



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

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

National Irrigation Administration  
EDSA, Quezon City

We were mandated by the 1987 Philippine Constitution to audit the accompanying financial statements of the National Irrigation Administration - Corporate Fund (F501), which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statement of income and expenses, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Because of the matters described in the following paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Bases for Disclaimer of Opinion***

The Consolidated Financial Statements of the NIA Corporate Fund (F501) for the year ended December 31, 2015 did not include the Consolidated Statement of Changes in Equity contrary to the Philippine Accounting Standards 1, thus depriving the users of the financial statements with information of what caused the increase in Equity from its beginning balance of P15.307 billion as at January 1, 2015 to P18.433 billion as at December 31, 2015.

Non-reclassification of long completed irrigation projects of P1.595 billion to appropriate asset accounts, absence of subsidiary records and supporting documents, non-maintenance of Property, Plant and Equipment Ledger Cards for properties valued at P8.198 billion, existence of significant variances of P8.668 billion between books and results of physical counts, and inclusion of unserviceable properties of approximately P31.913 million cast doubt on the accuracy of the Property, Plant and Equipment (PPE) account with net book value of P29.807 billion.

The accuracy and validity of Accounts Receivable (AR)-Irrigation Service Fees (ISF) and Communal Irrigation System with a balance of P20.939 billion could not be ascertained due to, among others, unreconciled discrepancies of P1.235 billion between records of the Regional Offices and Division Offices/Irrigation Management Offices; unrecorded amortization receivable of P0.955 million from farmer-beneficiaries; unreconciled difference between General Ledger and Subsidiary Ledger balances of P0.152 billion; and dormant receivables of P1.345 billion for over 6 to 40 years.

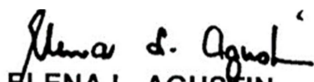
The reliability of the balance of the Cash in Bank accounts aggregating P1.795 billion could not be ascertained due to, among others, unbooked reconciling items of P291.719 million, unreconciled difference of P62.265 million between the balances per books and the bank statements, absence of Subsidiary Ledgers and supporting documents to substantiate the account balances; non-preparation of bank reconciliation statements; and discrepancy in balances among accounting records.

We were unable to obtain sufficient appropriate audit evidence about the balances of the Cash in Bank, AR-ISF, PPE and other affected accounts, due to inadequacy of accounting records, schedules and working papers. Consequently, we were unable to determine whether any adjustments to these accounts were necessary.

### ***Disclaimer of Opinion***

Because of the significance of the matters discussed in the Bases for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

### **COMMISSION ON AUDIT**



**ELENA L. AGUSTIN**

Supervising Auditor

Audit Group B

Cluster 5–Agricultural and Natural Resources

Corporate Government Sector

May 30, 2016



Republic of the Philippines  
Office of the President  
*National Irrigation Administration*  
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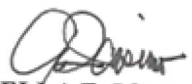
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**


**NATIONAL IRRIGATION ADMINISTRATION**

The Management of **NATIONAL IRRIGATION ADMINISTRATION (NIA)** is responsible for all information and representations contained in the Fund 501 Balance Sheets and the related Statements of Income and Expenses and Cash Flows for the years ended December 31, 2015 and 2014. The Financial Statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of Management with appropriate consideration to materiality.

The Management of NIA maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The Management likewise discloses to its external auditors any significant deficiency in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data and any material weakness in the external controls and that any fraud that may involve management of other employees who exercise significant roles in internal controls.

  
**EDITHA D. MORALES**  
Acting Manager, Financial Management  
Department

  
**ESTRELLA E. ICASIANO**  
Deputy Administrator for Finance  
and Administrative Sector

  
**ENGR. FLORENCIO F. PADERNAL, DPA**  
Administrator

**NATIONAL IRRIGATION ADMINISTRATION  
CORPORATE FUND (F501)  
BALANCE SHEET  
December 31, 2015  
(In Philippine Peso)**

	Note	2015	2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	4	1,931,643,326	2,633,418,169
Receivables - net	5	34,861,511,034	33,426,288,591
Inventories - net	6	60,685,515	60,991,353
Prepayments	7	157,123,935	164,850,299
Other current assets	8	22,700,178	(197,106,723)
		37,033,663,988	36,088,441,689
<b>Non-current assets</b>			
Investments	9	60,905,604,063	60,177,227,296
Property, plant and equipment - net	10	29,807,512,147	26,729,313,795
Other assets	11	54,077,281	339,057,208
		90,767,193,491	87,245,598,299
<b>TOTAL ASSETS</b>		<b>127,800,857,479</b>	<b>123,334,039,988</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Payables	12	1,666,730,238	1,637,142,706
Inter/intra-agency payables	13	74,823,888,860	74,217,046,945
Other liabilities	14	1,192,607,046	1,248,671,832
		77,683,226,144	77,102,861,483
<b>Non-current liabilities</b>			
Long-term liabilities	15	10,531,340,534	11,506,340,534
Deferred credits	16	21,153,023,892	19,418,011,243
		31,684,364,426	30,924,351,777
		109,367,590,570	108,027,213,260
<b>Equity</b>		18,433,266,909	15,306,826,728
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>127,800,857,479</b>	<b>123,334,039,988</b>

The Notes on pages 7 to 20 form part of these financial statements.

