



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 02
No. 1 Dalan Imammo cor. Pavvurulun St
Carig Sur, Tuguegarao City

March 28, 2016

MR. JORGE A. TOMAS

General Manager
Alicia Water District
Alicia, Isabela

Sir:

We are pleased to transmit the Annual Audit Report on the accounts and operations of the Alicia Water District, Alicia, Isabela for the year ended December 31, 2015, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, otherwise known as the "Government Auditing Code of the Philippines".

The audit was conducted to ascertain the propriety of financial transactions and compliance with prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the presentation of the financial statements.

A qualified opinion was rendered on the presentation of the financial statements of the Agency for the reasons stated in the Independent Auditor's Report.

The report consists of four parts: Part I – Financial Statements, Part II – Observations and Recommendations, Part III – Status of Implementation of Prior Year's Audit Recommendations and Part IV – Annexes.

The observations and recommendations were discussed with the concerned management officials in an exit conference held on February 19, 2016, whose comments were included in the report, where appropriate. Among the significant observations and recommendations discussed are as follows:

1. The existence and valuation of Property, Plant and Equipment (PPE), with a net book value of ₱37,815,426.42, cannot be ascertained because the Agency did not prepare an inventory report as required under Section 124, par. 2 of the New Government Accounting System (NGAS) Manual.

We recommended that Management prepare the required and prescribed report, duly reconciled with the accounting records to establish the correct value of PPE in accordance with Section 124, par. 2 of the NGAS Manual. The book value of the properties, as well as the status or condition should also be indicated in the report.

2. The accuracy of the Accounts Receivable account, with a balance of ₱2,905,647.40, cannot be ascertained because of the absence of individual ledger cards for its concessionaires.

We recommended that Management exert extra effort to reconstruct the individual ledger cards of concessionaires using the available records, such as Billing Reports, to support the Account Receivables account to facilitate reconciliation and collection.

3. Erroneous computation of Bad Debts Expense resulted to the misstatement of the related Allowance for Doubtful Accounts, thus the net realizable value of the Accounts Receivable, as well as the Net Income, presented in the financial statements are unreliable.

We recommended that Management adhere strictly to Sec. 66 of the NGAS Manual on the determination of Allowance for Doubtful Accounts and the corresponding Bad Debts Expense. Further, make necessary adjustments to correct the misstatement of the Allowance for Doubtful Accounts for a reliable presentation of the financial statements.

4. Current Portion of Loans Payable, Interest Payable and Loan Penalty Payable balances did not reconcile with the LWUA's record by ₱2,433,329.35, ₱252,286.88, and ₱7,341,492.22, respectively.

We recommended that Management reconcile the balances of the Current Portion of Long-Term Debt, Interest Payable and Loan Penalty Payable with LWUA records for a reliable presentation in the financial statements.

5. The Agency granted Cash Advances for the purchase of Property, Plant, and Equipment; supplies and materials; and other maintenance and operating expenses, amounting to ₱705,874.00, to employees other than the designated Disbursing Officer and for purposes other than those allowed by law, in violation of COA Circular No. 97-002.

We recommended that Management stop the practice of granting cash advances for wages of laborers and overtime to employees other than the designated Disbursing Officer and adhere strictly to COA Circular 97-002 to avoid disallowances in audit.

6. The Agency did not withhold final VAT on its purchases of goods and services totaling to ₱ 136,203.16 in violation of Section 4.114-2 of RR No. 16-2005 and Section 2.57.3.(C) of RR No. 2-98.

We recommended that Management withhold the appropriate final VAT due on its purchase of goods and services and adhere strictly to RR No. 16-2005 and RR No. 2-98 to avoid disallowances in audit and penalties imposed by the BIR.

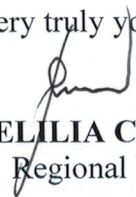
7. The Agency could have generated an estimated sales revenue of ₱5,960,387.40 had the Management installed adequate control measures that would minimize the causes of significant water loss equivalent to 26.76% of the total water produced during the year, which is beyond the allowable 20% rate prescribed under LWUA Resolution No. 444, series of 2009.

We recommended that Management install adequate safeguard and protection measures in the use of water and facilities. Leakages and defective water meters be immediately attended to minimize the revenue losses.

We request that the recommendations be implemented and we will appreciate being informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) Form, copy attached, within 60 days upon receipt hereof, pursuant to Section 93 of the General Provisions of Republic Act No. 10651, otherwise known as the "General Appropriations Act" for FY 2015.

We acknowledge the cooperation extended to the Audit Team by the Officials and Staff of that Agency, thus facilitating the conduct of audit and submission of the Report.

