



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

FINANCIAL AUDIT REPORT

on the

NORZAGARAY WATER DISTRICT
Norzagaray, Bulacan

For the Year Ended December 31, 2015



Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

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09 December 2016

Engr. AIMER B. CRUZ
General Manager
Norzagaray Water District
Norzagaray, Bulacan

Dear **Engr. Cruz**:

We are pleased to transmit the Financial Audit Report on the audit of the Norzagaray Water District, Norzagaray, Bulacan for the Calendar Year 2015 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with Philippine Standards on Auditing and we believe that it provided a reasonable basis for the results of our audit.

The financial audit was conducted to (a) ascertain the degree of reliance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

We rendered a qualified opinion on the fairness of presentation of the financial statements because the effect of the deviations from the prescribed procedures affected the account balances.

The audit report consists of Part I - Audited Financial Statements, Part II - Observations and Recommendations and Part III - Status of Implementation of Prior Year's Unimplemented Audit Recommendations.

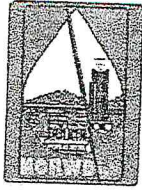
The audit observations and recommendations were discussed with concerned officials of the District in the exit conference that was held on December 1, 2016. Management's comments were incorporated in the report, where appropriate.

We request that a status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act for FY 2015.

We appreciate the invaluable support and cooperation extended by the officials and staff of the Water District during the audit engagement.

Very truly yours,

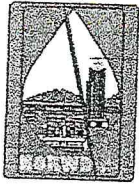
Ma. Corazon S. Gomez
MA. CORAZON S. GOMEZ
Regional Director



NORZAGARAY WATER DISTRICT
NORZAGARAY, BULACAN
STATEMENT OF FINANCIAL POSITION
As of December 31, 2015
(With Comparative Figures for CY 2014)

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 3)	₱ 15,351,186.32	₱ 5,926,726.19
Receivables, net (Note 4)	6,065,860.86	5,981,605.73
Inventories (Note 5)	10,155,791.52	4,331,868.16
Other Current Assets (Note 6)	601,382.18	601,382.18
Total Current Assets	32,174,220.88	16,841,582.26
Non-Current Assets		
Sinking Fund (Note 7)	1,000,000.00	1,000,000.00
Property, Plant and Equipment, net (Note 8)	139,340,761.69	133,689,620.97
Other Assets (Note 9)	2,764,438.64	2,764,438.64
Total Non-Current Assets	143,105,200.33	137,454,059.61
TOTAL ASSETS	₱ 175,279,421.21	₱ 154,295,641.87
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities		
Payable Accounts (Note 10)	₱ 12,309,365.00	₱ 4,629,293.89
Other Current Liabilities (Note 11)	89,152.14	703,935.94
Total Current Liabilities	12,398,517.14	5,333,229.83
Non-Current Liabilities		
Loans Payable-Domestic (Note 12)	40,899,470.45	42,228,005.15
Other Deferred Credits (Note 13)	59,951.77	59,951.77
Total Non-Current Liabilities	40,959,422.22	42,287,956.92
TOTAL LIABILITIES	53,357,939.36	47,621,186.75
EQUITY		
Government Equity	61,568,818.55	61,568,818.55
Retained Earnings	60,352,663.30	45,105,636.57
TOTAL EQUITY	121,921,481.85	106,674,455.12
TOTAL LIABILITIES AND EQUITY	₱ 175,279,421.21	₱ 154,295,641.87

See accompanying Notes to Financial Statements.

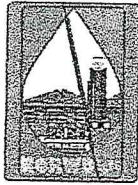


NORZAGARAY WATER DISTRICT
NORZAGARAY, BULACAN
STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the Year Ended December 31, 2015
(With Comparative Figures for CY 2014)

	2015	2014
INCOME		
Income from Waterworks System	₱ 79,395,308.96	₱67,019,835.12
Other Business Income	3,750,664.73	4,012,821.06
Income from Grants and Donations	1,200,000.00	2,000,000.00
Fines and Penalties - Business Income	3,046,913.11	2,756,526.81
Interest Income	21,290.33	9,353.77
GROSS INCOME	87,414,177.13	75,798,536.76
EXPENSES		
Personal Services (Note 14)	13,180,538.27	11,998,680.13
Maintenance and Other Operating Expenses (Note 15)	55,152,941.10	50,027,204.89
Financial Expenses	2,957,182.04	5,097,689.80
TOTAL EXPENSES	71,290,661.41	67,123,574.82
NET INCOME (LOSS) BEFORE INCOME TAX	₱ 16,123,515.72	₱ 8,674,961.94

See accompanying Notes to Financial Statements.



NORZAGARAY WATER DISTRICT
NORZAGARAY, BULACAN
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2015
(With Comparative Figures for CY 2014)

	2015	2014
GOVERNMENT EQUITY		
Balance at Beginning of the Year	₱ 61,568,818.55	₱ 61,568,818.55
RETAINED EARNINGS		
Retained Earnings, Beginning	45,105,636.57	22,636,380.27
Prior Years Adjustments	(876,488.99)	13,794,294.36
Net Income for the period	16,123,515.72	8,674,961.94
Retained Earnings, End	60,352,663.30	45,105,636.57
TOTAL EQUITY	₱ 121,921,481.85	₱ 106,674,455.12

See accompanying Notes to Financial Statements.