**NATIONAL IRRIGATION ADMINISTRATION  
CORPORATE FUND (F501)  
STATEMENT OF INCOME AND EXPENSES  
For the Year Ended December 31, 2015  
(In Philippine Peso)**

	Note	2015	2014
<b>INCOME</b>			
<b>Operating income</b>			
Irrigation service fees (ISF)		1,775,371,844	1,921,489,754
10% Discount on ISF		(103,513,957)	(117,052,115)
Loss on sale of palay		(128,000)	-
		1,671,729,887	1,804,437,639
Rent income		153,693,348	128,077,465
Fines and penalties-service income		53,161,728	24,582,141
		1,878,584,963	1,957,097,245
<b>Non-operating income</b>			
Management fees		-	35,745,099
CIP/CIS/RIS amortization and equity		202,091,053	203,248,541
Pump amortization and equity		23,850,241	21,446,160
Service fees - water		351,784,359	321,259,766
Energy delivery fees - NPC		63,954,273	40,735,278
Other fines and penalties		3,619,487	537,263
Miscellaneous income	20	100,525,992	103,771,391
		745,825,405	726,743,498
<b>GROSS INCOME</b>		<b>2,624,410,368</b>	<b>2,683,840,743</b>
<b>EXPENSES</b>			
Personal services	21	1,587,236,647	1,463,871,344
Maintenance and other operating expenses (MOOE)	21	1,201,588,294	1,189,241,951
Financial expenses	21	740,992,211	394,977,929
		3,529,817,152	3,048,091,224
<b>LOSS FROM OPERATION</b>		<b>(905,406,784)</b>	<b>(364,250,481)</b>
<b>OTHER INCOME (EXPENSE)</b>			
Interest income		23,728,365	16,723,870
Gain (loss) on foreign exchange		353,222	2,702,458
Gain (loss) on sale of assets		-	495,819
Income from grants and donations		936,133	-
		25,017,720	19,922,147
<b>LOSS BEFORE SUBSIDY</b>		<b>(880,389,064)</b>	<b>(344,328,334)</b>
Subsidy income from national government			
Subsidy for operations			
5% Management fee	17	121,390,000	294,794,463
<b>NET LOSS BEFORE SUBSIDY</b>		<b>(758,999,064)</b>	<b>(49,533,871)</b>
<b>SUBSIDY FOR THE IMPLEMENTATION OF VARIOUS PROJECTS</b>			
Indirect cost of projects (capital outlay)		411,452,000	475,163,255
Project Cost - Capital outlay			442,025,148
Payment of loan principal	} Released directly to NDC	975,000,000	-
Payment of loan interest		613,557,000	-
<b>Disbursement acceleration program (DAP):</b>			
Malitubog Maridagao Irrigation Project II		-	56,769,000
Umayam River Irrigation Project (URIP)		-	77,707,000
Calamity fund - for calamity-related rehabilitation/ restoration projects and other priority projects		-	217,699,700
		2,000,009,000	1,269,364,103
FROM OPERATIONS (MOOE)		-	96,800,133
Less: Disbursements from MOOE		-	(96,800,133)
		-	-
<b>NET INCOME AFTER SUBSIDY FOR THE IMPLEMENTATION OF VARIOUS PROJECTS</b>		<b>1,241,009,936</b>	<b>1,219,830,232</b>

The Notes on pages 7 to 20 form part of these financial statements.

**NATIONAL IRRIGATION ADMINISTRATION  
CORPORATE FUND (F501)  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2015  
(In Philippine Peso)**

	Note	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from irrigation users and other customers		2,525,910,643	2,417,253,003
Receipt of subsidy from the national government	17	2,121,399,000	1,660,958,699
Receipt of subsidy from LGUs/NGAs		13,126,523	15,323,908
Fund transfer from other funds		-	45,593,132
Guarantee deposits		177,126,781	93,353,200
Trust deposits		3,448,443	105,142,648
Refund of cash advances and disallowances		5,834,862	2,980,006
Collection of other receivables		140,530,043	252,569,977
Interest on deposits		16,633,000	12,727,960
Cash received from other government-owned and/or controlled corporations (GOCCs)		51,231,484	10,294,521
Receipt of management fee		15,500,000	35,745,099
Bank charges		(21,527)	(2,000)
Repair/rehabilitation of existing irrigation facilities		(168,645,708)	(2,449,729)
Advances to GOCCs		(185,027)	-
Advances to LGUs		-	(300,672)
Payment to other GOCCs/NGAs		(304,817,873)	(10,925,677)
Refund of performance/bidders' bond		(14,592,664)	(47,350,826)
Advance payment to contractors		(7,866,073)	(44,447,030)
Advances to NGAs		-	(19,313,589)
Fund transfer to other funds		-	(34,402,997)
Cash advances granted to officers and employees		(52,262,010)	(74,176,996)
Payment of due to officers and employees		(110,127,221)	(89,293,336)
Payment of accounts payable		(309,900,792)	(336,833,716)
Inter/intra-agency transfers		(25,726,739)	(39,410,781)
Payment of other payables		(248,067,477)	(268,741,867)
Remittances to BIR, GSIS, Pag-IBIG and PhilHealth		(564,685,031)	(484,679,553)
Cash paid to suppliers, employees and others		(1,975,077,394)	(2,424,764,573)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>1,288,765,243</b>	<b>774,848,811</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment		23,800	183,564
Construction of office buildings		(13,293,534)	(84,038,722)
Purchase of office and IT equipment and software		(39,410,833)	(36,457,071)
Construction in progress		(338,268,902)	(758,776,782)
Dividends paid to Department of Finance	18	(11,033,617)	(8,505,215)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(401,983,086)</b>	<b>(887,594,226)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of principal - NDC loan	17	(975,000,000)	-
Payment of Interest - NDC loan	17	(613,557,000)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(1,588,557,000)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(701,774,843)</b>	<b>(112,745,415)</b>
<b>CASH, BEGINNING OF YEAR</b>		<b>2,633,418,169</b>	<b>2,746,163,584</b>
<b>CASH, END OF YEAR</b>	<b>4</b>	<b>1,931,643,326</b>	<b>2,633,418,169</b>

The Notes on pages 7 to 20 form part of these financial statements.

