



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. V
Rawis Legazpi City

ANNUAL AUDIT REPORT ON THE

IRIGA CITY WATER DISTRICT
San Roque, Iriga City

For the Year ended December 31, 2008

Send to DBP
via Fax 4/14/11

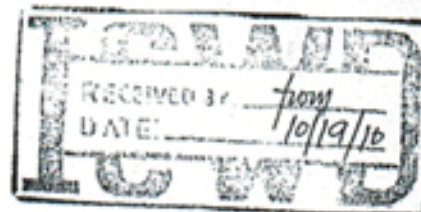


Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Regional Office No. V
Rawis, Legazpi City



September 21, 2010

MR. ROMULO M. CORPORAL, JR.
General Manager
Iriga City Water District
Iriga City



Sir:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent Sections of Presidential Decree No. 1445, the Audit Team conducted financial and compliance audit on the accounts and operations of the Iriga City Water District, Iriga City for the year ended December 31, 2008.

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

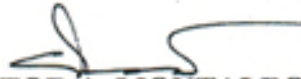
The attached report consists of three (3) parts. Part I is the Audited Financial Statements. Part II discusses in detail the significant comments and observations and Part III is the Annexes.

As presented in our Comments and Observations, the balance of Accounts Receivable is of doubtful validity because of the uncertainty to collect the realizable value of long outstanding, non-current and inactive accounts totaling P1,806,183.25, which represents 30% of the total receivables. The account accumulated depreciation is understated by P803,976.41. The balances of the loan accounts of the District likewise do not reconcile with the balances confirmed by LWUA which showed a difference of P1,341,375.43.

In our opinion, except for the effect of the aforementioned exceptions, the financial statements referred hereto present fairly, in conformity with generally accepted accounting principles, the financial position of Iriga City Water District as of December 31, 2008 and the results of its operation and its cash flows for the year then ended.

The audit was conducted in accordance with generally accepted state auditing standards and we believe that it provides reasonable bases for the results of audit.

Very truly yours,



NESTOR A. MONTALBO
Director IV

Cc: Office of the President
President of the Senate
Auditor, LWUA

Speaker of the House of Representatives
Administrator, LWUA
Assistant Commissioner, CGS



Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Regional Office No. V
Rawis, Legazpi City



September 21, 2010

THE CHAIRMAN

Board of Directors
Iriga City Water District
Iriga City

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COMMISSION ON AUDIT
Corporate Government Sector
Regional Office No. V
Rawis, Legazpi City



AUDIT CERTIFICATE

THE BOARD OF DIRECTORS

Iriga City Water District
Iriga City

We have audited the accompanying Balance Sheet of Iriga City Water District, Iriga City as of December 31, 2008 and the related Statements of Income and Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of the Iriga City Water District's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with laws and generally accepted auditing standards in the Philippines. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As presented in our Comments and Observations, the balance of Accounts Receivable is of doubtful validity because of the uncertainty to collect the realizable value of long outstanding, non-current and inactive accounts totaling P1,806,183.25, which represents 30% of the total receivables. The account accumulated depreciation is understated by P803,976.41. The balances of the loan accounts of the District likewise do not reconcile with the balances confirmed by LWUA which showed a difference of P1,341,375.43.

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COMMISSION ON AUDIT

by:


ANTOINETTE P. CONJARES
Supervising Auditor

September 17, 2009



Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Regional Office No. V
Rawis, Legazpi City



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Director IV

Cc: Office of the President
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Auditor, LWUA

Speaker of the House of Representatives
Administrator, LWUA
Assistant Commissioner, CGS

PART I

AUDITED FINANCIAL STATEMENTS

Republic of the Philippines
IRIGA CITY WATER DISTRICT
Rufino Llagas Sr. St., San Roque, Iriga City

Balance Sheet
December 31, 2008
(With Comparative Data from 2007)

ASSETS		2008	2007
Current Assets			
Cash and Cash Equivalent	(Note 3)	P 17,528,607.86	P 15,542,112.07
Receivables (Net)	(Note 4)	5,561,307.96	5,117,715.20
Inventories	(Note 5)	1,548,353.01	1,040,527.95
Prepayments	(Note 6)	77,077.53	81,404.13
Other Current Assets	(Note 7)	164,400.00	164,400.00
Total Current Assets		P <u>24,879,746.36</u>	P <u>21,946,159.35</u>
Non-Current Assets			
Investment	(Note 8)	P 3,559,096.67	P 2,651,679.00
Property, Plant and Equipment (Net)	(Note 9)	99,007,363.01	103,994,504.18
Construction in Progress - Agency Assets	(Note 10)	44,517.36	10,194.24
Other Assets	(Note 11)	4,251.74	4,251.74
Total Non-Current Assets		P <u>102,615,228.78</u>	P <u>106,660,629.16</u>
Total Assets		P <u>127,494,975.14</u>	P <u>128,606,788.51</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Payable Accounts	(Note 12)	P 17,838,606.63	P 15,369,730.41
Inter-Agency Payables	(Note 13)	364,144.89	73,160.70
Other Current Liabilities	(Note 14)	5,030,985.98	4,415,413.26
Total Current Liabilities		P <u>23,233,737.50</u>	P <u>19,858,304.37</u>
Non-Current Liabilities			
Long-Term Liabilities	(Note 15)	P <u>84,971,662.75</u>	P <u>86,071,629.75</u>
Total Non-Current Liabilities		P <u>84,971,662.75</u>	P <u>86,071,629.75</u>
Total Liabilities		P <u>108,205,400.25</u>	P <u>105,929,934.12</u>
Equity			
Government Equity	(Note 16)	P 470,390.42	P 470,390.42
Retained Earnings	(Note 17)	18,819,184.47	22,206,463.97
Total Government Equity		P <u>19,289,574.89</u>	P <u>22,676,854.39</u>
Total Liabilities and Equity		P <u>127,494,975.14</u>	P <u>128,606,788.51</u>

(See accompanying Notes to Financial Statements)

Republic of the Philippines
IRIGA CITY WATER DISTRICT
Rufino Llagas Sr. St., San Roque, Iriga City

Statement of Income and Expenses
For the year ended December 31, 2008
(With Comparative Data from 2007)

	2008	2007
Income		
Business Income	(Note 18) ₱ 52,121,778.21	₱ 50,176,491.30
Total Income	₱ 52,121,778.21	₱ 50,176,491.30
Less Expenses		
Personal Services	(Note 19) ₱ 15,774,221.32	₱ 16,791,387.34
Maintenance & Operating Expenses	(Note 20) 25,113,190.85	23,593,804.91
Other Maintenance & Operating Expenses	589,255.13	440,311.69
Financial Expenses	(Note 21) 13,432,468.86	13,504,492.00
Total Expenses	₱ 54,909,136.16	₱ 54,329,995.94
Income (Loss) from Operation	₱ (2,787,357.95)	₱ (4,153,504.64)
Add (Deduct) Other Income/Expenses		
Interest Income	₱ 544,512.07	₱ 495,053.38
Miscellaneous Income	23,421.77	8,516.00
Other Fines and Penalties	21,248.20	700.00
Gain on Sale of Disposed Assets	105,000.00	159,600.00
Total Other Income/Expenses	₱ 694,182.04	₱ 663,869.38
Net Loss for the period	₱ (2,093,175.91)	₱ (3,489,635.26)

(See accompanying Notes to Financial Statements)

Republic of the Philippines
IRIGA CITY WATER DISTRICT
Rufino Llagas Sr. St., San Roque, Iriga City

Cash Flow Statement
December 31, 2008
(With Comparative Data from 2007)

	2008	2007
Cash Flow from Operating Activities		
Cash Inflows:		
Collection of Receivables	P 50,498,259.66	P 48,162,436.02
Collection of Other Business Income	995,608.30	1,097,764.40
Refund of Cash Advance	104,312.67	69,142.43
Meter Rental & Customers' Deposit	158,436.00	578,095.60
State Check	265,212.00	0.00
Interest on Bank Deposits	368,261.13	358,360.30
Other Sources	118,627.22	568,645.41
Total Cash Inflows	P 52,508,716.98	P 50,834,444.16
Cash Outflows:		
Payment of Operating Expenses	20,748,568.30	25,648,537.22
Payment for Supplies and materials	987,908.55	1,851,075.73
Remittance of Inter-Agency Payables	3,420,619.37	2,464,421.48
Advances to Officers and Employees	3,267,202.15	1,757,373.44
Prepayments	194,675.46	127,744.93
Other Payments	6,790,611.50	3,291,609.70
Working Fund	0.00	10,000.00
Total Cash Outflows	P 35,409,585.33	P 35,150,762.50
Total Cash Provided (Used) by Operating Activities	P 17,099,131.65	P 15,683,681.66
Cash Flows From Investing Activities:		
Cash Inflows		
Gain on Sale of Disposal of PPE	P 105,000.00	P 0.00
Cash Outflows:		
Transfer of Funds to Sinking Fund	P 840,000.00	P 1,536,353.44
Total Cash Outflows	P 840,000.00	P 1,536,353.44
Total Cash Provided (Used) by Investing Activities	P (735,000.00)	P (1,536,353.44)
Cash Flows from Financing Activities		
Cash Inflows	P 0.00	P 0.00
Cash Outflows:		
Amortization of Long Term Loan	P 945,567.00	P 812,990.00
Payment of Interest on Loan	13,432,068.86	13,504,042.00
Total Cash Outflows	P 14,377,635.86	P 14,317,032.00
Total Cash Provided (Used) by Financing Activities	P (14,377,635.86)	P (14,317,032.00)
Cash Provided by Operating, Investing and Financing Activities	P 1,986,495.79	P (169,703.78)
Add: Cash and Cash Equivalent-Beginning	15,542,112.07	15,711,815.86
Cash and Cash Equivalent-Ending	P 17,528,607.86	P 15,542,112.07

Republic of the Philippines
IRIGA CITY WATER DISTRICT
Rufino Liagas Sr. St., San Roque, Iriga City

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2008

	<u>Government Equity</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance , January 1, 2008	P 470,390.42	P 22,206,463.97	P 22,676,854.39
Prior Period Adjustments		(1,294,103.59)	(1,294,103.59)
Net Loss for the Period		<u>(2,093,175.91)</u>	<u>(2,093,175.91)</u>
Balances, December 31, 2008	P <u>470,390.42</u>	P <u>18,819,184.47</u>	P <u>19,289,574.89</u>

Republic of the Philippines
IRIGA CITY WATER DISTRICT
Rufino Llagas Sr. St., San Roque, Iriga City

Accounting Policies and Explanatory Notes

December 31, 2008

1. Agency Background:

Iriga City Water District is a Government Owned and Controlled Corporation that operates on the powers and authority conferred to it by Presidential Decree 198, otherwise known as the Provincial Water Utilities Act of 1973, as amended by PD 768 and PD 1479. It is categorized as "Medium Water District" with total active service connections of 8,570. As of December 31, 2008, it has a total personnel compliment of 67, of which 51 are permanent, 14 are contractual, 1 casual and a substitute General Manager. Its Conditional Certificate of Conformance (CCC) No. 091 was issued by the Local Water Utilities Administration (LWUA) on September 24, 1979.

