



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

**INDEPENDENT AUDITOR'S REPORT**

**THE BOARD OF DIRECTORS**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Laguna Lake Development Authority, which comprise the statement of financial position as at December 31, 2012, 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 generally accepted in the Philippines, 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 Philippine Standards on 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 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*

The variance of P47.176 million between the P186.219 million book balance of serviceable Property, Plant and Equipment account and the P139.043 million result of the physical inventory count as at December 31, 2012 was not reconciled. Further, unserviceable fixed assets presented under the Other Assets account with book balance of P19.983 million were not supported by physical inventory reports. We were not able to establish the accuracy and validity of the accounts by alternative procedures.

*Qualified Opinion*

In our opinion, except for the possible effects of the matters discussed 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 at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**COMMISSION ON AUDIT**

By:



**TEODORA M. LACERNA**  
Supervising Auditor

August 28, 2013

**LAGUNA LAKE DEVELOPMENT AUTHORITY  
STATEMENT OF FINANCIAL POSITION**

**December 31, 2012**

(With comparative figures as of December 31, 2011)

(In Philippine Peso)

	Notes	2012	2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	72,475,328	54,701,836
Receivables-net	4	99,638,555	105,423,012
Supplies inventory	5	1,995,917	2,004,109
Prepayments	6	41,443,832	525,904
Other current assets	7	2,196,421	3,333,982
Total current assets		217,750,053	165,988,843
<b>Non-Current Assets</b>			
Investments	8	218,064,479	252,374,477
Property, plant and equipment-net	9	83,402,705	87,449,442
Other assets-net	10	1,998,367	-
Total non-current assets		303,465,551	339,823,919
<b>TOTAL ASSETS</b>		<b>521,215,604</b>	<b>505,812,762</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Payables	11	17,867,110	20,796,092
Inter-agency payables	12	28,198,828	45,571,510
Other liability accounts	13	2,951,232	1,519,504
Total current liabilities		49,017,170	67,887,106
<b>Long-term liabilities</b>	14	<b>2,444,672</b>	<b>3,340,919</b>
<b>Deferred credits</b>	15	<b>51,015,325</b>	<b>62,079,867</b>
<b>Total Liabilities</b>		<b>102,477,167</b>	<b>133,307,892</b>
<b>Equity</b>		<b>418,738,437</b>	<b>372,504,870</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>521,215,604</b>	<b>505,812,762</b>

*See accompanying Notes to Financial Statements.*

**LAGUNA LAKE DEVELOPMENT AUTHORITY  
STATEMENT OF COMPREHENSIVE INCOME**

**For the Year Ended December 31, 2012**

(With comparative figures for the year ended December 31, 2011)

(In Philippine Peso)

	Notes	2012	2011
<b>OPERATING INCOME</b>			
Permits and licenses	18	90,142,141	112,969,228
Service income	19	55,752,772	40,216,468
Subsidy from the National Government	20	6,972,604	-
Business income	21	388,264	349,789
Other income	22	6,410,450	5,375,277
<b>TOTAL INCOME</b>		<b>159,666,231</b>	<b>158,910,762</b>
<b>OPERATING EXPENSES</b>			
Personal Services			
Salaries and wages		54,520,793	45,236,500
Other compensation		16,163,280	15,634,387
Personnel benefits contribution		7,726,063	6,497,433
Other personnel benefits		5,572,156	4,905,938
		<b>83,982,292</b>	<b>72,274,258</b>
Maintenance and Other Operating Expenses			
Professional services		14,861,515	22,512,749
Supplies and materials		13,996,105	12,805,265
Depreciation		8,148,126	8,377,092
Rent		8,048,597	7,848,931
Training and scholarship		4,007,180	3,991,597
Utility		3,477,425	3,868,411
Representation		2,152,382	3,020,820
Transportation and delivery		1,936,992	1,844,258
Repairs and maintenance		1,887,922	1,679,243
Communication		1,232,276	1,115,789
Taxes, insurance premiums and other fees		834,450	653,492
Traveling expenses		812,013	971,768
Printing and binding		388,827	6,113
Advertising		316,510	728,747
Extraordinary and miscellaneous		188,421	171,579
Subscription		103,465	87,311
Membership contribution		62,500	15,000
Other maintenance and other operating expenses		10,143,590	11,892,236
		<b>72,598,296</b>	<b>81,590,401</b>
Financial Expenses		5,544	69,752
<b>TOTAL EXPENSES</b>		<b>156,586,132</b>	<b>153,934,411</b>
<b>PROFIT FROM OPERATIONS</b>		<b>3,080,099</b>	<b>4,976,351</b>
<b>OTHER INCOME (EXPENSES)</b>			
Loss on Foreign Exchange		(17,564)	-
<b>NET PROFIT BEFORE INCOME TAX</b>		<b>3,062,535</b>	<b>4,976,351</b>
<b>INCOME TAX EXPENSE</b>		-	(2,308)
<b>NET PROFIT</b>		<b>3,062,535</b>	<b>4,974,043</b>

See accompanying Notes to Financial Statements.

**LAGUNA LAKE DEVELOPMENT AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY**

**For the Year Ended December 31, 2012**

(With comparative figures for the year ended December 31, 2011)

(In Philippine Peso)

	Notes	2012	2011
<b>PAID-UP CAPITAL</b>	16		
Ordinary shares		242,596,270	200,882,970
Preferred shares		17,538,954	16,737,581
		<b>260,135,224</b>	217,620,551
<b>RESTRICTED CAPITAL</b>	17	<b>30,087,616</b>	27,371,389
<b>RETAINED EARNINGS</b>			
Balance at beginning of year		127,512,930	136,656,234
Net profit during the year		3,062,535	4,974,043
Prior period adjustments		(2,059,868)	(14,117,347)
Balance at end of year		<b>128,515,597</b>	127,512,930
		<b>418,738,437</b>	372,504,870

*See accompanying Notes to Financial Statements.*

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

**For the Year Ended December 31, 2012**

(With comparative figures for the year ended December 31, 2011)

(In Philippine Peso)

	Note	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Collection of income		101,819,649	82,061,824
Collection of receivables/refund		70,957,044	116,559,474
Collection/fund transfer - NG, Bldg., TISWM & PEMSEA		48,282,604	270,000
Deposit of collection		1,698,122	1,225,731
Receipt (refund) of tender of deposits, performance/bidders bond, net		(884,969)	(1,080,166)
Cancellation of checks		241,954	158,927
Payments of payables		(39,335,515)	(72,265,167)
Payments of operating expenses		(83,987,836)	(52,324,370)
Remittance to GSIS, Pag-IBIG, BIR, etc.		(40,261,838)	(30,434,907)
Remittance of LGU of fishpen fee share		(36,047,783)	(29,252,780)
Payment of real property tax payable, insurance, etc.		(834,450)	(10,377,352)
Remittance of dividends to the BTr, etc./offsetting of dividends payable against stock subscription receivable		533,568	(5,887,762)
Mobilization fee of contractor-Bldg.		(41,024,822)	-
Net Cash Used in Operating Activities		(18,844,272)	(1,346,548)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments		907,355	810,292
Financial investments		38,918,451	45,948,012
Capital expenditures		(3,208,042)	(2,703,863)
Net Cash Provided by Investing Activities		36,617,764	44,054,441
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>17,773,492</b>	<b>42,707,893</b>
<b>CASH AND CASH EQUIVALENTS AT BEG. OF THE YEAR</b>		<b>54,701,836</b>	<b>11,993,943</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	3	<b>72,475,328</b>	<b>54,701,836</b>

See accompanying Notes to Financial Statements.