**NATIONAL IRRIGATION ADMINISTRATION**  
**CORPORATE FUND (F501)**  
**NOTES TO FINANCIAL STATEMENTS**  
(All amounts in Philippine Peso unless otherwise stated)

**1. AGENCY BACKGROUND**

The National Irrigation Administration (NIA) was formally created as a government corporation under Republic Act (RA) No. 3601 on June 22, 1963 with an authorized capital of P300 million. In calendar year (CY) 1974, under Presidential Decree (PD) No. 552, its capitalization was increased to P2 billion; under PD No. 1702 dated July 17, 1980, it was further increased to P10 billion. The capital was to be subscribed and paid for entirely by the Philippine Government. Section 2, paragraph (b) of PD No. 552 provides NIA's sources of operating capital. The increase in Capital Stock is already included in the Government Equity.

The Corporation was originally attached to both the Department of Public Works and Highways (DPWH) and the Department of Agriculture (DA). It was later transferred to the Office of the President, and subsequently attached to DA under Administrative Order (AO) No. 17 dated October 14, 1992. On May 5, 2014, by virtue of Executive Order (EO) No. 165, s. 2014, NIA together with National Food Authority, Philippine Coconut Authority and Fertilizer and Pesticide Authority were transferred from DA to the Office of the Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM).

The principal function of NIA was initially to develop, maintain, operate, improve and rehabilitate irrigation systems including communal and pump irrigation projects. However, with the reorganization of the government that occurred after its creation, NIA also assumed the irrigation activities of other government agencies, including those of the Irrigation Service Unit of the then Presidential Assistance on Community Development. Thereafter, with the passage on January 24, 1991 of RA No. 6978, otherwise known as "An Act to Promote Rural Development by providing for an Accelerated Program within a Ten-Year Period of the Construction of Irrigation Projects," the activities of NIA were significantly increased to cover the remaining 1.5 million hectares of un-irrigated but irrigable land nationwide.

NIA is headed by an Administrator who is assisted by a Senior Deputy Administrator and supported by Deputy Administrator for Administrative and Finance and Deputy Administrator for Engineering and Operations. Besides the Central Office (CO), it has 17 Regional Offices (ROs), including the Upper Pampanga River Integrated Irrigation System (UPRIIS) and the Magat River Integrated Irrigation System (MARIIS), 47 Irrigation Management Offices (IMOs), and 10 Project Management Offices (PMOs). The Corporation manages 285 National Irrigation Systems (NIS) nationwide with a total service area of 836,055 hectares with firmed-up service area of 754,666 hectares. The total irrigated area was 560,052 hectares during the dry season (November to April) and 576,003 hectares during the wet season (May to October) and 89,847 hectares for the third crop (Quick Turn-Around program and Ratooning).

The Corporation maintains the Corporate Fund (F501) to finance its operations. This Fund consists mainly of collections of irrigation service fees, equipment rentals, pump amortizations, interest and miscellaneous income such as the five per cent management fee, income derived from sale of electrical energy, service fee for the operation and maintenance of non-power components of Hydroelectric Power Plants, Communal Irrigation Project amortization on principal and equity contribution and proceeds from sale of property, plant and equipment.

## **2. BASIS OF FINANCIAL STATEMENTS PRESENTATION**

The financial statements have been prepared in accordance with State accounting principles. The combined financial statements include the financial statements of the CO, UPRIS, MARIIS, ROs, and IMOs/PMOs under the Corporate Operating Budget.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### a. Allowance for Bad Debts

The Corporation sets up allowance for bad debts for all outstanding receivables, except reciprocal accounts, and for installment receivables based on the aging of accounts at the rate of one per cent for accounts that are one to 60 days due, two per cent for accounts that are 61 to 180 days due, three per cent for accounts that are 181 days to one year due, and five per cent for accounts that are more than one year due.

### b. Inventories

Inventories are measured at lower of cost or net realizable value.

### c. Investments

Long-term investments are valued at cost.

### d. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method at rates ranging from two per cent to 10 per cent per annum.

Major repairs are capitalized while minor repairs are charged to operations as incurred.

### e. Revenue Recognition

Income is taken up on a modified cash basis, i.e., income from space and facilities rental, bid documents and management fee are taken up on a cash basis, whereas income from operations is taken up on an accrual basis.