As Public Utility, water districts are formed for the following purposes:

- o *Acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such districts;*
- o *Providing, maintaining and operating wastewater collection, treatment and disposal facilities, and*
- o *Conducting such other functions and operations incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose.*

The policy making body of the district is composed of five (5) regular members of the Board of Directors headed by Dir. Gaudencio O. Asanza, Jr. The Sectors represented are as follows:

1. Professional
2. Educational
3. Civic
4. Business
5. Women

2. Significant Accounting Principles and Concepts and selected Policies and Practices of the Water District-

a. Accounting System and Preparation of Financial Statements -

The accompanying financial statements have been prepared using the New Government Accounting System (NGAS) for Corporation designed by COA, Professional Development Center- Government Accounting and Financial Management Information System. The financial transactions were recorded using the NGAS Chart of Accounts and financial reports were prepared in accordance with NGAS and in conformity with the Philippine Government Accounting Standards.

b. Disbursements -

The District uses the Imprest Fund System in handling cash. Disbursements are made through checks except petty expenses. Petty Cash Fund was established in the amount of P10,000.00.

c. Recognition of Income and Expense -

The water district adopts the accrual method of accounting, wherein revenues are recorded in the period in which income is earned; expenses are recognized in the period in which they are incurred. Interest on bank deposit were recorded at gross and the withholding taxes were recognized as Taxes, Duties and Licenses.

d. Valuation of Inventory -

Supplies and Materials used including the inventory on hand are valued at its cost.

e. Property, Plant and Equipment

Property, Plant and Equipment (PPE) are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method, cost less 10% residual value over the estimated useful life of the assets. Depreciation starts on the month following the month of purchase of Property, Plant and Equipment. The useful life of the assets was based on the estimated useful life prescribed by the Commission on Audit for each group of PPE.

3. Cash and Cash Equivalent

Cash and Cash Equivalent is composed of Cash on Hand and Cash in Bank.

Particulars	2008	2007
Cash on Hand:		
Cash- Collecting Officer	P 206,790.01	P 163,344.27
Cash in Bank:		
Local Currency Current Account	915,572.82	146,770.84
Local Currency Time Deposits	<u>16,406,245.03</u>	<u>15,231,996.96</u>
Total Cash and Cash Equivalent	<u>P 17,528,607.86</u>	<u>P 15,542,112.07</u>

The balance of Cash – Collecting Officer represents the undeposited collections or Cash on Hand on the last working day of the year.

Cash in Bank – Local Currency, Current Account represents the account maintained with Philippine National Bank (PNB) under CA No. 219-1052-00011. The fund is available for payment of the Water District's general expenditures and current obligations.

Cash in Bank – Local Currency, Time Deposit includes local currency deposits at Land bank of the Philippines and Philippine National Bank broken down as follows:

Particulars	2008	2007
Customers Fund (LBP TD 2771-132-78)		
Meter & Guaranty Deposits	<u>P 2,808,112.05</u>	P 2,718,604.89
Operating Reserve (LBP TD 2771-132-60)		2,091,770.45
Equity Reserve	P 160,950.80	
Cost of Living Allowance	1,985,770.45	
Productivity Incentive Bonus	98,000.00	
Interest on Time Deposit	<u>4,987.43</u>	
Total	<u>P 2,249,708.68</u>	
Benefit Reserve (PNB TD 6141-70002291005)		10,421,621.62
Service Incentive	P 8,876,682.33	
Loyalty Incentive	82,500.00	
Accrued Leave	753,296.78	
Tax Reserve	<u>1,635,945.19</u>	
Total	<u>P 11,348,424.30</u>	
Grand Total	<u>P 16,406,245.03</u>	<u>P 15,231,996.96</u>

4. Receivables -(net)

The receivable account is composed of:

Particulars	2008	2007
Receivables:		
Accounts Receivable	P 5,581,696.15	P 5,018,511.63
Allowance for Doubtful Account	(51,303.04)	(101,942.87)
Due from Officers and Employees	2,487.65	0.00
Other Receivable	28,427.20	201,146.44
Total	P 5,561,307.96	P 5,117,715.20

Accounts Receivable includes amount due on open accounts arising from water sales and penalties.

Allowance for Doubtful Accounts is the amount estimated to be uncollectible.

Due from Officers and Employees represents the unliquidated Cash Advance of Mr. Manuel S. Gonzales.

Other Receivables are receivables from private individuals composed of the following:

Name of Clients	2008	2007
Other Receivables:		
San Antonio Subdivision	P 19,460.00	P 19,460.00
Ex-Kagawad Wilfredo Oliva	7,285.00	7,285.00
Ruben Gambal	1,682.20	1,682.00
New Service Connection balance	0.00	172,569.44
Ernesto Nacario	0.00	150.00
Total	P 28,427.20	P 201,146.44

5. Inventories

Materials and Supplies Inventory consists of unused materials and supplies which are kept on stock as of the balance sheet date. This account is composed of the following:

Particulars	2008	2007
Inventories:		
Office Supplies Inventory	P 63,784.26	P 69,340.20
Accountable Forms Inventory	17,388.29	38,186.95
Gasoline, Oil and Lubricants	0.00	25,598.15
Other Supplies Inventory	2,085.00	6,241.00

Spare Parts Inventory	11,652.00	17,828.00
Construction Materials Inventory	1,415,958.46	874,164.65
Chemical & Filtering Materials Inventory	37,485.00	9,169.00
Total	P 1,548,353.01	P 1,040,527.95

6. Prepayments

Particulars	2008	2007
Prepayments:		
Prepaid Insurance	P 71,424.51	P 77,463.09
Other Prepaid Expenses	5,653.02	3,941.04
Total	P 77,077.53	P 81,404.13

Prepaid Insurance is the amount paid for insurance premiums of insurable government property broken down as follows:

Insurance of Service Vehicles:	2008	2007
Motorcycles (7) units	P 5,842.00	P 5,433.13
Toyota Hi-Lux SHE 663	4,734.82	6,931.78
Toyota Hi-Lux SCN 397	2,405.59	2,207.30
Toyota Hi-Ace SEJ 290	9,639.52	10,546.87
Isuzu Passenger Van SEJ 299	10,611.43	11,013.09
Insurance of Building, Equipment & Various Pumping Stations	38,191.15	41,330.92
Total	P 71,424.51	P 77,463.09

Other Prepaid Expenses includes registration of various service vehicles including Fidelity Bonds shown as follows:

LTO Registration of Service Vehicles:	2008	2007
Trimobile Plate No.9307	P 70.76	P 0.00
Toyota Hi-Lux SHE 663	399.86	599.77
Toyota Hi-Lux SCN 397	366.56	0.00
Toyota Hi-Ace SEJ 290	2,000.28	2,197.52
Isuzu Passenger Van SEJ 299	1,671.81	0.00
Fidelity Bond	1,143.75	1,143.75
Total	P 5,653.02	P 3,941.04

7. Other Current Assets

Particulars	2008	2007
Guaranty Deposits	P 164,400.00	P 164,400.00

These are deposits made by the District for the following:

	2008	2007
ITELCO – Telephone Deposit		
Office	P 5,800.00	P 5,800.00
Inorogan	500.00	500.00
La Trinidad	500.00	500.00
Chlorine Tank	139,500.00	139,500.00
CASURECO III – Meter Deposit	9,100.00	9,100.00
Acetylene	9,000.00	9,000.00
Total	P 164,400.00	P 164,400.00

8. Investment

Particulars	2008	2007
Sinking Fund		
Special Deposit – LBP SA#2771-0794-26	P 3,559,096.67	P 2,651,679.00

This account pertains to Joint LWUA & ICWD fund set aside for specific long term purposes including a Debt Service Reserve for loan repayment, Operation and Maintenance Reserve for repairs of damaged Water District facilities due to natural calamities, public disorders and the like and a Capital Reserve for Expansion of the Water District's facilities.

9. Property, Plant & Equipment- (net)

Particulars	2008	2007
Property Plant and Equipment		
Acquisition Cost	P 129,367,174.21	P127,603,129.25
Accumulated Depreciation	(30,359,811.20)	(23,608,625.07)
Net Book Value	P 99,007,363.01	P103,994,504.18

Property, Plant & Equipment (PPE) includes properties of relatively permanent in character that are used in normal utility operations. It is carried at cost and has at least a life expectancy of more than one year

such as Land, Buildings, Office, Furniture & Fixtures, Office Equipment, Communication Equipment, Transportation Equipment, Pumping Plant, Source of Supply, Water Treatment, Transmission and Distribution Plant.

The International Accounting Standards No. 16 defines Property Plant and Equipment (PPE) as "assets which are held by an enterprise for use in production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one period". The cost of PPE acquired thru purchase shall include the purchase cost plus the incidental cost in bringing the asset to its location, including installation and testing costs, until it becomes fully operational.

Accumulated Depreciation includes depreciation of fixed assets from the very start of operation of the District up to the present. Depreciation is computed using the straight line method over the estimated useful lives of the assets with provision for 10% residual value. Estimated useful life of the property is based on the standards provided by LWUA.

The breakdown of Property Plant and Equipment is as follows:

Account Title	Acquisition Cost	Accumulated Depreciation	Net Book Vale
Land	2,820,080.18	0.00	2,820,080.18
Irrig. & Water System & Structures	86,484,331.75	17,948,716.60	68,535,615.15
Office Building	3,752,070.79	910,933.32	2,841,137.47
Other Structures	6,667,646.99	1,305,761.74	5,361,885.25
Office Equipment	857,610.36	671,205.75	186,404.61
Furniture and Fixtures	871,308.15	474,555.54	396,752.61
IT Equipment & Software	1,593,456.31	1,076,248.43	517,207.88
Machinery	20,807,600.78	4,737,765.04	16,069,835.74
Communication Equipment	206,273.30	130,897.51	75,375.79
Firefighting Equipt & Accessories	44,099.65	2,497.50	41,602.15
Motor Vehicles	4,682,605.38	2,718,729.84	1,963,875.54
Other Transportation Equipment	17,600.00	6,072.00	11,528.00
Other PPE	562,490.57	376,427.93	186,062.64
Totals	129,367,174.21	30,359,811.20	99,007,363.01

10. Construction in Progress – Agency Assets

Particulars	2008	2007
Construction in Progress-Agency Assets	P 44,517.36	P 10,194.24

The asset consists of on going projects awaiting completion and final inspection. The asset is not subject to depreciation until such time that the assets are completed, reclassified to PPE and put into operational use. The account is composed of the following:

Particulars	2008	2007
Description of Project:		
La Annunciation Lateral Lines Expansion	P 0.00	P 10,194.24
Adventurina St., San Jose Line Expansion	38,602.43	0.00
Gabas St., San Nicolas Line Expansion	5,914.93	0.00
Total	P 44,517.36	P 10,194.24

11. Other Assets

This account includes reclassification of accounts of existing items not in use as per recommendation of COA Auditor broken down as follows on Depreciated Values:

Particulars	2008	2007
Description of Item:		
2 sets Pipe Die Threader	P 1,515.13	P 1,515.13
2 pcs. Pipe Wrench 14"	977.05	977.05
4 pcs. Pipe Wrench 12"	1,759.56	1,759.56
Total	P 4,251.74	P 4,251.74

12. Payable Accounts

This account represents unpaid obligations as of December 31, 2008 to various creditors of the District.

