



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Ave., Quezon City

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**INDEPENDENT AUDITOR'S REPORT**

**THE BOARD OF DIRECTORS**

Laguna Lake Development Authority  
Sugar Regulatory Administration Compound  
North Avenue, Quezon City

We have audited the accompanying financial statements of the Laguna Lake Development Authority which comprise the Balance Sheet as of December 31, 2011 and the Statements of Income and Expenses and Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

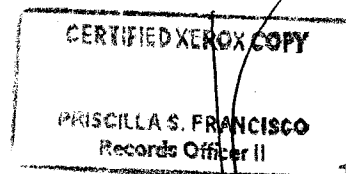
*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines and for such internal control as management determines 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 the results of our audit. We conducted our audit in accordance with generally accepted state auditing standards. These 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 misstatements.

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 qualified audit opinion.

*Basis for Qualified Opinion*


As discussed in Part II, Observations and Recommendations portion of this report, the accuracy and reliability of the Property, Plant and Equipment (PPE) account with a total book value of ₱85,999,592.35 could not be ascertained as the Authority did not conduct physical inventory since CY 2010 and the amount of ₱12,271,869.26 of the account remained unreconciled between the general and subsidiary ledger balances, contrary to pertinent accounting and auditing rules and regulations and sound property management practice.

*Qualified Opinion*

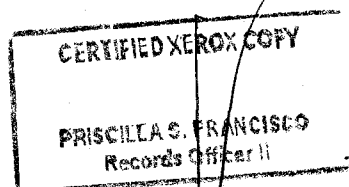
In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Laguna Lake Development Authority as of December 31, 2011 and of their financial performance and cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

COMMISSION ON AUDIT

By:

  
**JOSE M. MAESTRE II**  
Team Leader

May 15, 2012

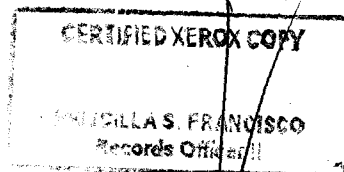


**LAGUNA LAKE DEVELOPMENT AUTHORITY**  
**BALANCE SHEET**

As of December 31, 2011  
(With Comparative Figures for CY 2010)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 5)	P 54,701,835.50	P 11,993,943.47
Receivables (Note 6)	274,944,261.13	247,910,294.10
Supplies Inventories (Note 7)	2,004,109.01	2,440,051.35
Prepayments (Note 8)	525,903.78	6,477.26
Other Current Assets (Note 9)	3,333,982.30	2,548,771.30
<b>Total Current Assets</b>	<u><b>335,510,091.72</b></u>	<u><b>264,899,537.48</b></u>
<b>Non-Current Assets</b>		
Investment in Securities (Note 10)	252,374,477.20	292,552,016.85
Property, Plant and Equipment (Note 11)	87,449,442.35	90,228,669.44
<b>Total Non-Current Assets</b>	<u><b>339,823,919.55</b></u>	<u><b>382,780,686.29</b></u>
<b>Total Assets</b>	<u><b>P 675,334,011.27</b></u>	<u><b>P 647,680,223.77</b></u>
 <b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Payable Accounts (Note 12)	P 20,796,091.99	P 29,910,788.45
Inter-Agency Payables (Note 13)	45,571,510.55	39,764,842.62
Other Liability Accounts (Note 14)	1,519,504.48	3,241,773.98
<b>Total Current Liabilities</b>	<u><b>67,887,107.02</b></u>	<u><b>72,917,405.05</b></u>
Long Term Liabilities (Note 15)	3,340,918.87	2,377,931.52
Deferred Credits (Note 16)	62,079,866.78	24,542,700.48
<b>Total Liabilities</b>	<u><b>133,307,892.67</b></u>	<u><b>99,838,037.05</b></u>
<b>Equity</b>		
Capital Stock (Note 17)		
Ordinary Shares	9,316,900.00	9,316,900.00
Preferred Shares	639,300.00	639,300.00
	<u>9,956,200.00</u>	<u>9,956,200.00</u>
Subscribed Capital Stock	377,185,600.00	377,185,600.00
Restricted Capital (Note 18)	27,371,388.79	24,044,153.05
Retained Earnings (Note 19)	127,512,929.81	136,656,233.67
<b>Total Equity</b>	<u><b>542,026,118.60</b></u>	<u><b>547,842,186.72</b></u>
<b>Total Liabilities and Equity</b>	<u><b>P 675,334,011.27</b></u>	<u><b>P 647,680,223.77</b></u>