#### 4. CASH

This account includes the following:

	<b>2015</b>	<b>2014</b>
Cash-collecting officers	116,117,672	82,335,240
Working fund	16,336,057	16,366,296
Petty cash fund	1,958,426	1,880,798
Payroll fund	2,063,442	1,137,358
Cash in bank – local currency, current account	1,086,464,498	1,712,700,284
Cash in bank – local currency, savings account	289,325,608	404,369,092
Cash in bank – local currency, time deposits	380,099,519	375,945,079
Cash in bank – foreign currency, time deposits	39,278,104	38,684,022
	<b>1,931,643,326</b>	<b>2,633,418,169</b>

*Note: Revised balances of Cash in bank - current account and savings account were due to the transfer of P100 million from Corporate Operating Budget (COB) Regular to Locally-Funded Projects account.*

As of December 31, 2015, proceeds from the loan of NDC with a remaining balance of P14.607 million were included in the Cash in bank account, broken down as follows:

	<b>2015</b>	<b>2014</b>
Cash in bank – local currency, current account	513,253	513,253
Cash in bank – local currency, savings account	14,093,627	14,093,627
	<b>14,606,880</b>	<b>14,606,880</b>

#### 5. RECEIVABLES

This account consists of the following:

	<b>2015</b>	<b>2014</b>
Accounts receivable	20,939,122,541	19,184,084,756
Due from government-owned and/or controlled corporations (GOCCs)	13,472,061,140	13,479,475,717
Due from national government agencies (NGAs)	796,715,402	792,835,710
Due from regional offices (ROs)	492,905,750	492,679,204
Due from local government units (LGUs)	85,093,282	138,397,846
Due from other funds	57,917,971	38,828,331
Receivables - disallowances/charges	21,636,590	9,970,790
Due from officers and employees	13,252,222	12,298,436
Advances to officers and employees	8,045,604	7,303,716
Due from national treasury	(85,059,290)	(85,059,290)
Other receivables	280,258,688	261,912,556
	36,081,949,900	34,332,727,772
Allowance for bad debts	(1,220,438,866)	(906,439,181)
	<b>34,861,511,034</b>	<b>33,426,288,591</b>

Accounts Receivable account comprises trade/business receivables from Irrigation Service Fees (ISF). Memorandum Circular (MC) No. 26 dated June 7, 1976 requires annual adjustment of the account in the books due to increase in the government support price for palay. MC No. 62 dated December 5, 1977 and MC No. 62-A dated December 22, 1977 grant 10 per cent discount to farmers for payment of irrigation fees on or before due dates. The account also includes current installment receivables from amortization of irrigation pumps, communal irrigation systems and motorcycles. MC No.

54, s. of 2013 serves as a follow up to the Incentive Policy on the payment of Back Accounts (BA) since previous related MCs had lapsed on December 31, 2009. This policy covers all irrigation users of NIS with BA in ISF. Availment period is from January 1, 2014 up to December 31, 2015.

Due from National Treasury is an account maintained with the Bureau of the Treasury (BTr) through which foreign loan proceeds are released to NIA. Reconciliation of this account is still pending with the BTr. This also includes carried-over balances of the NIA general and bond funds, which were transferred to the Corporate Fund in CY 1983.

Due from NGAs represents releases to DPWH District Offices for the construction/rehabilitation of farm to market roads out of the National Development Company (NDC) loan proceeds.

Due from GOCCs includes receivables from National Power Corporation (NPC) relative to the sale of electrical energy generated by the Casecnan Multi-Purpose Irrigation and Power Project per Power Purchase Agreement dated June 30, 1995 and Supplemental Agreement dated September 25, 2003.

Due from LGUs comprises releases to local government units, also, out of loan proceeds from NDC, for the implementation of farm to market road projects.

Due from ROs is the reciprocal account of Due to CO which are both closed at year-end during consolidation of financial statements. However, due to inadequate reconciliation, the account remains open.

Other Receivables account includes claims from accountable officers for cash shortages, claims for dishonored checks and other miscellaneous contingent assets.

## 6. INVENTORIES

This account consists of:

	<b>2015</b>	<b>2014</b>
Merchandise inventory	60,778,694	61,084,532
Allowance for inventory variance	(93,179)	(93,179)
	<b>60,685,515</b>	<b>60,991,353</b>

Merchandise inventory represents prior years' carried-over balance which has been dormant for several years and now under verification.

Office supplies, gasoline, oil and lubricants, spare parts and other supplies inventories previously included in this account in CY 2014 totaling P49.581 million were reclassified to prepayments account.

## 7. PREPAYMENTS

This account consists of:

	2015	2014
Advances to contractors	97,875,055	102,411,593
Office supplies inventory	45,863,515	47,081,036
Prepaid rent	7,547,861	7,547,861
Other prepaid expenses	5,233,334	5,233,334
Gasoline, oil and lubricants inventory	345,830	2,317,335
Deposit on letters of credit	197,088	197,088
Other supplies inventory	134,638	135,438
Spare parts inventory	47,229	47,229
Deferred charges	(120,615)	(120,615)
	<b>157,123,935</b>	<b>164,850,299</b>

Advances to contractors account comprises of mobilization costs for various projects undertaken under Fund 501 prior to CY 1996. Other prepaid expenses account represents prepayment to Procurement Service under the Department of Budget and Management (DBM) and to Petron Philippines for the delivery of office supplies and gasoline, respectively. Reconciliation of the Other prepaid expenses-gasoline, oil and lubricant account amounting to P5.233 million at the NIA-CO is on-going to correct/deduct from the balance fuel withdrawals for the current and previous years.

## 8. OTHER CURRENT ASSETS

This account consists of:

	2015	2014
Guaranty deposits	22,700,178	21,272,505
Other current assets	-	(218,379,228)
	<b>22,700,178</b>	<b>(197,106,723)</b>

The balance for CY 2015 of (P218,260,139) consisting of inactive negative Cash in bank-current accounts transferred to this account in December 1997 was reclassified to Other Assets account. It also includes receivables under Funds 107, 102 and 101 transferred to the Corporate Fund without details or breakdown.