Particulars	2008	2007
Payable Accounts:		
Accounts Payable	P 1,179,136.12	P 73,155.00
Due to Officers and Employees	16,659,470.51	15,296,575.41
Total	P 17,838,606.63	P 15,369,730.41

The details of Accounts Payable are as follows:

Particulars	2008	2007
Name of Creditors:		
Atty. Bereña – Notarial Fee	P 8,300.00	P 73,155.00
Benito Ngo Marketing	158,442.10	
Shellhouse	204,136.71	

Joe Hardware	3,521.00	
Concord Metals	41,138.50	
CASURECO III	511,783.01	
FSWT Corporation	205,000.00	
New Ong To	7,292.80	
Caretaker - Wages	12,000.00	
MCM	19,522.00	
Atty. Odosis	8,000.00	
Total	P 1,179,136.12	P 73,155.00

Due to Officers and Employees include the following:

Particulars	2008	2007
Description/Name of Creditors:		
Employees COLA	P 5,126,328.61	P 5,126,328.61
Service Incentive	10,105,814.20	8,943,492.50
Monetization of Accrued Leave	1,254,546.70	1,111,748.60
Loyalty Incentive	119,000.00	96,000.00
Rafael C. Padayao	619.12	0.00
Manuel C. Gonzales	800.00	0.00
Atty. A. Tayag	8,535.00	0.00
Salaries – Contractual	10,800.00	0.00
Overtime Pay	30,174.30	19,005.70
Director Epres	2,852.58	0.00
Total	P 16,659,470.51	P 15,296,575.41

13. Inter Agency Payables

Included in the account are the following:

Particulars	2008	2007
Inter-Agency Payables		
Due to BIR	P 32,948.11	P 50,320.70
Due to GSIS	252,104.61	0.00
Due to Pag-IBIG	61,916.17	0.00
Due to PHILHEALTH	15,400.00	0.00
Due to Other GOCCs	1,776.00	22,840.00
Totals	P 364,144.89	P 73,160.70

Due to GOCCs refers to Sleeve Type Coupling borrowed from Nabua Water District used for mainline repair.

14. Other Current Liabilities

Particulars	2008	2007
Other Current Liabilities:		
Guaranty Deposit Payable	P 2,763,208.30	2,720,524.30
Other Payables	1,167,810.68	749,321.96
Current Portion – Loans Payable ✓	1,099,967.00	945,567.00
Totals	P 5,030,985.98	P 4,415,413.26

Guaranty Deposit Payable includes deposits made by customers normally before the extension of any service connections as security for the payment of subsequent bills.

Other Payables include the following:

Particulars	2008	2007
Other Payables:		
Various Suppliers	P 0.00	P 749,321.96
Profund Premium – Employees	34,890.28	
Profund Premium – Atty. Tayag	3,504.49	
Union Dues	2,880.00	
Franchise Tax	974,214.91	
Profund Loan	152,321.00	
Totals	P 1,167,810.68	P 749,321.96

- ✓ Current Portion of Loans Payable refers to the principal amount of Loans Payable to LWUA under Loan Agreement No. 4-2013 payable for the year 2009.

15. Long Term Liabilities

The account refers to outstanding loans from LWUA. The original amount of loan was P88,364,296.75 payable in 240 months at the Interest Rates of 12.5% for the first P8,499,000.00, 14.5% for the next P30,000,000.00 and 16.5% for the remaining P49,865,296.75.

Particulars	2008	2007
Loans Payable (LA No. 4-2013)	P 84,971,662.75	P 86,071,629.75

16. Government Equity

This account includes the subsidy of the City Government at the time the water district assumed the operations of the utility and various donations from Local Water Utilities Administration shown as follows:

Particulars	2008	2007
Government Equity:		
City Government Subsidy	P 430,106.30	P 430,106.30
LWUA – Donated Pipes and Fittings	16,956.44	16,956.44
LWUA – Donated Flowmeters & Centrifugal Pump	23,327.68	23,327.68
Government Equity	P 470,390.42	P 470,390.42

17. Retained Earnings

The cumulative net earnings and losses of the water district over the period is composed of the following:

Particulars	2008	2007
Beginning Balance	P22,206,463.97	P25,054,915.74
Prior Period Adjustments	(1,294,103.59)	641,183.49
Net Income	(2,093,175.91)	(3,489,635.26)
Ending Balance	P18,819,184.47	P22,206,463.97

18. Income

The realized income during the year was derived from the following:

Particulars	2008	2007
Business Income		
Income from Waterworks System	P48,710,745.55	P46,837,425.70
Other Business Income	1,167,274.06	1,075,618.50
Fine and Penalties-Business Income	2,243,758.60	2,263,447.10
Total Income	P52,121,778.21	P50,176,491.30

19. Personal Services

Personal Services is composed of the following:

Particulars	2008	
Salaries & Wages	P 8,042,929.65	8,188,690.73
Other Compensation	3,789,023.32	4,656,862.92
Personnel Benefit Contribution	1,020,457.06	1,043,127.92
Other Personnel Benefits	2,921,811.29	2,902,705.77
Total	P15,774,221.32	P16,791,387.34

20. Maintenance and Other Operating Expenses

Maintenance and Other Operating Expenses is composed of the following:

Particulars	2008	2007
Traveling Expenses	352,621.01	285,141.77
Training and Scholarship Expenses	87,138.78	65,409.50
Supplies and Materials Expense	8,170,722.31	6,236,075.18
Utility Expenses	6,127,086.25	7,366,416.02
Communication Expenses	139,984.12	127,018.14
Membership Dues and Contributions to Organization	38,387.60	12,444.00
Advertising Expenses	1,000.00	6,377.50
Printing and Binding Expenses	948.00	4,426.75
Rent Expenses	0	0
Representation Expenses	160,884.59	93,897.54
Subscription Expenses	8,623.00	5,452.00
Rewards and Other Claim	300.00	900.00
Professional Expenses	1,163,643.33	1,068,380.00
Repairs and Maintenance	752,789.50	539,353.45
Subsidies and Donations	3,500.00	14,000.00
Confidential, Intelligence, Extraordinary & Misc. Expenses	0	0
Taxes, Insurance Premiums and Other Fees	1,301,986.77	1,000,733.72
Bad Debts	51,303.04	101,942.87
Depreciation	6,751,186.13	6,664,816.47
Discount	1,086.42	1,020.00
Total	P25,113,190.85	P23,593,804.91

21. Financial Expenses

Particulars	2008	2007
Bank Charges	P 400.00	P 450.00
Interest Expense	13,432,068.86	13,504,042.00
Other Financial Charges	0.00	0.00
Total	P13,432,468.86	P13,504,492.00

PART II

COMMENTS AND OBSERVATIONS

1. Encashment of checks out of Collections.

The prohibition on the encashment of checks out of collections is spelled out under Section 67(3) of PD 1445 which states that:

"At no instance should money in the hands of the Collecting Officer be utilized for the purpose of encashing private checks."

Our examinations disclosed several instances where money in the hands of the Accountable Officers totaling P2,810,069.54 was used for encashment of checks. (See Annex-B) Those checks include:

1. Check issued as Cash Advances for travel;
2. Issued checks for payroll of security guards, caretakers and contractual employees;
3. Check issued for replenishment of Petty Cash Fund;
4. Check issued to ICWD Employees Association;
5. Cash Advance checks for Directors Fees;
6. Cash Advance checks for RATA and other employee benefits; and
7. Checks issued to Suppliers.

The practice aside from having violated the provision of the State Audit Code is at the same time misleading to the reviewer of Bank Reconciliation Statement because these checks appeared in the bank statements as both withdrawals and deposits.

Management comment to our AOM is quoted as follows:

"The encashment of check out of collection was practiced erhaps because the collection officer and disbursing officer's work is geared on one employee including yet the custodianship of the petty cash fund.

"The simplification of the encashment was also a major reason for this practice."

The accommodation of private checks for encashment out of collections mainly to simplify the transaction may not be given merit because it violates an existing law.

We recommend that the Accountable Officer stop the practice of allowing encashment of private checks out of collections pursuant to the prohibition stated in Section 67(3) of PD 1445. As part of internal control over cash receipts, collections must be deposited intact the next banking day and shall not be allowed to be used for encashment of private checks.

2. *Check Deposits returned by bank for various reasons were not adjusted in the books.*

Substantive review of bank statements disclosed a number of checks deposited by Iriga City Water District to PNB Account No. 417-8500029. Some of the checks were dishonored by bank upon deposit. Consequently, the amounts of the checks were adjusted by bank as debit to the account of the water district.

Bank debits decrease the cash balance per bank. It is necessary that the district should also adjust its book in order to record the returned checks. Dishonor of check is an event or a business transaction that has to be recorded both by bank and the district. As we have observed however, the district failed to prepare the necessary adjusting journal entries to account the dishonored checks.

The current practice of the district according to an interview with one of the accounting personnel is to require the payor to replace the returned checks with cash or in the form of currency. The receipt of cash from the drawer of the check is no longer acknowledged with the issuance of an Official Receipt, as if that there was no collection, and then the amount is deposited to PNB. Both the receipt and the redeposit of cash to the bank were no longer taken up in the books.

This practice is not in accord with the Basic Principles and Objectives of Government Accounting as provided under Section 109 of PD 1445 to wit:

"Government Accounting encompasses the process of analyzing, recording, classifying, summarizing and communicating all transactions involving the receipt and disposition of government funds and property and interpreting the results thereof." (Underscoring supplied)

In effect, one of the checks dishonored by bank on November 18, 2008, bearing Check No. 18735 in the amount of P13,733.30, became one of the reconciling items in the Bank Reconciliation Statement as of December 31, 2008.

There was also an understatement of deposits in the amount of P3.09 because of minor posting errors. (Annexes-C & D).

Quoted hereunder is management's justification on the matter:

"The non-recording of the needed adjustments was primarily because of the non-availability of the debit memos. Usually, the company relies on the bank statements which sometimes arrive 1½ - 2 months late. It is believed that this caused the overlooking of the necessary entries."

While we acknowledged the delayed transmission of bank statements to the Water Districts, we don't see it as sufficient reason to forego the preparation of adjusting journal entries upon knowing that there were dishonored checks.

The pro-forma/illustrative accounting journal entries to take up dishonored check are as follows:

1. Cash – Collecting Officers Cash in Bank – LCCA <i>To record the bank debit memo due to dishonor of check</i>	102 111	xxxx	xxxx
2. Other Receivables Cash - Collecting Officers <i>To set up the accountability of the payor</i>	149 102	xxxx	xxxx
3. Cash – Collecting Officers Other Receivables <i>To record cash settlement of the dishonored check by payor</i>	102 149	xxxx	xxxx
4. Cash in Bank – LCCA Cash – Collecting Officers <i>To record deposit of collections</i>	111 102	xxxx	xxxx

Pro-forma Entries No. 3 and 4 above should be prepared only upon final cash settlement of the drawer of the check and redeposit of the same to the bank.

To enhance the reliability of accounting records and reports and fairly present the balance of Cash in Bank account in the financial statements as of December 31, 2008, we recommend that the Accountant should effect the following adjusting entries:

a.

Code	Account Title	Debit	Credit
102	Cash – Collecting Officers	13,733.30	3.09
111	Cash in Bank – LCCA <i>To take up dishonor of check by PNB and correct understatement of deposit.</i>	3.09	13,733.30

b.

Code	Account Title	Debit	Credit
149	Other Receivables	13,733.30	
102	Cash - Collecting Officers <i>To set up the accountability of the payor for dishonored check</i>		13,733.30

3. Due to BIR account is overstated by P33,197.70. ✓

The balance of the account Due to BIR (412) is overstated by P33,197.70 because of posting error. A credit to Accounts Receivable (121) per DV No. 08-11-612, was erroneously included in the total postings to the account Due to BIR. This error has overstated the Inter Agency Payable and understated the Receivables.

