
Purchase of Transportation Equipment	0.00	0.00	0.00	0.00	0.00	90,000.00
Construction in Progress	652,479.05	827,920.28	1,087,904.14	1,310,524.20	0.00	0.00
Purchase of Other Property, Plant and Equipment	933,999.00	224,985.60	0.00	0.00	0.00	0.00
Advances to Contractors	305,604.04	118,347.21	254,634.56	122,550.00	0.00	0.00
Payment of Guaranty Deposit	0.00	0.00	0.00	546,801.53	0.00	0.00
Payment for Rehabilitation of Property, Plant and Equipment (capitalized repair)	0.00	0.00	334,172.86	0.00	0.00	0.00
Purchase of Intangible Assets						
Purchase of Computer Software	0.00	0.00	0.00	0.00	0.00	331,160.59
Total Cash Outflows	**1,892,082.09**	**1,171,253.09**	**1,676,711.56**	**2,400,182.05**	**498,167.35**	**421,160.59**
Net Cash Used in Investing Activities	**(1,820,183.59)**	**(1,103,748.09)**	**(1,617,180.56)**	**(2,351,005.55)**	**(456,005.35)**	**(421,160.59)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash Outflows						
Payment of Long-Term Liabilities						
Payment of Domestic Loans	1,612,570.81	1,561,346.73	1,489,670.00	1,435,129.00	1,384,867.00	1,338,507.00
Payment of Interest on Loans and Other Financial Charges	791,089.00	825,760.00	945,832.00	1,017,234.38	1,082,421.00	1,144,924.00
Total Cash Outflows	**2,403,659.81**	**2,387,106.73**	**2,435,502.00**	**2,452,363.38**	**2,467,288.00**	**2,483,431.00**
Net Cash Used in Financing Activities	**(2,403,659.81)**	**(2,387,106.73)**	**(2,435,502.00)**	**(2,452,363.38)**	**(2,467,288.00)**	**(2,483,431.00)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,639,058.19	535,967.92	924,010.64	(2,149,603.09)	223,289.28	1,221,382.69
CASH AND CASH EQUIVALENTS, JANUARY 1	7,621,256.53	7,085,288.61	6,161,277.97	8,310,881.06	8,087,591.78	6,866,209.09
CASH AND CASH EQUIVALENTS, DECEMBER 31	P 11,260,314.72	P 7,621,256.53	P 7,085,288.61	P 6,161,277.97	P 8,310,881.06	P 8,087,591.78