## 9. INVESTMENTS

This account consists of:

	2015	2014
Investment in stocks	11,207,000	11,207,000
Investment in bonds	1,600	1,600
Other investments and marketable securities	15,900	15,900
Other investment – CE Casecan	60,894,379,563	60,166,002,796
	<b>60,905,604,063</b>	<b>60,177,227,296</b>

Investment in stocks account comprises investment in NIA Consult, Inc. (NIACI), a subsidiary of NIA, amounting to P10 million in the form of drilling rigs and auxiliary equipment with appraised value of P12.639 million and cash under Treasury Warrant No. B0481390 dated October 2, 1980 in the amount of P0.750 million. Per Board Resolution No. 3791-82, NIA's investment in NIACI is up to P10 million only and the excess in the amount of P3.389 million is considered as advances and recorded as receivables. As of date, NIACI is on the process of winding up its operation. This account also includes investment in Gasifier and Equipment Manufacturing Corporation (GEMCOR) shares of stocks, 937 shares purchased in CY 1981 and another 250 shares acquired in CY 1984 both at P1,000 per share. In CY 1988, the GEMCOR privatization plan, which called for its dissolution, was approved. As at audit date, NIA's inquiry on the chance of recovering its investment remains unanswered.

Investment in bonds account consists of 25-year six per cent Land Bank of the Philippines (LBP) bonds with various maturity dates depending on the dates of issue.

Other Investment – CE Casecnan represents the cash advances made by the BTr to California Energy Casecnan Water Electric Company, Inc. (CECWECI) for the account of NIA for water deliveries under the Build, Operate and Transfer (BOT) scheme of the project agreement entered into by and between CECWECI and NIA on November 13, 1994. The project was aimed to: (i) divert certain water in the Casecnan Watershed and transfer that water into the Pampanga watershed at the Pantabangan Reservoir for NIA's subsequent irrigation use in the Central Luzon Valley, (ii) make available new installed electrical capacity and electrical energy to National Power Corporation (NPC) Luzon grid; and (iii) increase electrical energy generation at the existing Pantabangan and Masiway facilities.

On June 26, 1995, NIA and CECWECI entered again into the Amended and Restated Project Agreement to amend and restate in its entirety the original project agreement by reason of the General Agreement on Tariffs and Trade-Uruguay Round (GATT-UR) Agreement on agriculture and for NIA to implement an accelerated irrigation program for 1,500,000 hectares over the next 10 years.

Consequently, on June 30, 1995 a Power Purchase Agreement (PPA) was entered between NIA and NPC relative to the energy delivery for 20 years of commercial operation or such longer period as may be determined in accordance with the contract.

On September 29, 2003, NIA and CECWECI entered into another Supplemental Agreement regarding the Amended and Restated Casecnan Project Agreement whereby the parties agreed to: (i) Excess Energy Delivery Fees – the excess energy fees chargeable by NIA to NPC shall be reduced to the equivalent of the variable energy rates provided under this supplemental agreement, thereby resulting in the accrual of the benefits relating to excess energy in favor of NPC (ii) Dispatch Protocol – assumption by NPC of all obligations of NIA relating to dispatch and contractual obligation for energy and (iii) Cooperation on co-Minimization – both parties acknowledge that the failure or inability to prevent or reduce water spillage or wastage will increase both parties' energy and water delivery fees to CECWECI.

From the very start of the cooperation period in CY 2002 up to the present, the BTr advanced the payment of NIA's contractual obligation upon approval of NIA's request by the Department of Finance (DOF). However, Management stopped the recording of these advances effective CY 2009.

In a meeting called for by the DOF on June 6, 2012 between the representatives from the BTr, NIA and COA, it was agreed that NIA would book up the advances by debiting Other Investment - CE Casecan account and crediting Due to the National Treasury account.

Included also in this account is the ten-year US\$97 million bonds issued on October 15, 2003 by NIA and guaranteed by the Republic of the Philippines and the guarantee fee of one per cent per annum as approved by the DOF.

## 10. PROPERTY, PLANT AND EQUIPMENT - NET

This account represents:

Particulars	Land and land improvements	Building and improvements	Machineries, equipment, furniture and fixtures	Construction in progress (CIP)	Total
Cost:					
January 1, 2015	27,748,749,622	1,485,809,756	2,064,166,845	10,268,395,388	41,567,121,611
Additions	562,034,146	57,349,708	8,062,377	499,999,186	1,127,445,417
CIP transferred to PPE	22,234,643	-	29,662,464	(51,897,107)	-
CIP – projects turned over to LGUs	166,599,805	-	-	-	166,599,805
Reclass to other assets	-	(166,599,805)	-	-	(166,599,805)
December 31, 2015	28,499,618,216	1,376,559,659	2,101,891,686	10,716,497,467	42,694,567,028
Less:					
Accumulated depreciation, January 1, 2015	13,106,151,982	311,079,166	1,420,576,668	-	14,837,807,816
Depreciation charges during the year	(2,000,359,023)	(11,377,781)	60,983,869	-	(1,950,752,935)
December 31, 2015	11,105,792,959	299,701,385	1,481,560,537	-	12,887,054,881
<b>Net Book Value – December 31, 2015</b>	<b>17,393,825,257</b>	<b>1,076,858,274</b>	<b>620,331,149</b>	<b>10,716,497,467</b>	<b>29,807,512,147</b>
<b>Net Book Value – December 31, 2014</b>	<b>14,642,597,640</b>	<b>1,174,730,590</b>	<b>643,590,177</b>	<b>10,268,395,388</b>	<b>26,729,313,795</b>

*\*Depreciation expense per Note 21 amounted to P145,688,317 or a difference of P2,096,441,252 compared with the amount indicated in Note 10. This difference represents adjustment made by ROs which is still for verification.*

Land and Land Improvements account includes cost of farm to market roads in various LGUs financed out of the P346 million proceeds of loan from NDC.