Very truly yours,


PELILIA C. VELOSO
Regional Director

CC:

President of the Republic of the Philippines
Malacanang Palace, Compound J.P. Laurel St.,
San Miguel, Manila

Vice-President
7th Floor, PNB Financial Center,
President Diosdado Macapagal Boulevard
Pasay City

President of the Senate
Rm. 606 & 22 GSIS Bldg., Financial Center,
Roxas Blvd., Pasay City

Speaker of the House of Representatives
Batasang Pambansa Complex,
Batasan Hills, Quezon City

Chairperson-Senate Finance Committee
Rm 517 5/F GSIS Bldg., Financial Center,
Roxas Blvd., Pasay City

Chairperson-Appropriation Committee
Basement, North Wing Bldg.,
House of Representatives, Quezon City

Secretary of the Department of the Budget and Management
G/F, DBM Bldg. I, General Solano St.
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10/F PMS Bldg, Arlegui Street,
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ALICIA WATER DISTRICT
STATEMENT OF FINANCIAL POSITION
As of December 31, 2015
(with comparative figures for 2014)

	2015	2014
<u>ASSETS AND OTHER DEBITS</u>		
<u>CURRENT ASSETS</u>		
Cash (Note 3)		
Cash- Collecting Officer	P 34,384.08	P 40,754.72
Cash in Bank- Local Currency	7,851,070.37	5,842,535.89
Total	7,885,454.45	5,883,290.61
Receivable Accounts (Note 4)		
Accounts Receivable	2,905,647.40	2,983,855.78
Allowance for Doubtful Accounts	(485,210.74)	(484,932.42)
Total	2,420,436.66	2,498,923.36
Other Receivables (Note 5)		
Advances to Officers and Employees	86,000.00	77,750.00
Due from Officers and Employees	386,850.31	-
Other Receivable	271,280.44	297,348.48
Total	744,130.75	375,098.48
Inventories (Note 6)		
Office Supplies Inventory	140,655.49	-
Fuel, Oil and Lubricants	16,511.58	-
Chemicals and Filtering Supplies Inventory	49,360.00	-
Maintenance Supplies Inventory	-	1,862,612.36
Service Connection Materials Inventory	597,911.07	-
Transmission and Distribution Materials Inventory	1,042,119.72	-
Other Inventories	89,750.00	-
Total	1,936,307.86	1,862,612.36
TOTAL CURRENT ASSETS	12,986,329.72	10,619,924.81
<u>PROPERTY, PLANT AND EQUIPMENT (Note 7)</u>		
Land and Other Improvements		
Land	1,116,004.92	1,116,004.92
Total	1,116,004.92	1,116,004.92
Plant, Buildings and Structures		
Plant (UPIS)	41,310,024.43	39,925,979.64
Accumulated Depreciation- Plant	(8,719,677.71)	(7,673,052.24)
Buildings and Other Structures	1,472,894.61	1,224,894.61
Accumulated Depreciation- Buildings and Other Structures	(597,728.71)	(522,911.17)
Total	33,465,512.62	32,954,910.84
Equipment and Machinery		
Communication Equipment	32,000.00	-
Accumulated Depreciation- Communication Equipment	(1,710.00)	-
Land Transport Equipment	233,220.34	233,220.34
Accumulated Depreciation – Land Transport Equipment	(68,586.16)	(51,781.96)
Other Machinery and Equipment	5,634,602.26	5,548,436.51
Accumulated Depreciaton- Other Machinery and Equipment	(2,654,407.24)	(2,419,062.72)
Total	3,175,119.20	3,310,812.17
Furniture, Fixtures and Books		
Furniture and Fixtures	571,089.18	331,471.12
Accumulated Depreciation- Furniture and Fixtures	(512,299.50)	(448,679.68)
Total	58,789.68	(117,208.56)