Corollary to this inadvertence is also the overstatement of remittance to BIR. It should be noted that the balance per ledger of the account Due to BIR as of December 31, 2008 is P32,948.11. Thus if the erroneous posting of P33,197.70 would be corrected, there would be an abnormal balance of negative P249.59. Negative balance shows that there was over remittance.

Management comment is quoted as follows:

"A case of a simple erroneous accounting entry.

"However, as far as the actual remittance is concerned, the schedule of computation of remittable amount is the basis."

The team recommended the following adjusting journal entry to correct the erroneous posting of credit to Due to BIR instead of credit to Accounts Receivable.

Accounts	Code	Debit	Credit
Due to BIR	412	33,197.70	
Accounts Receivable	121		33,197.70
To correct posting error to account Due to BIR			

4. Payments for Honoraria amounting to P158,715.00 were erroneously debited to Other Maintenance and Operating Expense

The audit of expenditures disclosed that there were disbursements for Honorarium misclassified as Other Maintenance and Operating Expenses. These expenses are those paid to Board Secretary of the Water District and to the designated Interim General Manager from Local Water Utilities Administration. The total Other Maintenance and Operating Expenses that have to be reclassified to its proper expense account which is Honorarium are as follows:

Interim General Manager	P 68,715.00
Board Secretary	<u>90,000.00</u>
Total	<u>P158,715.00</u>

The erroneous entry has overstated the Other Maintenance and Operating Expense account while Honorarium was understated. Thus reclassification is necessary.

Management's comment is as follows:

"For the last several years, the honorarium was included among the items in the other maintenance and operating expense annual budget and this appeared to be the basis of the accounting entry upon payment."

The team recommends the reclassification of the amount of P158,715.00 from Other Maintenance and Operating Expenses to Honoraria to rectify the effect of the error on the balances of the accounts affected by misclassifications.

Accounts	code	Debit	Credit
Honoraria	720	158,715.00	
Other Maintenance and Operating Expenses	969		158,715.00
<i>To reclassify expenses erroneously treated as Other Maintenance and Operating Expenses to its proper expense account- Honoraria.</i>			

5. Claims for 1st Salary, RATA, various personnel benefits and various expenses of the newly hired General Manager totaling P250,349.27 were paid without complete or proper documentation.

One of the objects of expenditures paid by water district during the year was the salary of the newly hired General Manager of the Water District. Our examination of the said transactions disclosed that the Disbursement Vouchers (DVs) were not duly supported by required documents, contrary to the basic principle in government expenditures which states that, "claims against government funds shall be supported with complete documentation". Except for the Journal Entry Voucher (JEV), duplicate copy of the issued check and schedule of deductions to salary, no other attachments were submitted as supporting documents to the claims.

Among those basic requirements that have to be submitted by the claimant to support the payment of first salary, in order that the same could be allowed in audit, are the following:

1. Certified copy of Approved Appointment duly attested by the Civil Service Commission
2. Certified copy of Oath of Office
3. Statement of Assets and Liabilities
4. Daily Time Records
5. Certificate of Assumption to Office

On the succeeding payments for services rendered, Daily Time Record shall be required as evidence that actual services have been rendered according to prescribed office hours, certified correct by the employee herself.

Total salaries paid to the herein General Manager are shown as follows:

DV No.	Period Covered	Amount
08-10-0535	August to September 2008	P 45,312.80
08-10-0556	October 1-15	11,452.50

08-10-0582	October 16-31	12,078.90
08-11-0617	November 1-15	11,452.50
08-11-0645	November 16-30	13,061.93
08-12-0682	December 1-15	12,257.22
08-12-0709	December 16-31	12,257.21
Total		P 117,873.06

Other money payments for various expenses of the General Manager from August to December 2008, follows:

Commutable RATA	P 40,000.00
Rice/Grocery Allowance	3,544.85
Reimbursement of various expenses	44,539.86
Traveling Expenses	7,820.00
13 th month pay and cash gift	12,521.00
Financial Assistance	24,050.50
Total	P 132,476.21

Quoted in full is management's comment to our AOM:

"This was the board decision to pay the newly hired general manager.

"It claimed the urgency of service of a general manager notwithstanding the several requirements needed.

"Beforehand, the management intended to wait for the completion of the requirements before the actual payment."

During the exit conference, management assured the team of their compliance on the submission of the basic requirements, however, they failed to comply.

For want of the required documents supporting the payments of salaries of the General Manager, said transactions is suspended in audit. Failure to submit the foregoing documents will compromise the propriety and validity of the disbursements, including those other money payments, hence, may be disallowed in audit. Notice of disallowance will be issued after the lapse of the 90-day period to reckon from the receipt of the Notice of Suspensions.

We recommend for the immediate submission of the following documents by the General Manager concerned to support his claims:

- a. **Approved Appointment duly attested by the Civil Service Commission**
- b. **Oath of Office**

- c. **Statement of Assets and Liabilities**
- d. **Daily Time Records (first salary and on the succeeding claims)**
- e. **Certificate of Assumption to Office**

6. Accounts Receivable balance of P5,581,696.15 is of doubtful validity.

The validity and accuracy of the balance of Accounts Receivable (121) amounting to P5,581,696.15 as of December 31, 2008 is doubtful due to the following circumstances:

- a. ***Uncertainty to collect the net realizable value of long outstanding, non-current & inactive accounts totaling P1,806,183.25, representing 30% of the total receivables.***

NON-CURRENT AND INACTIVE ACCOUNTS			
Age	Amount of Receivable	Allowance for Doubtful Accounts	Net Realizable Value
+4 years	P 698,005.05	P 34,900.25	P 663,104.80
+3-4 years	249,245.45	9,969.81	239,275.64
+2-3 years	347,738.24	11,299.07	336,439.17
+1-2 years	511,194.51	10,223.89	500,970.62
Total	P 1,806,183.25	P 66,393.02	P 1,739,790.23

- b. ***Discrepancy amounting to P34,885.22 between the balance per General Ledger and the total per Aging of Accounts as of December 31, 2008.***

Particulars	Amount
Balance per General Ledger as of 12.31.08	P 5,548,498.45
Balance per Aging of Account as of even date	5,583,383.67
Difference	P 34,885.22

Management's justification is quoted as follows:

"The non-current and inactive (accounts) require further investigation which incurs additional effort – that is, in order to achieve the validity and accuracy of the said accounts.

"The manual recording and computerized preparation of different divisions is usually the cause of minor discrepancy.

"The recommendations are for implementation."

We recommended the following to which management agreed to comply:

- a. **Establish the collectibility or non-collectibility of the above-cited long-outstanding receivables. Accounts determined to be uncollectible or if collection thereof is a remote possibility may be requested for write-off subject to COA's legal and regulatory requirements.**
- b. **Resolve the difference noted, and thereafter conduct periodic reconciliation between the controlling and its subsidiary accounts.**

7. Allowance for doubtful accounts was not adequately provided – P21,624.16.

The NGAS provides the computation for the allowance for doubtful accounts thru the application of certain percentages based on the following age classification of the receivables:

Age of Receivables	Factor
0 to 180 days	0%
181 to 1 year	1%
+1 year to 2 years	2%
+2 years to 3 years	3%
+3 years to 3 years	4%
+4 years	5%

The Allowance for Doubtful Accounts as of December 31, 2008 as provided for by the district was understated by P21,624.16 vis-à-vis our computation made in audit adopting the NGAS method, hereunder detailed as follows:

Balance per Books, December 31, 2008	P 51,303.04
Required Allowance per NGAS:	
181 days to 1 year	P 4,672.45
+1 year to 2 years	12,085.61
+2 years to 3 years	11,299.07

+3 years to 4 years	9,969.82	
+4 years	34,900.25	72,927.20
(Under) Over Allowance		P (21,624.16)

This deficiency resulted in the overstatement of the net realizable value of the accounts receivable and the understatement of the corresponding bad debts expense.

Management's comment is as follows:

"ICWD applied the recommended percentage factor. The discrepancy is attributed to the different base used by ICWD and COA."

The following adjusting journal entry is recommended to correct the understatement of the Allowance for Doubtful Accounts.

Accounts	code	Debit	Credit
Retained Earnings (Bad Debts- 901)	510	21,624.16	
Allowance for Doubtful Accounts	301		21,624.16
<i>To adjust the understatement of the Allowance for Doubtful Accounts as of December 31, 2008</i>			

8. Items of Property, Plant & Equipment that require reclassification to its proper expense accounts-P60,417.00.

IAS 16 provides the criteria for the recognition of Property, Plant and Equipment. It states that, "The cost of an item of PPE shall be recognized as an asset if, and only if:

- It is probable that future economic benefits associated with the item will flow to the entity; and,
- The cost of the item can be measured reliably."

Our audit noted the following additions to the PPE account:

Account Affected	Item of PPE	Amount
226 - Machinery	DV#08-02-069 re: purchase of various spare parts for the repair of Chlorinator	16,990.00
241 - Motor Vehicle	JEV#08-06-582 re: correcting entry to take up repair of motor vehicle from	

	expense account to PPE account:	
	a) DV# 08-04-192 Labor and Materials for the replacement of aircon condenser of SEJ 290.	18,498.00
	b) DV# 08-04-193 Labor and Materials for the replacement of aircon evaporator of SEJ 363.	24,929.00
Total		60,417.00

These were not valid items of PPE inasmuch as its costs did not enhance the capability nor prolonged the life of the assets but merely restored it to its original operating condition. Hence, the same should be properly charged to expense.

Management's justification is as follows:

"The company usually capitalizes expenditures costing P10,000.00 hence, certain repairs and maintenance were charged to asset accounts."

The team recommended for the reclassification of the above items of PPE to its proper expense accounts through the following accounting entry:

Accounts	code	Debit	Credit
Repair & Maintenance-Machinery	826	16,990.00	
Repair & Maintenance-Motor Vehicle	841	43,427.00	
Machinery	226		16,990.00
Motor Vehicle	241		43,427.00
To reclassify items of PPE to its proper expense accounts.			

9. Accumulated Depreciation account was understated by a net amount of P803,976.41.

The Accumulated Depreciation on Property, Plant and Equipment balance totaling to P30,359,811.20 as of December 31, 2008 was overstated by P803,976.41 as against the balance per depreciation lapsing schedule as recomputed in audit, due to the following:

1. Net understatement of the beginning balance of the Accumulated Depreciation amounting to P1,186,291.26;

Acct. Code	Per Books	Per Audit	Overstatement (Understatement)
302	0.00	9,238.41	P9,238.41
308	14,339,964.16	14,640,410.29	300,446.13
311	738,477.36	929,348.29	190,870.93
315	1,018,974.40	979,034.69	(39,939.71)
321	588,369.84	193,019.48	(395,350.36)
322	396,947.22	537,578.72	140,631.50
323	906,349.54	371,236.96	(535,112.58)
326	2,884,561.08	4,626,058.48	1,741,497.40
329	96,037.66	110,195.75	14,158.09
331	499.50	33,695.69	33,196.19
341	2,309,318.52	2,138,569.60	(170,748.92)
345	2,904.00	6,336.00	3,432.00
350	326,221.79	220,193.97	(106,027.82)
Total	23,608,625.07	24,794,916.33	P1,186,291.26

2. Net overstatement of the Depreciation Expenses for the year amounting to P382,314.85'

Acct. Code	Per Books	Per Audit	Understatement (Overstatement)
902	0.00	4,619.21	P4,619.21
908	3,608,752.44	3,456,549.69	(152,202.75)
911	172,455.96	162,326.45	(10,129.51)
915	286,787.34	279,783.50	(7,003.84)
921	82,835.91	50,973.66	(31,862.25)
922	77,608.32	107,142.34	29,534.02
923	169,898.89	181,184.41	11,285.52
926	1,853,203.96	1,644,292.44	(208,911.52)
929	34,859.85	24,561.38	(10,298.47)
931	1,998.00	1,998.00	0.00
941	409,411.32	402,481.63	(6,929.69)
945	3,168.00	3,168.00	0.00
950	50,206.14	49,790.57	(415.57)
Total	6,503,678.92	6,075,925.32	(P382,314.85)

The comment of management is as follows:

"The discrepancy resulted from the classification of capitalized assets. Overstatement of assets causes overstatement of depreciation."