Land Improvements account refers to the total cost of completed irrigation projects which have generally redounded to the benefit of the farmers in terms of service areas. This also includes those funded out of appropriations from the National Government through the DPWH and the DA in CY 1990 until CY 1996.

Construction in Progress (CIP) account represents cost of projects implemented out of project funds directly released to NIA by DBM.

## 11. OTHER ASSETS

This account consists of:

	<b>2015</b>	<b>2014</b>
Work/other animals	547,909	547,909
Others	271,789,511	338,509,299
Other current assets	(218,260,139)	-
	<b>54,077,281</b>	<b>339,057,208</b>

The balance of inactive negative cash in bank-current accounts transferred to Other current assets account in December 1997 was reclassified to this account in CY 2015. It also includes receivables under Funds 107, 102 and 101 transferred to the Corporate Fund without details or breakdown.

## 12. PAYABLES

This account includes the following:

	<b>2015</b>	<b>2014</b>
Accounts payable	1,652,832,821	1,615,396,808
Notes payable	128,022	128,022
Due to officers and employees	13,769,395	21,617,876
	<b>1,666,730,238</b>	<b>1,637,142,706</b>

The account Due to National Treasury in the amount of P60,634.534 million in CY 2014 was reclassified under Inter/Intra-Agency Payables.

## 13. INTER/INTRA-AGENCY PAYABLES

This account includes the following:

	<b>2015</b>	<b>2014</b>
Due to national treasury	61,187,707,297	60,634,534,162
Due to other NGAs	13,102,519,745	13,098,190,768
Due to other funds	203,057,895	191,847,427
Due to other GOCCs	140,338,500	145,312,605
Due to CO	101,965,314	60,411,171
Due to Bureau of Internal Revenue	51,477,812	56,851,263
Due to Government Service Insurance System	17,761,312	13,633,193
Due to LGUs	7,715,068	5,797,123
Due to Pag-IBIG fund	4,459,210	4,624,621
Due to PhilHealth	4,206,032	4,181,262
Due to RO	2,680,675	1,663,350
	<b>74,823,888,860</b>	<b>74,217,046,945</b>

Due to Other NGAs account includes trust receipts from national government agencies (i.e., DA and DPWH) to finance specific projects or to pay specific obligations, subject to liquidation to the source agencies.

Due to National Treasury is the amount of the cash advances made by the BTr on account of NIA for payment of water delivery fees to CECWECl.

Due to Other GOCCs pertains to trust receipts from government-owned and/or controlled corporations to finance specific projects or to pay specific obligations.

#### 14. OTHER LIABILITIES

This account includes the following:

	2015	2014
Guaranty deposits payable	143,330,417	116,090,625
Performance/bidders bond payable	34,434,676	30,450,132
Other payables	1,014,841,953	1,102,131,075
	<b>1,192,607,046</b>	<b>1,248,671,832</b>

Guaranty Deposits Payable represents “retention money” from claims of contractors implementing the Corporation’s projects to cover for uncorrected discovered defects and third party liabilities.

Other Payables account includes outstanding personnel allowances and benefits of CO and ROs personnel. Savings account with negative balances, which have been dormant since CY 1989, and miscellaneous trust liabilities were reclassified to this account.

#### 15. LONG-TERM LIABILITIES

This account consists of loans and advances payable to the following:

	2015	2014
<b>Loans payable – domestic and advances payable– national government agencies</b>		
Asian Development Bank	2,829,468,741	2,829,468,741
International Bank for Reconstruction and Development	3,107,554,082	3,107,554,082
Overseas Economic Cooperation Fund	266,583,721	266,583,721
Special Project Implementation Assistance Loan	156,479,931	156,479,931
	6,360,086,475	6,360,086,475
<b>Loans payable – NDC</b>	3,900,000,000	4,875,000,000
<b>Loans payable – foreign</b>		
Asian Development Bank	139,039,695	139,039,695
International Bank for Reconstruction and Development	83,155,142	83,155,142
International Fund for Agricultural Development	49,059,222	49,059,222
	271,254,059	271,254,059
	<b>10,531,340,534</b>	<b>11,506,340,534</b>

Loans Payable – Domestic and Advances Payable to National Government Agencies represent payments made by the BTr to lending banks in favor of NIA. The BTr periodically forwards notices of payments to NIA which serve as basis of the latter in the recording of advances made by the former. Most of these payments cover only the interest incurred on loans.

Loans Payable – Foreign account represents the proceeds of foreign loan avallment usually evidenced by the lending institution’s payment advice and Bangko Sentral ng Pilipinas credit advice ticket. Verification as to the nature and status of these payables are on-going.

The Loans Payable to NDC was an offshoot of the implementation of economic pump-priming projects of the national government, which NIA is involved in, and completion of NIA’s repair and rehabilitation program of existing national and communal irrigation systems (NIS/CIS). As the required fund, in the total amount of P3.700 billion, was not programmed in the proposed 2006 General Appropriations Act, the NIA Board of Directors authorized the then NIA Administrator, under Board Resolution No. 7370-06, Series of 2006 dated March 3, 2006, to negotiate for a loan with NDC.