	<u>2015</u>	<u>2014</u>
Construction-in-Progress		
Construction-in-Progress- Plant	1,433,532.55	-
Total	<u>1,433,532.55</u>	<u>-</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>39,248,958.97</u>	<u>37,264,519.37</u>
TOTAL ASSETS AND OTHER DEBITS	<u>52,235,288.69</u>	<u>47,884,444.18</u>
 <u>LIABILITIES, EQUITY AND OTHER CREDIT ACCOUNTS</u>		
<u>CURRENT LIABILITIES (Note 8)</u>		
Payable Accounts		
Accounts Payable	376,964.45	2,201,247.89
Pension and Retirement Benefits Payable	-	413,101.80
Total	<u>376,964.45</u>	<u>2,614,349.69</u>
Inter-Agency Payables		
Due to National Government Agencies (BIR, etc.)	142,603.29	63,602.96
Due to Government Owned and/or Controlled Corporation	122,356.31	99,497.55
Total	<u>264,959.60</u>	<u>163,100.51</u>
Other Payables		
Due to Officers and Employees	553,181.46	-
Accrued Light and Power	159,442.25	106,718.72
Other Payables	38,193.39	-
Total	<u>750,817.10</u>	<u>106,718.72</u>
Loans/ Lease Payable		
Current Portion of Long-term Debt	19,012,394.07	16,376,819.14
Interest Payable	3,522,845.14	3,141,324.43
Loan Penalty Payable	2,579,385.00	2,579,385.00
Total	<u>25,114,624.21</u>	<u>22,097,528.57</u>
TOTAL CURRENT LIABILITIES	<u>26,507,365.36</u>	<u>24,981,697.49</u>
<u>NON-CURRENT LIABILITIES (Note 9)</u>		
Loans Payable	1,674,020.99	4,309,595.92
TOTAL NON-CURRENT LIABILITIES	<u>1,674,020.99</u>	<u>4,309,595.92</u>
TOTAL LIABILITIES	<u>28,181,386.35</u>	<u>29,291,293.41</u>
<u>DEFERRED CREDITS</u>		
Customers' Deposit	129,377.83	84,957.83
TOTAL DEFERRED CREDITS	<u>129,377.83</u>	<u>84,957.83</u>
<u>EQUITY</u>		
Government Equity	20,585,000.00	20,585,000.00
Donated Capital (OPIC)	8,777,842.02	8,755,462.02
Retained Earnings	(5,438,317.51)	(10,832,269.08)
TOTAL EQUITY	<u>23,924,524.51</u>	<u>18,508,192.94</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDIT ACCOUNTS	P <u>52,235,288.69</u>	P <u>47,884,444.18</u>

(See accompanying Notes to Financial Statements)

ALICIA WATER DISTRICT
STATEMENT OF PROFIT OR LOSS
For the Year Ended December 31, 2015
(with comparative figures for 2014)

	2015	2014
BUSINESS AND SERVICE INCOME:		
Generation, Transmission and Distribution Income	P 16,458,382.52	P 14,035,823.74
Interest Income	34,205.13	8,044.35
Other Business and Service Income	918,869.79	763,994.09
Fines and Penalties- Service Income	584,911.18	476,147.20
Total Business and Service Income	17,996,368.62	15,284,009.38
LESS: OPERATING EXPENSES:		
OPERATION EXPENSES:		
PERSONAL SERVICES		
Salaries and Wages-Regular	3,510,466.27	3,338,256.25
Salaries and Wages-Others	160,822.60	-
Representation Allowance	60,000.00	-
Transportation Allowance	60,000.00	-
Honoraria (Directors' Fees & Remunerations, etc)	192,392.00	174,144.00
Year-end Bonus	267,142.00	-
Overtime and Holiday Pay	378,398.05	219,341.29
Other Bonuses and Allowances	349,208.00	-
Life and Retirement Insurance Contributions	412,171.07	306,213.84
PAG-IBIG Contributions	-	47,806.06
PHILHEALTH Contributions	36,000.00	32,850.00
Other Personnel Benefits	455,915.92	633,434.71
Total Personal Services	5,882,515.91	4,752,046.15
OTHER OPERATIONS EXPENSES		
Office Supplies Expense	308,114.28	307,461.41
Fuel, Oil and Lubricants Expenses	244,744.09	266,733.29
Chemicals and Filtering Supplies Expense	-	100,409.17
Travel Expenses	64,367.67	61,339.12
Training and Scholarship Expenses	228,773.16	81,850.00
Electricity	89,187.78	82,823.18
Telephone Expenses- Mobile	137,518.73	123,092.64
Advertising, Promotional and Marketing Expenses	38,743.00	33,919.00
Taxes, Duties and Licenses	-	242,320.90
Franchise and Regulatory Requirements Expenses	330,139.56	-
Insurance Premiums	77,808.43	13,732.49
Representation Expenses	129,653.57	86,824.65
Indemnities and Other Claims	6,477.50	-
Generation, Transmission and Distribution Exp.	1,652,773.36	1,378,854.58
Extraordinary and Miscellaneous Expenses	2,343.75	-
Cultural and Athletic Expenses	17,850.00	-
Donations	40,000.00	-
Legal Services	30,700.00	30,500.00
Other Professional Services	-	7,270.00
Doubtful Accounts Expenses	278.32	5,540.54
Depreciation - Land Improvements	27,560.04	-
Depreciation - Plant (UPIS)	1,032,830.61	969,213.04
Depreciation - Buildings and Other Structures	-	26,634.24
Depreciation - Communication Equipment	1,710.00	-
Depreciation - Land Transport Equipment	16,804.20	16,750.20
Depreciation - Other Machinery and Equipment	296,396.88	262,501.43