(See accompanying Notes to Financial Statements)

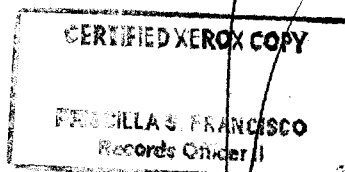


**LAGUNA LAKE DEVELOPMENT AUTHORITY**  
**STATEMENT OF INCOME AND EXPENSES**

For the Year ended December 31, 2011  
 (With Comparative Figures for CY 2010)

	<u>2011</u>	<u>2010</u>
<b>INCOME FROM OPERATIONS</b>		
Permits and Licenses (Note 20)	P 112,969,228.10	P 86,088,074.33
Service Income (Note 21)	40,216,467.64	47,063,926.83
Business Income (Note 22)	349,789.28	35,914,754.65
Other Income (Note 23)	5,375,276.63	18,642,894.61
<b>Total Income</b>	<u>158,910,761.65</u>	<u>187,709,650.42</u>
 <b>OPERATING EXPENSES</b>		
Personal Services (Note 24a)	72,274,257.76	74,335,666.28
Maintenance and Other Expenses (Note 24b)	81,592,708.64	83,813,662.78
Financial Expenses (Note 24c)	69,751.86	102,061.79
<b>Total Expenses</b>	<u>153,936,718.26</u>	<u>158,251,390.85</u>
 <b>Net Income</b>	 <u>P 4,974,043.39</u>	 <u>P 29,458,259.57</u>

(See accompanying Notes to Financial Statements)



**LAGUNA LAKE DEVELOPMENT AUTHORITY**

**STATEMENT OF CHANGES IN EQUITY**

For the Year ended December 31, 2011  
(With Comparative Figures for CY 2010)

	<u>2011</u>	<u>2010</u>
Capital Stock, Beginning	P 9,956,200.00	P 9,956,200.00
Issued Stock	<u>0.00</u>	<u>0.00</u>
Capital Stock, End	9,956,200.00	9,956,200.00
Subscribed Capital Stock	<u>377,185,600.00</u>	<u>377,185,600.00</u>
Total Capital	<u>387,141,800.00</u>	<u>387,141,800.00</u>
Restricted Capital, Beginning	24,044,153.05	26,179,813.69
Add (Deduct) Changes in Surplus Reserves	<u>3,327,235.74</u>	<u>(2,135,660.64)</u>
Restricted Capital, End	<u>27,371,388.79</u>	<u>24,044,153.05</u>
Retained Earnings, Beginning	136,656,233.67	126,415,479.39
Surplus Adjustments	<u>(14,117,347.25)</u>	<u>(19,217,505.29)</u>
Adjusted Retained Earnings	122,538,886.42	107,197,974.10
Add (Deduct): Net Income (Loss)	<u>4,974,043.39</u>	<u>29,458,259.57</u>
Retained Earnings, End (Note 19)	<u>127,512,929.81</u>	<u>136,656,233.67</u>
<b>Total Equity</b>	<b><u>P 542,026,118.60</u></b>	<b><u>P 547,842,186.72</u></b>

(See accompanying Notes to Financial Statements)

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 PRISCILLA S. FRANCISCO  
 Records Officer II