In relation to this, a Memorandum of Agreement (MOA) was entered into by and among NIA, NDC, DBM, DOF and DA on May 11, 2006 which defines the roles and responsibilities of the concerned agencies to carry out the said lending activity and the implementation and monitoring of the project. On the same date, NIA entered into a loan agreement with NDC for P1 billion as interim financing, as approved under Board Resolution No. 7375-06 dated April 24, 2006. The loan has a term of six years and bears a fixed interest rate of 10 per cent per annum plus taxes, payable quarterly in arrears.

In October 2006, NIA availed itself of an additional P2 billion loan from NDC, as approved by Board Resolution No. 7391-06, Series of 2006. Another MOA was executed among NDC, DBM, DOF and DA for the utilization and repayment of said loan. The terms include utilization of P1 billion for full payment of the interim loan and P1 billion for financing NIA’s additional requirements for repair and rehabilitation of NIS/CIS including farm-to-market roads and other projects.

As of December 31, 2015, proceeds from the loan had a remaining balance of P14.607 million. Breakdown of the fund is shown below:

Funds Maintained in:	2015	2014
Cash in bank - CA	513,253	513,253
Cash in bank - SA	14,093,627	14,093,627
	<b>14,606,880</b>	<b>14,606,880</b>

## 16. DEFERRED CREDITS

This account includes the following:

	2015	2014
Deferred credits	19,445,216,469	17,730,466,359
Other deferred credits	1,707,807,423	1,687,544,884
	<b>21,153,023,892</b>	<b>19,418,011,243</b>



Deferred Credits account represents income to be realized upon collection of previously billed irrigation fees and unearned income on installment sales, equipment rentals and CIS amortizations.

Other Deferred Credits account pertains to miscellaneous liabilities and undistributed collections converted to this account.

## 17. SUBSIDY INCOME FROM NATIONAL GOVERNMENT

A total of P2,121.399 million was received as Subsidy from the National Government, broken down as follows:

	2015	2014
<b>Subsidy for operations</b>		
5% Management fee	121,390,000	294,794,463
<b>Budgetary support for the implementation of various projects (Capital Outlay)</b>		
2.85% General engineering, supervisory and administrative	411,452,000	1,013,988,536
<b>Disbursement Acceleration Program (DAP)</b>		
Malitubog-Maridagao Irrigation Project II (MMIP II)	-	56,769,000
Umayam River Irrigation Project (URIP)	-	77,707,000
	-	134,476,000
<b>Calamity Fund</b>	-	217,699,700
<b>Project Cost – Capital Outlay</b>		
National Development Company (NDC)-Loan Payment	975,000,000	-
National Development Company (NDC)- Interest Payment	613,557,000	-
	1,588,557,000	-
<b>Total</b>	<b>2,121,399,000</b>	<b>1,660,958,699</b>

Receipts of cash for DAP were credited to LBP Current Account No. 1872-1005-94 under Fund 501 per Letter Authority issued at various dates by the BTr to the LBP, Intramuros Branch. The total amount of P22.390 million was reverted back to the BTr on September 22, 2015.

The amount of P1,588.557 million was released directly to NDC, through the BTr pursuant to Section 5, Special Provisions of the General Appropriations Act (GAA) for Fiscal Year (FY) 2015 to be used exclusively to cover the payment of the Agri-Agra Bonds issued by NDC in FYs 2006 and 2009 relative to the repair and rehabilitation of NIA existing irrigation systems. It was also specifically provided in the GAA that the P975 million shall cover the first year requirement of the loan principal and the P613.557 million for the loan interest, subject to reconciliation of the loan and interest by the NDC and NIA and validation by the DOF.

## **18. GOVERNMENT EQUITY / RETAINED EARNINGS / PPE – PUBLIC STRUCTURES**

This account represents capital expenditures out of funds released directly to NIA by the National Government up to CY 1989 and out of trust funds released to NIA through the DA and DPWH from CYs 1990 to 1996.

The Department of Agriculture transferred IT Equipment and Software with net book value of P3.070 million.

The unobligated/unutilized balance of Casecnan Multi-purpose Irrigation Project was refunded to the Bureau of Treasury amounting to P22.390 million.

Likewise, the amount of P11.034 million represents full payment to the DOF of the balance of the dividends payable for CY 2013 income.

The total amount of P15.424 million pertaining to adjusting entries of Region I in closing Public-Infra-Irrigation Canals and Laterals was closed to this account.

Subsidy Income amounting to P411.452 million was also closed to this account.

## **19. CORRECTION OF PRIOR PERIOD ERRORS**

For CY 2015, no prior period errors were reported.

## **20. MISCELLANEOUS INCOME**

This account includes income derived from sale of electrical energy generated by the Casecnan Multi-Purpose Irrigation and Power Project per Power Purchase Agreement dated June 30, 1995. This also includes service fee for the operation and maintenance of non-power components of the 100 Mega Watts (MW) Pantabangan Hydroelectric Power Plant and 12 MW Masiway Hydroelectric Power Plant per Operations and Maintenance Agreement dated November 13, 2006 and Magat Power Plant Complex per Operations and Maintenance Agreement dated December 13, 2006.