NORZAGARAY WATER DISTRICT
NORZAGARAY, BULACAN
STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2015
 (With Comparative Figures for CY 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Cash Receipts From Concessionaires	P 79,714,973.24	P 76,694,510.69
Collection of Interest Income	22,513.48	-
Collection of Other Business Income	4,399,105.42	-
Collection of Fines and Penalties	2,451,727.37	-
Collection of Franchise Tax	2,359.57	-
Refund of Advances	277,951.77	-
Refund of Staled Checks/Unreleased Checks	26,481.79	-
Receipts from Grants and Donations	1,200,000.00	-
Total Cash Inflows	88,095,112.64	76,694,510.69
Cash Outflows		
Payment of Operating Expenses	23,689,356.66	-
Payment of Payables	46,249,702.47	-
Purchase of Office Supplies	125,858.60	-
Payment of Payroll	-	62,510,582.09
Purchase of Inventories	-	131,145.44
Maintenance and Other Operating Expenses	-	1,310,059.07
Total Cash Outflows	70,064,917.73	63,951,786.60
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	18,030,194.91	12,742,724.09
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Outflows		
Reserves	-	554,504.18
Purchase of Property, Plant and Equipment	7,683,372.70	-
Total Cash Outflows	7,683,372.70	554,504.18
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(7,683,372.70)	(554,504.18)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Proceeds from Borrowings	5,273,500.00	1,592,000.00
Cash Outflows		
Loan Amortization -Domestic and Foreign	3,248,868.04	3,759,537.83
Financial Expenses	2,946,994.04	5,187,696.95
Total Cash Outflows	6,195,862.08	8,947,234.78
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(922,362.08)	(7,355,234.78)
CASH PROVIDED (USED) BY OPERATING, INVESTING AND FINANCING ACTIVITIES	9,424,460.13	4,832,985.13
CASH AND CASH EQUIVALENTS - BEGINNING	5,926,726.19	1,093,741.06
CASH AND CASH EQUIVALENTS - ENDING (Note 3)	P 15,351,186.32	P 5,926,726.19

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. AGENCY PROFILE

Norzagaray Water District (NOR-WD) was formally organized and formed on October 1, 1986 by virtue of Sangguniang Bayan Resolution No. 86-10-48 through the initiative of then Mayor Jorge Esguerra and members of the town's Sangguniang Bayan. Subsequently, Conditional Certificate of Conformance (CCC) No. 261 was issued on October 24, 1986 by the Local Water Utilities Administration (LWUA). The CCC is the accreditation of LWUA to a newly-formed water district to operate under the standards specification. The District became operational in 1997.

On November 12, 2002, LWUA Board of Trustees approved Resolution No. 257, series of 2002 for the takeover of the District. In this regard, Mr. Ricardo B. Abañó was designated as the Interim General Manager of the District and five Interim Board of Directors were also selected.

The District is under the management of Engr. Aimer B. Cruz. The Board of Directors is the policy-making body of the District composed of the following:

Engr. Arsenio DM. Legaspi	-	Chairman
Dr. Jose P. Payumo	-	Vice Chairman
Ernestina A. Palad	-	Secretary
Rosalie N. Legaspi	-	Member
Danilo S. Leonardo	-	Member

The District has 14,506 service connections and nine pumping stations operating 24/7 covering ten barangays of Norzagaray, Bulacan.

The District has a total of 57 personnel consisting of 35 regular and 22 job order employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING SYSTEMS AND POLICIES

The modified accrual basis of accounting is implemented. Under this method, all expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate. Income shall be on accrual basis except for transactions where accrual basis is impractical or when other methods are required by law.

Cost of issued supplies and materials to end-users shall be treated as expense in the period to which it relates.

The cost of property, plant and equipment (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. PPE are carried at cost less accumulated depreciation. Depreciation is computed on a straight-line method over the estimated useful life of the property and commences on the month subsequent to the acquisition.

Interest on loans secured to finance the construction shall be classified as financial charges.

Unserviceable assets no longer used in operation shall be classified as Other Assets and shall not be subject to depreciation.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2015	2014
Cash - Collecting Officers	P 142,178.58	P 132,403.34
Cash in Bank – Current Account		
Land Bank of the Philippines (LBP)	13,440,337.12	4,907,065.16
Farmer Savings and Loan Bank (FSLB)	20,000.00	20,000.00
Cash in Bank – Savings Account		
FLSB	610,415.04	203,330.26
Country Rural Bank of Taguig (CRBT)	11,123.50	61,190.99
LBP	1,127,132.08	602,736.44
Totals	P15,351,186.32	P5,926,726.19

4. RECEIVABLES

This account represents balances of amount due from customers for water service, which has been billed to the concessionaires. It also includes penalty charges imposed on delinquent accounts.