The team recommended the following adjustments to correct the understatement of Accumulated Depreciation.

1.

Account	Code	Debit	Credit
Retained Earnings	510	1,186,291.26	
Accum. Depreciation – Other Structures	315	39,939.71	
Accum. Depreciation - Equipment	321	395,350.36	
Accum. Depreciation – IT Equipment & Software	323	535,112.58	
Accum. Depreciation – Motor Vehicle	341	170,748.92	
Accum. Depreciation – Other PPE	350	106,027.82	
Accum. Depreciation – Land Improvements	302		9,238.41
Accum. Depreciation – IWSS	308		300,446.13
Accum. Depreciation – Building	311		190,870.93
Accum. Depreciation – Furniture & Fixture	322		140,631.50
Accum. Depreciation – Machinery	326		1,741,497.40
Accum. Depreciation – Comm Eqpt.	329		14,158.09
Accum. Depreciation – Firefighting Eqpt. & Accesories	331		33,196.19
Accum. Depreciation – Other transportation Equipment	348		3,432.00
To adjust net understatement of the 2008 beginning balance of the Accumulated Depreciation- PPE accounts			

2.

Account	Code	Debit	Credit
Accum. Depreciation – IWSS	308	152,202.75	
Accum. Depreciation - Building	311	10,129.51	
Accum. Depreciation – Other structures	315	7,003.84	
Accum. Depreciation – Office Equipment	321	31,862.25	
Accum. Depreciation – Machinery	326	208,911.52	
Accum. Depreciation – Comm. Equipment	329	10,298.47	
Accum. Depreciation – Motor Vehicle	341	6,929.69	
Accum. Depreciation – Other PPE	350	415.57	
Retained Earnings (Depreciation Expense)	510		427,753.60
908		152,202.75	
911		10,129.51	
915		7,003.84	
921		31,862.25	
926		208,911.52	
929		10,298.47	
941		6,929.69	
950		415.57	
total		427,753.60	
To adjust overstatement of the depreciation expenses current year.			

3.

Account		Code	Debit	Credit
Retained Earnings (Depreciation Expense)		510	45,438.75	
902	4,619.21			
922	29,534.02			
923	11,285.52			
total	45,438.75			
Accum. Depreciation – Land Improvements		302		4,619.21
Accum. Depreciation – Furniture & Fixture		322		29,534.02
Accum. Depreciation – IT Eqpt. & Software		323		11,285.52
To adjust understatement of the depreciation expenses current year.				

10. Provision for Sinking Fund insufficient by P612,288.22

Water districts are required to set aside an amount of not less than 3% of its total gross revenues for specific long term purposes including debt service reserve for loan repayment, operation and maintenance reserve for repairs of damaged facilities due to natural calamities, public disorders, and the like and a capital reserve for future expansion of its facilities.

The District's gross billings for 2008 totaled to P48,409,607.35. The minimum 3% thereof or P1,452,288.22 should have been provided for this fund. However, accounting records disclosed that only P840,000.00 was actually deposited with LBP Iriga Branch under LWUA/ICWD Joint Account No. 2771-0794-26 for the year 2008, thus a deficit of P612,288.22.

Management commented that:

"The company applied as little as 2% only on the gross sales for the sinking fund as the balance has reached the P3 million mark plus. A few years back, the fund showed P1 million plus only."

The team recommended that the sinking fund be adequately provided with sufficient fund equivalent to 3% of the district's gross revenues as required.

11. Balances of loan accounts of Iriga Water District do not reconcile with the loan balances confirmed by the Local Water Utilities Administration (LWUA) at year end showing a difference of P1,341,375.43.

The Audit Team sent a confirmation letter dated August 17, 2009 to the Manager of Loans Administration Department of Local Water Utilities Administration (LWUA) in Quezon City to determine whether or not the Loans Payable of Iriga City Water District (ICWD) reconcile with that of LWUA. The confirmation reply was received by the team after the exit conference at ICWD was conducted thus; the result of the confirmation was not discussed in the conference.

Records showed that ICWD is updated in the payment of its loan obligation with LWUA. All payments of Interest and Principal were all acknowledged by official receipts from LWUA. However, the confirmation showed that as of December 31, 2008 the District has outstanding accounts with LWUA composed of the following: (see Annex – E)

Loan	Penalty Receivable	Interest Receivable	Loans Receivable Long Term
4-2013	P7,257.70	P181,442.59	P86,071,629.75
TOTAL	P7,257.70 =====	P181,442.59 =====	P86,071,629.75 =====
Open Account Bills	Penalty	Interest	Principal
03-046-08		P231.68	P2,784.67
03-095-08		542.93	6,525.53
06-093-08		369.61	5,918.21
06-158-08		366.80	5,878.06
06-185-08		636.24	10,196.16
06-240-08		9.98	160.00
07-017-08		437.76	8,418.46
07-085-08		505.77	9,726.26
TOTAL		P3,100.77 =====	P49,607.37 =====

In summary, a total discrepancy of P1,342,375.43 is noted as follows:

Particulars	Amount
Long Term Liabilities	P86,071,629.75
Interest on Loans Payable	181,442.59
Penalty on unpaid Interest on Loans	7,257.70
Sub-Total	<u>P86,260,330.04</u>

Open Bill Accounts:

Principal	P49,607.37
Interest on Open Account Bills	3,100.77
Sub-Total	P52,708.14
Balance per LWUA Confirmation	P86,313,038.18
Balance per Balance Sheet	84,971,662.75
Difference	P1,341,375.43
	=====

We recommend that a reconciliation of accounts between LWUA and ICWD be conducted to thresh out the difference noted and prepare the necessary accounting entry to adjust the affected accounts.

12. Disbursements for employer's share in the water district's Provident Fund totaling to P1,380,733.25 for the period 2005 to 2008 were paid in violation of DBM CCC No. 10.

The Provident Fund was established thru Board Resolution No. 31 passed on May 31, 1996. The fund covers all its bona-fide permanent employees. The employee/employer contributions thereto were 3% / 6% from 2005 to 2007, and 3% / 3% of the individual member's monthly basic salary, respectively.

For the calendar years 2005 to 2008, the water district's counterpart to the fund totaled P1,380,733.25, broken down as follows:

Calendar Year	Employer's Share
2005*	P 369,260.90
2006*	402,403.38
2007*	408,108.78
2008	200,960.19
Total	P 1,380,733.25

* Reopened accounts per Section 52 of PD 1445.

Said disbursements violated sub-paragraph 5.6 of DBM-CCC No. 10, in relation to sub-paragraphs 5.4 and 5.5 thereof quoted as follows:

"5.4 The rates of the following allowances/fringe benefits which are not integrated into the basic salary and which are allowed to be continued after June 30, 1989 shall be subject to the condition that the grant of such benefits is covered by statutory authority:

5.4.1 Representation and Transportation Allowances(RATA) of incumbent of the position authorized to receive the same at

the highest amount legally authorized as of June 30, 1989 for the level of his position within the particular GOCC/GFI;

- 5.4.2 Uniform and Clothing Allowance at a rate as previously authorized;
- 5.4.3 Hazard pay as authorized by law;
- 5.4.4 Honoraria/additional compensation for employees on detail with special projects or inter-agency undertakings;
- 5.4.5 Honoraria for services rendered by researchers, experts and specialists who are acknowledged authorities in their fields of specialization;
- 5.4.6 Honoraria for lecturers and resource persons/speakers;
- 5.4.7 Overtime pay in accordance with Memorandum Order No. 288;
- 5.4.8 Clothing Laundry Allowances and Subsistence Allowance of marine officers and crew on board GOCCs/GFIs owned vessels and used in their operations and of hospital personnel who attend directly to patients and who by nature of their duties are required to wear uniforms;
- 5.4.9 Quarter Allowance of Officials and Employees who are presently entitled to the same;
- 5.4.10 Overseas, Living Quarters and other Allowances presently authorized for personnel stationed abroad;
- 5.4.11 Night differential of personnel on night duty;
- 5.4.12 Per diems of the members of the Governing Boards of GOCCs/GFIs at the rates prescribed in their respective charters;
- 5.4.13 Flying pay for personnel undertaking Aerial Flights;
- 5.4.14 Per Diems/Allowances of Chairman and Members/Staff of collegial bodies and Committees;
- 5.4.15 Per Diems/Allowance of officials and employees on foreign and local travel outside of their official station.

"5.5 Other allowances/fringe benefits not likewise integrated into the basic salary and allowed to be continued only for incumbents as of June 30, 1989 subject to the condition that grant of the same is with appropriate authorization either from the DBM, Office of the President or legislative issuances are as follows:

- 5.5.1 Rice subsidy;
- 5.5.2 Sugar subsidy;
- 5.5.3 Death benefits other than those granted by the GSIS;
- 5.5.4 Medical/dental/optical allowances/benefits;
- 5.5.5 Children's allowance;
- 5.5.6 Special Duty Pay Allowance;
- 5.5.7 Meal subsidy

- 5.5.8 Longevity Pay; and,
- 5.5.9 Teller's Allowances.

"5.6 Payment of other allowances/fringe benefits and all other forms of compensation granted on top of basic salary, whether in cash or in kind not mentioned in Sub-paragraph 5.4 and 5.5 above shall be discontinued effective November 1, 1989. Payments made for such allowances/fringe benefits after said date shall be considered as illegal disbursement of public funds."

The employer's share in the Provident Fund partakes of a form of compensation granted on top of basic salary which is not among those authorized in the aforecited DBM Circular hence, disbursements therefor have no legal basis.

Management's comment to our AOM is quoted in full as follows:

"ICWD Provident Fund was created by virtue of PAWD's Memo Circular No. 2 s. 1996 allowing all water districts to set up their own provident/welfare fund. Its creation was effected by ICWD Board Resolution No. 31.

"Since that time, the members have enjoyed the employer's share as one of the company's benefits.

"In January 2008, the company received a copy of Executive Order No. 641 which reaffirms the establishment of Provident Funds as proper.

"Furthermore, DBM issued a budget circular, dated June 20, 2008 indicating the rules, regulations and procedures of administering the provident fund.

"ICWD Provident Fund members realized they receive the employer's share as one of those regular benefits they are receiving now. Therefore, they believe the benefits were received in good faith."