**LAGUNA LAKE DEVELOPMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2011  
(With Comparative Figures for CY 2010)

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
<b>Cash Inflows:</b>		
Collection of Permits and Licenses	P 46,929,464.27	P 45,237,268.95
Collection of Receivables/refund	112,530,889.90	86,996,011.00
Collection of Service Income	35,537,712.74	39,802,364.10
Grants received for LISCOP	0.00	5,848,831.30
Collection of Receipts - PEMSEA	270,000.00	0.00
Collection of Business Income	337,587.35	36,053,155.34
Receipt from Guaranty Deposit	15,489.31	0.00
Collection of Other Income	67,352.25	1,299,220.00
Deposit of Collection	1,225,730.98	0.00
Collection of Interest Receivable	3,206,765.83	1,758,596.00
Collection from Performance/ Bidders Bond	45,700.85	2,337,500.00
Cancellation of stale and outstanding checks	158,926.75	52,038.00
Collection of Receivables from employees	821,817.65	234,649.00
<b>Total Cash Inflows</b>	<b>201,147,437.88</b>	<b>219,619,633.69</b>
<b>Cash Outflows</b>		
Payments made to suppliers	56,064,389.00	107,178,026.00
Payments made to employees	52,254,619.00	53,710,580.00
Remittance to GSIS, Pag-ibig, Philhealth and BIR	30,434,907.00	0.00
Remittance of LGU of Fishpen Fee Share	29,252,780.00	9,586,126.39
LISCOP expenses	0.00	12,666,612.00
Payment of Income Tax Payable, Insurance and Other Fees	10,377,352.00	16,014,933.00
Payment of Prior Period Expenses	13,503,883.00	8,840,672.00
Equity for LGU LISCOP Projects	2,696,894.75	17,365,415.00
Refund of Performance Bonds	30,000.00	2,521,992.00
Disbursements from Trust Receipts	89,656.00	0.00
Guaranty Deposits	1,021,700.00	98,050.00

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PRISCILLA S. FRANCISCO  
Records Officer II

Payment of Interest and Other Financial Charges	69,752.00	102,061.00
<b>Total Cash Outflows</b>	<u>195,795,932.75</u>	<u>228,084,467.39</u>
<b>Total Cash Provided (Used) by Operating Activities</b>	<u>5,351,505.13</u>	<u>(8,464,833.70)</u>
<b>Cash Flows from Investing Activities</b>		
<b>Cash Inflow</b>		
Financial Investments	142,540,103.90	58,110,152.00
<b>Cash Outflows</b>		
Purchase of Furniture, Fixtures and Equipment	2,101,193.00	2,866,694.00
Leasehold Improvement	602,670.00	0.00
<b>Total Cash Outflows</b>	<u>2,703,863.00</u>	<u>2,866,694.00</u>
<b>Total Cash Provided by Investing Activities</b>	<u>139,836,240.90</u>	<u>55,243,458.00</u>
<b>Cash Flows from Financing Activities</b>		
<b>Cash Inflow</b>		
Offsetting of Dividends Payable against Stocks Subscription Receivables	0.00	8,790,929.00
<b>Cash Outflows</b>		
Withdrawal from Marketable Securities	96,592,092.00	65,000,945.00
Payment of Motor Vehicles	0.00	10,800,000.00
Dividends paid	5,887,762.00	0.00
<b>Total Cash Outflows</b>	<u>102,479,854.00</u>	<u>75,800,945.00</u>
<b>Total Cash Used by Financing Activities</b>	<u>102,479,854.00</u>	<u>67,010,016.00</u>
<b>Cash Provided by Operating, Investing and Financing Activities</b>	<b>42,707,892.03</b>	<b>(20,231,391.70)</b>
<b>Add:</b>		
Cash and Cash Equivalents - Beginning	<u>11,993,943.47</u>	<u>32,225,335.17</u>
<b>Cash and Cash Equivalents - Ending</b>	<b>P <u>54,701,835.50</u></b>	<b>P <u>11,993,943.47</u></b>