The account is detailed as follows:

	<b>2015</b>	<b>2014</b>
Bid documents	18,061,621	28,676,913
Sale of goods and materials	700	1,641,820
Disallowances	1,378,089	577,377
Scrap of property and equipment	560,158	915,714
Income from NIA Housing	136,400	-
Laboratory analysis – soil and water	447,921	497,740
Payment for lost items	2,678	10,829
Printing/photocopy/radio	11,123	24,062
Hauling/milling/drying fish	104,460	139,488
Income from National Home Mortgage Finance Corporation	1,192	1,298
Contract price adjustment	1,579,895	4,874,475
Other miscellaneous income	78,241,755	66,411,675
	<b>100,525,992</b>	<b>103,771,391</b>

## 21. EXPENSES

The account consists of:

	2015	2014
<b>Personal Services</b>		
Salaries and wages	923,493,776	919,797,518
Other bonuses and allowances*	214,427,979	21,583,641
Life and retirement insurance contributions	107,887,905	110,037,066
Personnel economic relief allowance	86,729,430	85,123,497
Year-end bonus	79,351,637	70,737,443
Terminal leave benefits	60,012,739	139,147,141
Cash gift	18,236,749	23,616,177
Clothing/uniform allowance	17,211,000	17,961,380
Other personnel benefits	11,951,821	7,166,566
PhilHealth contributions	10,353,600	10,261,559
Overtime and night pay	10,521,016	6,328,478
Representation allowance	8,417,750	9,364,898
Transportation allowance	8,055,750	7,864,188
Productivity incentive allowance	7,339,297	9,075,100
Retirement benefits	7,102,965	9,269,800
Pag-IBIG contributions	4,499,472	4,572,100
ECC contributions	4,377,499	4,400,042
Additional compensation allowance	3,085,198	1,643,704
Longevity pay	2,660,000	3,529,350
Honoraria	1,521,064	2,391,696
	1,587,236,647	1,463,871,344
<b>Maintenance and Other Operating Expenses (MOOE)</b>		
Bad debts**	284,995,215	42,716,266
Irrigators' share	244,406,037	218,354,770
Depreciation***	145,688,317	203,208,254
Other maintenance and operating expenses	85,072,723	80,167,766
Electricity expenses	79,741,922	83,290,674
Gasoline, oil and lubricants	60,717,386	66,913,720
Repairs and maintenance - motor vehicles	41,170,328	40,396,629
Repairs and maintenance – equipment	35,449,619	27,245,754
Repairs and maintenance-irrigation, canals and laterals	31,589,713	14,268,618
Travelling expenses-local	27,575,474	25,394,206
Office supplies expense/supplies and materials	22,167,365	16,589,167
Taxes, duties and fees	20,898,356	32,705,410
Other supplies expense	15,385,674	14,050,718
Repairs and maintenance-buildings/structures	10,781,918	6,045,711
Training expenses	10,463,834	6,416,412
Janitorial services	10,013,802	8,496,829
Auditing services	7,015,682	32,461,019
Miscellaneous expense	6,972,596	4,902,156
Telephone expenses - landline	6,956,795	7,668,397
Representation expenses	6,723,075	3,816,482
Insurance expenses	6,205,339	6,431,480
Collection/viability bonus	4,935,181	213,234,327
Water expenses	4,833,855	3,833,396
Collection expenses	3,993,166	2,519,845
Telephone expenses – mobile	3,968,765	3,282,174
Rent expenses	3,489,276	4,075,754
Security services	3,173,840	2,516,438
Consulting services	2,690,000	3,889,062
Fidelity bond premiums	2,484,102	2,014,722
Internet expenses	2,066,692	1,984,423

	<b>2015</b>	<b>2014</b>
Accountable forms expenses	1,671,860	517,307
Printing and binding expenses	1,609,433	1,481,962
Cable, satellite, telegraph and radio expenses	1,404,725	130,535
Advertising expenses	844,119	643,138
Repairs and maintenance-artesian wells, reservoirs, etc.	776,485	3,324,053
Transportation and delivery expenses	712,632	598,087
Legal services	668,503	594,461
Postage and deliveries	467,551	207,521
Extraordinary expenses	335,955	288,579
Traveling expenses-foreign	326,876	-
General services	306,665	164,800
Motorcycle allowance	289,483	366,237
Drugs and medicines expenses	179,247	79,437
Subscription expenses	136,738	224,584
Membership dues and contribution to organizations	136,093	163,517
Other professional services	46,428	115,350
Donations	32,500	21,500
Medical, dental and laboratory supplies expenses	26,003	98,070
Military and police supplies expenses	22,380	6,894
Awards and indemnities	19,220	1,150,000
Textbooks and instructional materials expenses	(50,649)	-
Rewards and other claims	-	175,340
	<b>1,201,588,294</b>	<b>1,189,241,951</b>
<b>Financial Expenses</b>		
Interest expense	740,829,780	394,922,677
Bank charges	162,431	55,252
	<b>740,992,211</b>	<b>394,977,929</b>
	<b>3,529,817,152</b>	<b>3,048,091,224</b>

\* A substantial increase of P192,844,338 for Other bonuses and allowances was due to the payment of the Collective Negotiation Agreement (CNA) Incentives and Productivity Enhancement Incentive (PEI).

\*\*A substantial increase of P242,278,949 for the Bad debts expense was due to the adjustments made by Region III and MARIIS relative to the overstatement in recording the ISF receivable using different GSP rate.

\*\*\*Depreciation expense in Note 10 is P(1,950,752,935) or a difference of P2,096,441,252 between the Depreciation indicated in Note 21. This difference represents adjustment made by ROs which is still for verification.

## 22. COMPLIANCE WITH TAX LAWS

For CY 2015, NIA, under its Corporate Fund withheld taxes from salaries and wages, suppliers/contractors and remitted P39.397 million to the Bureau of Internal Revenue (BIR). The Due to BIR account as of December 31, 2015 totaled P51.478 million consisting of taxes withheld for December 2015, prior year's accumulated tax dues and unrecorded remittances from ROs/FOs which are still subject to further verification and reconciliation.