Executive Order No. 641 states that – Government cash contributions is to be sourced from savings, subject to the guidelines that will be issued by the Department of Budget and Management (DBM). Unfortunately, Budget Circular 2008-3 dated June 20, 2008, or the Rules, Regulations and Procedure on the Establishment and Administration of Provident Funds in the Philippines, under section 5.3.2.2 thereof, it failed to address the rate or amount of government

contribution to the fund. Thus, pending such guidelines, the remittance of district funds to the Provident Fund should be stopped.

Subject to the issuance of Notice of Disallowance and the exercise of its right to appeal such disallowance, the team recommends the stoppage of disbursements of employer's share in the Provident Fund considering that such disbursements were illegal.

13. Prior year audit adjustment not taken up in the books.

A number of the recommended audit adjustments in the previous report were not yet taken up in the books as of year end, hence reiterated in this report as follows:

1	Office Building	211	37,065.00	
	Retained Earnings	510	127.00	
	Other structures	215		37,192.00
	<i>To adjust erroneous account classification of drainage canal installed at the office building</i>			
2	Furniture & fixtures	222	360,840.55	
	Office Equipment	221		360,840.55
	<i>To adjust erroneous account classification of some assets</i>			
3	Land Improvements	202	51,324.50	
	Other Structures	215		51,324.50
	<i>To adjust erroneous account classification of other structures at Inorogan pumping station</i>			
4	IWSS-(Services)	208	275,617.65	
	Retained Earnings	510	3,395.10	
	IWSS-(Water Meter)	208		279,012.75
	<i>To reclassify service connection materials</i>			
5	Construction Materials Inventory	168	2,125.58	
	IWSS-(Water Meter)	208		1,500.00
	Retained Earnings	510		625.58
	<i>To reclassify entry per RIS no. 07-07-3042</i>			
6	IWSS-(Water Meter)	208	3,650.00	
	Retained Earnings	510		3,650.00
	<i>To adjust erroneous account classification of entries per OR Nos. 133323, 133349 & 133807</i>			

7	Other Assets	290	1,921,813.69	
	Accum. Depreciation – Office Equipment	321	62,746.88	
	Accum. Depreciation – Machinery	326	573,821.03	
	Office Equipment	221		86,250.00
	Machinery	226		2,472,131.60
	<i>To reclassify the net book value of unserviceable properties awaiting disposal</i>			

14. Erroneous recording of Cash Advances for payroll of casual, contractual and per diems of the Board of Directors.

Cash Advances drawn for the salaries and wages of casual, contractual and job order employees, other employee benefits including the per diems of the Board of Directors were erroneously recorded as direct debits to Expense accounts. In some cases the cash advance for regular payroll were debited to Due from Officers and Employees (123).

The Cash Advance Checks were drawn in the name of the Cashier. The purpose for which the checks were drawn were for payment of salaries and wages and other employee benefits, and thus by nature of the transaction, it is a Cash Advance. Cash Advance for payroll should be appropriately recorded as debit to Cash Disbursing Officers (103) and credit to Cash in Bank-LCCA.

Due from Officers and Employees (123) should not be used to record cash advances for payroll because it is a receivable account used to record the amount of cash advances for travel and other collectibles from government agency's officers and employees.

On the other hand, Cash - Disbursing Officers (103) is an item of the Cash and Cash Equivalent accounts. It is used to record the amount of cash advances granted to a designated Regular/Special Disbursing Officers of the Water District for payroll fund.

This inadvertence resulted to non-recognition of the cash accountability of the Cashier meantime that the payroll fund is still in her custody.

Management has the following justifications:

"This practice was for the simplification process. While such payment of salaries, employees' benefits, etc. is drawn in the name of the cashier and directly charged to the expense

account, the said funds are specially segregated by the cashier and generally released on the same day.

"Perhaps, also, this is the case of having a collecting officer and disbursing officer rolled into one."

The reliability of accounting records and reports should not be sacrificed just to simplify the recording process.

For the deficiency noted, we recommend the use of the pro-forma journal entries prescribed in the New Government Accounting System to provide complete accounting records of payroll transactions and recognize the accountability of the Accountable Officer for payroll fund, viz:

1. To set-up the amount of payroll due to its employees:

Code	Account Title	Debit	Credit
701	Salaries & Wages – Regular	XXXX	
712	Additional Compensation	XXXX	
711	PER A	XXXX	
749	Other Personnel Benefit	XXXX	
412	Due to BIR		XXXX
413	Due to GSIS		XXXX
414	Due to PAG-IBIG		XXXX
415	Due to PHILHEALTH		XXXX
439	Other Payables		XXXX
403	Due to Officers and Employees		XXXX

2. To set-up the Payroll Fund and grant of Cash Advance to Cashier/Cash Disbursing Officer.

Code	Account Title	Debit	Credit
103	Cash-Disbursing Officers	XXXX	
111	Cash in Bank – LCCA		XXXX

3. Payment of salaries and wages and liquidation of Cash Advance:

Code	Account Title	Debit	Credit
403	Due to Officers and Employees	XXXX	
103	Cash-Disbursing Officers		XXXX

For complete accounting journal entries reference should be made to pages 45 and 46 of the Manual on NGAS-Corporate.

Parameters of Efficiency of the Water District based on amounts in the financial statements as follows:

1. Financial Efficiency:

Indicators	Standard	Actual	Remarks
<p>a) Operating Ratio</p> <p>The ratio of operating and maintenance cost, including depreciation and interest expenses to total revenues of which total Personal Services cost shall not exceed 35% of 75% of operating cost.</p> <p>Operating Ratio: $= \text{Operating Cost} \div \text{Operating Revenue} \times 100\%$ $= P54,909,136.16 \div P52,121,778.21 \times 100\%$ $= 105\%$</p> <p>Personal Services Cost: $= P54,909,136.16 \times 75\% = P41,181,852.12$ $= P15,774,221.32 \div P41,181,852.12 \times 100\%$ $= 38\%$</p>	75%	105%	Unfavorable, the actual operating and maintenance cost is higher than the revenue generated. Personal Services Cost is 38% of 75% of operating cost.
<p>b) Profit Margin</p> <p>Balance of Revenues generated from operations after expenses including depreciation.</p> <p>$= \text{Net Loss} \div \text{Operating Revenue}$ $= P2,093,175.91 \div P52,121,778.21$ $= 4\%$</p>	25%	(4%)	Unfavorable, the district is operating at loss.
<p>c) Acid Test Ratio</p> <p>Acid Test Ratio is a more stringent test of short-term liquidity. It is ratio of Quick Assets over Current Liabilities.</p> <p>Quick Assets $= \text{Current Assets} - \text{Inventories} - \text{Prepayments}$ $= P24,879,746.36 - P1,548,353.01 - P77,077.53$ $= P23,254,315.82$</p> <p>Acid Test Ratio $= \text{Quick Assets} \div \text{Current Liabilities}$ $= P23,254,315.82 \div P23,233,737.50$ $= 1.0$</p>	0.75 – 2.0	1.0	Favorable, the agency has the ability to meet the demands for current assets

<p>d) Current Ratio</p> <p>Measure of adequacy of working capital; primarily test of solvency to meet current obligations from current assets as a going concern. Ratio of Current assets to Current Liabilities</p> <p>= Current Assets ÷ Current Liabilities = P24,879,746.36 ÷ P23,233,737.50 = <u>1.07</u></p>	1.0 – 3.0	1.07	Favorable
<p>e) Debt Ratio</p> <p>Measures the ratio of Total Liabilities over the Total Liabilities and Equity. The lower the ratio the better.</p> <p>= Total Liabilities ÷ Total Liabilities & Equity = P108,205,400.25 ÷ P127,494,975.14 = <u>0.85</u></p>	0.45 – 0.60	0.85	Favorable. The proportion of assets financed with debt is relatively low.
<p>f) Staff Productivity Index</p> <p>Total staff to total active service connections equals one (1) staff for every one hundred twenty (120) active service connections.</p> <p>a. Total Active Service Connections – 8,570 b. No. of Personnel – 67 = 8,570 ÷ 67 = 1 : 128</p>	1:120	1:128	Unfavorable

PART III

ANNEXES

Republic of the Philippines
IRIGA CITY WATER DISTRICT
Rufino Llagas Sr. St., San Roque, Iriga City

Annex A

Matrix of Adjusting and Correcting Entries
December 31, 2008

CE/AJE	Accounts	Code	Debit	Credit
1	Cash – Collecting Officers Cash In Bank - LCCA <i>To take-up dishonor of check by PNB & understatement of deposit</i>	102 111	13,733.30 3.09	3.09 13,733.30
2	Other Receivables Cash – Collecting Officers <i>To set-up the accountability of the payor of dishonored check</i>	149 102	13,733.30	13,733.30
3	Due to BIR Accounts Receivable <i>To correct posting error to Due to BIR</i>	412 121	33,197.70	33,197.70
4	Retained Earnings (Honorarium- 720) Retained Earnings(Other Maint. & Operating Exp.-969) <i>To reclassify the erroneous debit to Other Maintenance and Operating Expenses to its proper account which is honorarium</i>	510 510	158,715.00	158,715.00
5	Retained Earnings (Bad debt-901) Allowance for Doubtful Accounts <i>To adjust Bad Debts Expense for the year</i>	510 301	21,624.16	21,624.16
6	Retained Earnings (Repair & Maint-Machinery-826) Retained Earnings (Repair & Maint-Motor Vehicle-841) Machinery Motor Vehicle <i>To reclassify items of PPE to its proper expense accounts.</i>	510 510 226 241	16,990.00 43,427.00	16,990.00 43,427.00

7	Retained Earnings	510	1,186,291.26	
	Accum. Depreciation – Other Structures	315	39,939.71	
	Accum. Depreciation - Equipment	321	395,350.36	
	Accum. Depreciation – IT Equipment & Software	323	535,112.58	
	Accum. Depreciation – Motor Vehicle	341	170,748.92	
	Accum. Depreciation – Other PPE	350	106,027.82	
	Accum. Depreciation – Land Improvements	302		9,238.41
	Accum. Depreciation – IWSS	308		300,446.13
	Accum. Depreciation – Building	311		190,870.93
	Accum. Depreciation – Furniture & Fixture	322		140,631.50
	Accum. Depreciation – Machinery	326		1,741,497.40
	Accum. Depreciation – Communication Eqpt.	329		14,158.09
	Accum. Depreciation – Firefighting Eqpt. & Accesories	331		33,196.19
	Accum. Depreciation – Other Transportation Equipment	348		3,432.00
	<i>To adjust net understatement of the 2008 beginning balance of the Accumulated Depreciation- PPE accounts</i>			
8	Accum. Depreciation – IWSS	308	152,202.75	
	Accum. Depreciation - Building	311	10,129.51	
	Accum. Depreciation – Other structures	315	7,003.84	
	Accum. Depreciation – Office Equipment	321	31,862.25	
	Accum. Depreciation – Machinery	326	208,911.52	
	Accum. Depreciation – Communication Equipment	329	10,298.47	
	Accum. Depreciation – Motor Vehicle	341	6,929.69	
	Accum. Depreciation – Other PPE	350	415.57	
	Retained Earnings (Depreciation Expense)	510		427,753.60
	908		152,202.75	
	911		10,129.51	
	915		7,003.84	
	921		31,862.25	
	926		208,911.52	
	929		10,298.47	
	941		6,929.69	
	950		<u>415.57</u>	
	total		<u>427,753.60</u>	
	<i>To adjust overstatement of the depreciation expenses</i>			