	<u>2015</u>	<u>2014</u>
Depreciation - Furniture and Fixtures	63,619.82	34,935.37
Other Maintenance and Operating Expenses	820.00	43,616.84
Total Other Operations Expenses	<u>4,839,214.75</u>	<u>4,176,322.09</u>
Total Operation Expenses	<u>10,721,730.66</u>	<u>8,928,368.24</u>
MAINTENANCE EXPENSES:		
Repairs and Maintenance - Plant (UPIS)	886,087.53	678,868.25
Repairs and Maintenance - Bldgs. & Other Struct.	535,172.91	163,780.50
Repairs and Maintenance - Land Transport Equip't	158,071.00	-
Repairs and Maintenance - Other Mach. and Equip't	126,181.52	37,451.85
Total Maintenance Expenses	<u>1,705,512.96</u>	<u>880,100.60</u>
TOTAL OPERATION AND MAINTENANCE EXPENSES	<u>12,427,243.62</u>	<u>9,808,468.84</u>
UTILITY OPERATING INCOME	<u>5,569,125.00</u>	<u>5,475,540.54</u>
OTHER INCOME		
Other Income	9,706.00	-
Total Income	<u>5,578,831.00</u>	<u>5,475,540.54</u>
MISCELLANEOUS INCOME DEDUCTIONS		
Loss of Assets	-	1,075,258.86
NET INCOME BEFORE INTEREST & FINANCIAL CHARGES	<u>5,578,831.00</u>	<u>4,400,281.68</u>
Bank Charges	3,700.00	-
Interest Expenses	381,520.71	613,547.96
NET INCOME (LOSS) FOR THE PERIOD	<u><u>P 5,193,610.29 P</u></u>	<u><u>3,786,733.72</u></u>

ALICIA WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2015
(with comparative figures for 2014)

	<u>2015</u>	<u>2014</u>
GOVERNMENT EQUITY, BEGINNING OF PERIOD	P 20,585,000.00	P 20,585,000.00
Additions (Deductions)	-	-
GOVERNMENT EQUITY, END OF PERIOD	<u>20,585,000.00</u>	<u>20,585,000.00</u>
DONATED CAPITAL, BEGINNING OF PERIOD	8,755,462.02	8,528,962.02
Additions (Deductions)	22,380.00	226,500.00
DONATED CAPITAL, END OF PERIOD	<u>8,777,842.02</u>	<u>8,755,462.02</u>
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	(10,832,269.08)	(14,621,324.19)
Prior period adjustments	(77,734.71)	2,321.39
Changes during the period	278,075.99	-
Net Income (Loss) for the period	5,193,610.29	3,786,733.72
RETAINED EARNINGS (DEFICIT), END OF PERIOD	<u>(5,438,317.51)</u>	<u>(10,832,269.08)</u>
TOTAL EQUITY	<u>P 23,924,524.51</u>	<u>P 18,508,192.94</u>

ALICIA WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(with comparative figures for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows:		
Collection of Water Bills	P 17,005,785.72	P 14,223,299.60
Collection of Other Water Revenues	1,737,527.94	1,496,512.74
Refund of overpayment of expenses and Cash Advances	111,945.17	29,539.86
Guarranty Deposit	44,550.22	-
Interest Income	34,074.91	10,366.74
Grants and Donations	-	226,500.00
Others	181,588.25	29,066.07
Total Cash Inflows	19,115,472.21	16,015,285.01
Cash Outflows:		
Payment of Operating Expenses:		
Payroll	2,877,592.66	2,480,453.19
Fuel/Power for Pumping	1,388,423.27	1,254,386.22
Chemicals	35,580.00	51,359.68
Other Operation and Maintenance Expenses	6,876,418.62	5,138,041.15
Total Cash Outflows	11,178,014.55	8,924,240.24
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,937,457.66	7,091,044.77
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Inflows:	-	-
Other Property, Plant and Equipment	-	98,573.73
Total Cash Inflows	-	98,573.73
Cash Outflows:		
Other Property, Plant and Equipment	5,935,293.82	4,589,812.48
Total Cash Outflows	5,935,293.82	4,589,812.48
TOTAL CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(5,935,293.82)	(4,491,238.75)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows:	-	-
Total Cash Inflows	-	-
Cash Outflows:		
Total Cash Outflows	-	-
Total Cash Provided (used) by Financing Activities	-	-
CASH PROVIDED BY OPERATING, INVESTING AND FINANCING ACTIVITIES	2,002,163.84	2,599,806.02
ADD: CASH AND CASH EQUIVALENTS - BEGINNING	5,883,290.61	3,283,484.59
CASH AND CASH EQUIVALENTS, ENDING	P 7,885,454.45	P 5,883,290.61