9	Retained Earnings (Depreciation Expense)	510	45,438.75	
	902 4,619.21			
	922 29,534.02			
	923 <u>11,285.52</u>			
	total <u>45,438.75</u>			
	Accum. Depreciation – Land Improvements	302		4,619.21
	Accum. Depreciation – Furniture & Fixture	322		29,534.02
	Accum. Depreciation – IT Eqpt. & Software	323		11,285.52
	<i>To adjust understatement of the depreciation expenses</i>			
10(a)	Office Building	211	37,065.00	
	Retained Earnings	510	127.00	
	Other structures	215		37,192.00
	<i>To adjust erroneous account classification of drainage canal installed at the office building</i>			
10(b)	Furniture & fixtures	222	360,840.55	
	Office Equipment	221		360,840.55
	<i>To adjust erroneous account classification of some assets</i>			
10(c)	Land Improvements	202	51,324.50	
	Other Structures	215		51,324.50
	<i>To adjust erroneous account classification of other structures at Inorogan pumping station</i>			
10(d)	IWSS	208	275,617.65	
	Retained Earnings	510	3,395.10	
	IWSS	208		279,012.75
	<i>To reclassify service connection materials</i>			
10(e)	Construction Materials Inventory	168	2,155.58	
	IWSS	208		1,500.00
	Retained Earnings	510		625.58
	<i>To reclassify entry per RIS no. 07-07-3042</i>			
10(f)	IWSS	208	3,650.00	
	Retained Earnings	510		3,650.00
	<i>To adjust erroneous account classification of entries per OR nos 133323, 133349 & 133807</i>			
10(g)	Other Assets	290	1,921,813.69	
	Accum. Depreciation – Office Equipment	321	62,746.88	
	Accum. Depreciation – Machinery	326	573,821.03	
	Office Equipment	221		86,250.00
	Machinery	226		2,472,131.60
	<i>To reclassify the net book value of unserviceable properties awaiting disposal</i>			

Annex B

Iriga City Water District
San Roque, Iriga City

Schedule of Encashment of Private Checks out of Collections Calendar Year 2008

Check no.	Date of Check	Payee	Amount
12307	December 28, 2007	Manuel Gonzales	2,839.24
12309	December 28, 2007	Yunida Salvadora	9,969.60
12315		Yunida Salvadora	89,250.00
12316		Yunida Salvadora	10,000.00
12317	January 08, 2008	Rafael Padayao	13,500.00
12318	January 08, 2008	Rafael Padayao	3,760.00
12319	January 08, 2008	Albert Salvadora	1,760.00
12320	January 08, 2008	Yunida Salvadora	19,005.70
12330	January 15, 2008	Manuel Gonzales	2,934.90
12325	January 14, 2008	Yunida Salvadora	6,078.09
12327	January 15, 2008	Yunida Salvadora	6,000.00
12328	January 15, 2008	Yunida Salvadora	9,000.00
12329	January 15, 2008	Yunida Salvadora	52,825.00
12336	January 22, 2008	Gaudencio Asanza	9,040.00
12338	January 22, 2008	Yunida Salvadora	9,242.53
12337	January 22, 2008	Manuel Gonzales	1,760.00
12335	January 21, 2008	Precile's Photography Shop	3,000.00
12344	January 25, 2008	Yunida Salvadora	63,630.00
12353	January 29, 2008	Albert Salvadora	1,760.00
12352	January 29, 2008	Rafael Padayao	3,760.00
12355	January 29, 2008	Rafael Padayao	94,800.00
12350	January 29, 2008	Yunida Salvadora	16,500.00
12339	January 25, 2008	Yunida Salvadora	5,260.00
12359	January 31, 2008	Manuel Gonzales	4,469.54
12357	January 31, 2008	Yunida Salvadora	9,600.00
12358	January 31, 2008	Yunida Salvadora	6,000.00
12369	February 01, 2008	Yunida Salvadora	85,750.00
12377	February 04, 2008	Yunida Salvadora	7,748.70
12375	February 01, 2008	Yunida Salvadora	2,612.95
12390	February 13, 2008	Isuzu Manila	8,530.97
12400	February 18, 2008	Yunida Salvadora	95,700.00
13910	February 27, 2008	Yunida Salvadora	63,630.00
12397	February 20, 2008	Yunida Salvadora	9,771.21
13911	February 27, 2008	Yunida Salvadora	19,500.00
13913	February 29, 2008	Yunida Salvadora	18,825.00
13915	February 29, 2008	Yunida Salvadora	6,000.00
13914	February 29, 2008	Manuel Gonzales	4,101.74
19320	February 29, 2008	Employees Association Union	1,350.00
13929	March 06, 2008	Yunida Salvadora	7,510.00
13921	March 03, 2008	Yunida Salvadora	85,750.00
13962	March 31, 2008	Manuel Gonzales	4,101.74
13961	March 31, 2008	Yunida Salvadora	7,443.20

13973	April, 2008	Elvis Alferes	2,550.00
13968	April 02, 2008	ICWD Employees Association	1,350.00
13977	April 09, 2008	Yunida Salvadora	32,429.60
13969	April 01, 2008	Yunida Salvadora	85,750.00
13985	April 15, 2008	Yunida Salvadora	6,000.00
13999	April 18, 2008	Yunida Salvadora	93,750.00
14007	April 21, 2008	Rafael Padayao	15,000.00
14014	April 29, 2008	Yunida Salvadora	6,000.00
14011	April 29, 2008	Yunida Salvadora	8,574.20
14017	April 29, 2008	Yunida Salvadora	60,448.50
14018	April 30, 2008	Yunida Salvadora	38,750.00
14015	April 29, 2008	Manuel Gonzales	3,545.73
14013	April 29, 2008	Yunida Salvadora	18,000.00
14068	May 22, 2008	Elicio Doroson	5,768.58
14070	May 28, 2008	Yunida Salvadora	9,804.50
14022	May 02, 2008	ICWD Employees Association	1,350.00
14074	May 29, 2008	Yunida Salvadora	57,267.00
14081	June 02, 2008	Gaudencio Asanza	4,160.00
14090	June 02, 2008	Yunida Salvadora	85,750.00
14091	June 02, 2008	Yunida Salvadora	15,000.00
14089	June 02, 2008	ICWD Employees Association	1,350.00
14083	June 02, 2008	Yunida Salvadora	15,000.00
14093	June 05, 2008	Yunida Salvadora	8,846.30
14097	June 06, 2008	Yunida Salvadora	3,622.00
14119	June 20, 2008	Yunida Salvadora	9,876.51
14126	June 25, 2008	Yunida Salvadora	2,976.00
14137	June 30, 2008	Yunida Salvadora	41,275.00
14125	June 25, 2008	Yunida Salvadora	18,000.00
14136	June 30, 2008	Yunida Salvadora	6,000.00
14138	June 30, 2008	Manuel Gonzales	3,207.05
14175	July 10, 2008	Atty. Marlito Odosis	2,976.00
14176	July 10, 2008	Atty. Marlito Odosis	4,000.00
17173	July 09, 2008	Engr. Ajerco Comia	11,452.50
17172	July 09, 2008	Engr. Ajerco Comia	6,605.03
14146	July 01, 2008	Yunida Salvadora	85,750.00
14145	July 01, 2008	ICWD Employees Association	1,350.00
14171	July 09, 2008	Yunida Salvadora	11,863.25
14187	July 18, 2008	Yunida Salvadora	9,537.50
14193	July 22, 2008	Yunida Salvadora	57,620.50
14184	July 16, 2008	Benjamin Epres	27,080.00
14197	July 22, 2008	Manuel Gonzales	11,780.00
14195	July 22, 2008	Gaudencio Asanza	2,080.00
14201	July 24, 2008	Engr. Ajerco Comia	11,452.50
14200	July 24, 2008	Engr. Ajerco Comia	5,207.50
14206	July 30, 2008	Manuel Gonzales	3,207.05
14207	July 30, 2008	Yunida Salvadora	6,000.00
14196	July 22, 2008	Gaudencio Asanza	2,650.36

14210	August 06, 2008	Guadencio Asanza	9,000.00
14217	August 07, 2008	Yunida Salvadora	8,349.00
14241	August 19, 2008	ICWD Employees Association	1,350.00
14250	August 22, 2008	Atty. Annalyn Tayag	6,400.00
14260	August 29, 2008	Yunida Salvadora	26,000.00
14263	August 29, 2008	Yunida Salvadora	39,050.00
14259	August 29, 2008	Yunida Salvadora	6,000.00
14255	August 26, 2008	Yunida Salvadora	9,412.25
14264	August 29, 2008	Atty. Annalyn Tayag	1,864.44
14262	August 29, 2008	Manuel Gonzales	2,228.75
14279	September 02, 2008	Yunida Salvadora	9,600.00
14277	September 09, 2008	Manuel Gonzales	1,760.00
14278	September 09, 2008	Rafael Padayao	18,900.00
14276	September 09, 2008	Rafael Padayao	5,260.00
14281	September 09, 2008	BIR	39,315.08
14293	September 12, 2008	Atty. Annalyn Tayag	7,820.00
14294	September 12, 2008	Atty. Annalyn Tayag	5,783.00
14280	September 12, 2008	Yunida Salvadora	9,244.35
14297	September 12, 2008	Yunida Salvadora	6,000.00
14309	September 19, 2008	Yunida Salvadora	57,267.00
14318	September 23, 2008	Yunida Salvadora	6,913.50
14320	September 23, 2008	Guadencio Asanza	3,666.00
14312	September 23, 2008	Yunida Salvadora	7,626.50
14337	October 02, 2008	Rafael Padayao	1,069.75
14344	October 03, 2008	Manuel Gonzales	1,920.00
14339	October 02, 2008	Yunida Salvadora	85,590.90
14364	October 14, 2008	Yunida Salvadora	6,000.00
14334	October 02, 2008	T.M. Printer	1,455.00
14372	October 22, 2008	Yunida Salvadora	9,246.45
14379	October 24, 2008	Bigg's Dinner	1,350.00
14377	October 24, 2008	Yunida Salvadora	63,630.00
14378	October 24, 2008	Cerillos Electrical Service	1,300.00
14384	October 28, 2008	Yunida Salvadora	26,000.00
14397	October 28, 2008	Yunida Salvadora	9,606.15
14405	October 30, 2008	Yunida Salvadora	43,525.00
14390	October 29, 2008	Atty. Annalyn Tayag	12,078.90
14389	October 29, 2008	Manuel Gonzales	3,206.85
14385	October 28, 2008	Yunida Salvadora	6,000.00
14380	October 27, 2008	Joel Leonor	2,500.00
14408	November 03, 2008	Rafael Padayao	1,199.75
14418	November 10, 2008	Yunida Salvadora	8,134.80
14429	November 14, 2008	Yunida Salvadora	6,000.00
14423	November 12, 2008	Yunida Salvadora	25,514.00
14430	November 14, 2008	Yunida Salvadora	40,126.00
14426	November 13, 2008	Atty. Annalyn Tayag	11,452.50
14428	November 14, 2008	Manuel Gonzales	3,424.00
14424	November 12, 2008	Yunida Salvadora	65,200.00
14439	November 17, 2008	Genaro Sanlon	11,968.35
14458	November 26, 2008	Yunida Salvadora	50,904.00

Annex C

ICWD - PHILIPPINE NATIONAL BANK BANK RECONCILIATION STATEMENT As of December 31, 2008

Unadjusted Balance per Bank

PHP 1,108,596.38

Less: Outstanding Check

CHECK NO.	AMOUNT
14417 11/11/08 PBO	1,200.00
14451 11/11/08 Manila Pendants	8,046.49
14478 11/01/08 Benito Uy Mktg.	154,201.35
14479 ✓ PBO	1,200.00
14488 12/11/08 GSI	1,893.20
18912 12/12/08 Rafael C. Parayao	2,205.69
18918 12/12/08 Abby Arnelagh Taysan	12,257.21
18919 ✓ Manuel Gonzales	3,375.43
18922 12/12/08 Puerta Pilepina Sando	8,000.00
18923 ✓ Yunda Sando	1,500.00
18924 ✓	9,654.40
18926 12/12/08 Glus Mjane	3,220.00

Adjusted Balance per Bank

206,753.77
PHP 901,842.61

Unadjusted Balance per Book

915,572.82

Add: For adjustment [3.99 -.80 -.10]

3.09

TOTAL

915,575.91

Less: — ?

13,733.30

Adjusted Balance per Book

901,842.61

Prepared by:

Salvador D. Alcomendas
Sr. Corp. Accountant C

Annex D

Philippine National Bank

Page 2 of 15

Date Posted	Effective Date	Transaction Description	Check/Seq. No.	Withdrawals	Deposits	Balance
11/10/08	11/10/08	CASH DEP			59,000.00	1,185,873.40
11/11/08	11/20/08	CHECK DEP	1756641		1,610.82	1,187,284.22
11/10/08	11/10/08	CHECK ENCASHMENT	14412	74,663.51		1,112,620.71
11/11/08	11/11/08	CASH DEP			104,500.00	1,217,120.71
11/11/08	11/11/08	CHECK ENCASHMENT	14415	9,575.40		1,207,545.31
11/11/08	11/11/08	CASH DEP			10,260.25	1,217,805.56
11/11/08	11/11/08	CNSO CHK BCH DE			7,554.40	1,225,359.96
11/11/08	11/11/08	CHECK ENCASHMENT	14414	999.00		1,224,360.96
11/11/08	11/11/08	BY CLG	14406	232,821.42		991,539.54
11/12/08	11/12/08	CHECK ENCASHMENT	14407	85,750.00		905,789.54
11/12/08	11/12/08	CASH DEP			20,000.00	925,789.54
11/12/08	11/12/08	CASH DEP			53,500.00	979,289.54
11/12/08	11/12/08	CASH DEP			26,690.45	1,005,979.99
11/12/08	11/12/08	CNSO CHK DEP			5,827.40	1,011,807.39
11/12/08	11/12/08	CHECK ENCASHMENT	14386	6,000.00		1,005,807.39
11/12/08	11/12/08	BY CLG	14401	6,300.00		999,507.39
11/13/08	11/13/08	CHECK ENCASHMENT	14333	57,119.55		942,387.84
11/13/08	11/13/08	CASH DEP			18,500.00	960,887.84
11/13/08	11/13/08	CASH DEP			169,500.00	1,130,387.84
11/13/08	11/13/08	CASH DEP			20,000.00	1,150,387.84
11/13/08	11/13/08	CHECK ENCASHMENT	14418	6,134.80		1,142,253.04
11/13/08	11/13/08	CASH DEP			8,134.80	1,150,387.84
11/13/08	11/13/08	CASH DEP			1,483.60	1,151,871.44
11/14/08	11/14/08	CHECK ENCASHMENT	14413	322,586.75		829,284.69
11/14/08	11/18/08	CHECK DEP	404936		818.60	830,103.29
11/14/08	11/18/08	CHECK DEP	500000200		640.35	830,743.64
11/14/08	11/18/08	CHECK DEP	25818		6,873.25	837,616.89
11/14/08	11/14/08	CASH DEP			135,700.00	973,316.89
11/14/08	11/14/08	CASH DEP			1,294.55	974,611.44
11/14/08	11/18/08	CHECK DEP	353882		923.68	975,535.12
11/14/08	11/18/08	REVERSAL: CHECK DEP	353882		-923.68	974,611.44
11/14/08	11/14/08	CHECK ENCASHMENT	14420	119,297.85		855,313.59
11/14/08	11/14/08	BY CLG	14383	6,750.00		848,563.59
11/14/08	11/14/08	BY CLG	14403	14,074.70		834,488.89
11/17/08	11/17/08	CASH DEP			7,089.00	841,577.89
11/17/08	11/19/08	CHECK DEP	353882		923.68	842,501.57
11/17/08	11/17/08	CNSO CHK DEP			12,309.25	854,810.82
11/17/08	11/19/08	CHECK DEP	5080003309		648.86	855,459.68
11/17/08	11/26/08	CHECK DEP	232552		341.95	855,801.63
11/17/08	11/19/08	CHECK DEP	157310		500.80	856,302.43
11/17/08	11/17/08	CHECK ENCASHMENT	14421	275,776.30		580,526.13
11/17/08	11/17/08	CHECK ENCASHMENT	14429	6,000.00		574,526.13
11/17/08	11/17/08	CASH DEP			6,000.00	580,526.13
11/17/08	11/17/08	CHECK ENCASHMENT	14423	25,514.00		555,012.13
11/17/08	11/17/08	CHECK ENCASHMENT	14430	40,126.00		514,886.13
11/17/08	11/17/08	CHECK ENCASHMENT	14426	11,452.50		503,433.63
11/17/08	11/17/08	CHECK ENCASHMENT	14428	3,424.00		500,009.63
11/17/08	11/17/08	CHECK ENCASHMENT	14424	65,200.00		434,809.63
11/17/08	11/17/08	CASH DEP			145,716.50	580,526.13
11/17/08	11/17/08	CASH DEP			68,400.00	648,926.13
11/17/08	11/17/08	CASH DEP			119,500.00	768,426.13
11/17/08	11/17/08	CASH DEP			31,000.00	799,426.13
11/17/08	11/17/08	BY CLG	14391	238,140.40		561,285.73
11/17/08	11/17/08	BY CLG	14416	1,500.00		559,785.73
11/17/08	11/17/08	BY CLG	14419	10,000.00		549,785.73
11/18/08	11/18/08	CNSO CHK DEP			7,245.75	557,031.48
11/18/08	11/18/08	CNSO CHK DEP			4,071.48	561,102.96
11/18/08	11/18/08	CASH DEP			175,000.00	736,102.96
11/18/08	11/18/08	CASH DEP			453,180.00	1,189,282.96
11/18/08	11/18/08	CASH DEP			47,650.00	1,236,932.96
11/18/08	11/18/08	CK#14394		1,440.00		1,235,492.96
11/18/08	11/18/08	CASH DEP			25,507.85	1,261,000.81
11/18/08	11/18/08	CASH DEP			13,733.30	1,274,734.11
11/18/08	11/18/08	CK#18735		33,733.30		1,261,000.81
11/18/08	11/18/08	BY CLG	14422	8,000.00		1,253,000.81
11/18/08	11/18/08	BY CLG	14400	265,212.00		987,788.81
11/19/08	11/21/08	CHECK DEP	1137		341.95	988,130.76
11/19/08	11/19/08	CNSO CHK DEP			22,689.81	1,010,820.57
11/19/08	11/28/08	CHECK DEP	298410		390.00	1,011,210.57
11/19/08	11/19/08	CNSO CHK DEP			24,348.97	1,035,559.54
11/19/08	11/19/08	CNSO CHK DEP			78,362.65	1,113,922.19
11/19/08	11/19/08	REVERSAL: CNSO CHK DEP			-78,362.65	1,035,559.54



Republic of the Philippines
LOCAL WATER UTILITIES ADMINISTRATION
MWSS - LWUA Complex, Katipunan Road,
Balara Quezon City

September 15, 2009

Mr. Eliseo S. Torreña
State Auditor IV- Audit Team Leader
COA, Regional Office No. V
Pawis, Legazpi City

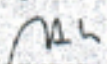
Dear Sir/Madam:

The following are the details of IRIGA CITY WATER DISTRICT's balances of accounts with us as of December 31, 2008:

LOAN	FUND TYPE	PENALTY RECEIVABLE	INTEREST RECEIVABLE	LOANS RECEIVABLE CURRENT	LOANS RECEIVABLE LONG TERM
4-2013	RL	7,257.70	181,442.59	.00	86,071,629.75
		7,257.70 *	181,442.59 *	.00	86,071,629.75
OAB		PENALTY	INTEREST	PRINCIPAL	
03-046-08		.00	231.68	2,784.67	
03-095-08		.00	542.93	5,525.33	
06-093-08		.00	369.61	5,918.21	
06-158-08		.00	366.80	5,878.06	
06-185-08		.00	636.24	10,196.16	
06-240-08		.00	9.98	160.00	
07-017-08		.00	437.76	8,418.46	
07-085-08		.00	505.77	9,726.26	
		.00	3,100.77	49,607.37	

For your reference.

Very truly yours,


REDENTOR C. TALAVERA
Officer-In-Charge, Loans Admin. Dept.

Note:

* For reconciliation with the WD.



Iriga City Water District

Rufino Llagas Sr. St., San Roque, Iriga City, 4431
Tel. Nos. (054) 299-2220; (054) 299-5709; Tel/Fax No. (054) 655-0508
Hotline: 299-4672

January 31, 2009

MR. ELISEO S. TORREÑA

State Auditor IV & Audit Team Leader
Cluster III-Public Utilities
Commission on Audit
Region V
Legaspi City

Sir:

In connection with your examination of the Balance Sheet, Income Statement and Cash Flow Statement of the Iriga City Water District as of December 31, 2008 and from January 1 to December 31, 2008 for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position, results of operation, and changes in the financial position of the Iriga City Water District in conformity with generally accepted accounting principles, we confirm to you during your examination.

1. We are responsible for the fair presentation in the financial statements of financial position, results of operations and changes in the financial position in conformity with generally accepted accounting principles.
2. We have made available to you all:
 - Financial records and related data
 - Minutes of meeting of Board of Directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There had been no:
 - Irregularities involving management or employees who have significant roles in the system of internal control.
 - Irregularities involving other employees that could have material effect on the financial statements.
 - Communications for regulatory agencies concerning non-compliance with, or deficiencies in financial reporting practices that could have a material effect on the financial statement.
4. We have no plans or intentions to cause any actions that may materially affect the carrying value or classification of assets and liabilities.

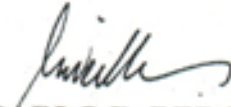


Iriga City Water District

Rufino Llagas Sr. St., San Roque, Iriga City, 4431
Tel. Nos. (054) 299-2220; (054) 299-5709; Tel/Fax No. (054) 655-0508
Hotline: 299-4672

5. The following have been properly recorded or disclosed in the financial statements:
- Related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees.
 - Capital contribution and grants from government and other donations from non-government agency.
6. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
7. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
8. Provision has been made for any material loss to be sustained in the fulfillment of, or from inability to fulfill any sales commitments.
9. Provision has been made for any material loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
10. We have complied with all the aspects of contractual agreements that would have material effect on the financial statements in the event of non-compliance.
11. No events have occurred subsequent to the Balance Sheet date that would require adjustment or disclosure in the financial statements.


MARIETTA H. CRUZATA
Division Manager C 


ENGR. PABLO B. BERCILLA
Interim General Manager