	2015	2014
Accounts Receivable	P4,366,767.38	P4,352,110.21
Allowance for Doubtful Accounts	(100,840.97)	(85,249.31)
Other Receivables	1,768,534.45	1,707,344.83
Due from Officers and Employees	31,400.00	7,400.00
Receivables, net	P6,065,860.86	P5,981,605.73

Other Receivables are the amount due from customers for new service connection fee.

5. INVENTORIES

This account consists of unissued materials and supplies which are kept in stock for future use by the District in its operations.

	2015	2014
Office Supplies Inventory	₱ -	₱ 18,839.75
Accountable Forms Inventory	316,770.00	75,650.00
Other Supplies Inventory	9,839,021.52	4,237,378.41
Totals	₱10,155,791.52	₱4,331,868.16

6. OTHER CURRENT ASSETS

The Guaranty Deposits account consists of meter deposit in compliance with the requirements of service connection which is subject to refund upon termination of contract.

7. SINKING FUND

The Sinking Fund pertains to cash or other assets set apart for specific long-term purposes. It includes, among others, a Debt Service Reserve which will be used for loan repayments; an Operation and Maintenance Reserve for repairs of damaged District's facilities due to natural calamities, public disorders, and the like; and a Capital Reserve for expansion of the District's facilities.

8. PROPERTY, PLANT AND EQUIPMENT

This account includes all properties of the District of relatively permanent character that are used in normal utility operations. Construction in Progress – Agency Assets account consists of appraised value of the District's assets which are still under construction. The breakdown is as follows:

	2015	2014
Land	₱ 6,374,871.00	₱ 6,374,871.00
Electrification, Power and Energy Structures	3,556,034.17	3,556,034.17
Buildings and Other Structures	7,856,548.31	7,033,314.31
Office Equipment	70,610.00	87,410.00
Furniture and Fixtures	1,220,240.85	1,054,540.85
IT Equipment and Software	983,380.51	814,210.51
Machinery	271,000.00	271,000.00
Communication Equipment	26,105.00	2,490.00
Technical and Scientific Equipment	362,398.25	312,287.00
Motor Vehicles	3,183,374.55	3,136,874.55

	2015	2014
Other Property, Plant and Equipment	143,381,122.00	142,974,934.99
Construction in Progress - Agency Assets	10,368,756.98	2,135,904.92
Total	177,654,441.62	167,753,872.30
Accumulated Depreciation	(38,313,679.93)	(34,064,251.33)
Property, Plant and Equipment, net	₱139,340,761.69	₱133,689,620.97

9. OTHER ASSETS

This account represents the unserviceable assets and fully depreciated serviceable equipment and deferred charges.

10. PAYABLE ACCOUNTS

This account consists of the following:

	2015	2014
Accounts Payable	₱ 6,590,896.92	₱3,025,900.35
Due to Officers and Employees	14,733.97	6,130.06
Inter-agency Payables	724,865.45	469,777.48
Guaranty Deposits Payable	1,607,514.00	1,127,486.00
Current Portion of Long-term Debt	3,371,354.66	-
Totals	₱12,309,365.00	₱4,629,293.89

Accounts Payable consists of all unpaid obligation on open account of the District's payable within one year from the balance sheet date.

Due to Officers and Employees account consists of liabilities to officers and employees of the District.

11. OTHER CURRENT LIABILITIES

This account represents the balance of the account on the transfer of water system at barangay FVR by San Jose Water District to the District per memorandum of agreement executed on March 10, 2010.

12. LOANS PAYABLE - DOMESTIC

Loans payable consists of loans contracted by the District, including advances from the Government and/or its agencies, to finance the various long term projects of the District or to meet fund shortfalls in its operations. Breakdown is on the next page.

	2015	2014
Loan Account No.		
3-801	₱ 4,005,354.35	₱ 4,466,073.35
4-2151B	-	219,164.00
4 -2407	1,569,726.00	2,670,629.00
LBP Loan Account No.		
499979	5,096,153.84	-
462937 (Refinancing)	28,689,774.72	33,280,138.80
460300 (Project)	1,538,461.54	1,592,000.00
Totals	₱40,899,470.45	₱42,228,005.15

13. OTHER DEFERRED CREDITS

This account includes deferred credits not covered by other liability accounts, including advance billings and the amounts that cannot be entirely liquidated or classified until additional information is received.

14. PERSONAL SERVICES

This account consists of the following expenses incurred by the District.

	2015	2014
Salaries and Wages	₱ 7,788,014.96	₱ 7,265,686.34
Personal Economic Relief Allowance (PERA)	819,222.76	774,000.00
Representation Allowance (RA)	222,000.00	222,000.00
Transportation Allowance (TA)	222,000.00	222,000.00
Clothing/Uniform Allowance	175,000.00	165,000.00
Productivity Incentive Allowance	661,622.00	-
Other Bonuses and Allowance	183,000.00	290,000.00
Honoraria	735,870.00	733,826.00
Overtime and Night Pay	-	131,860.12
Cash Gift	174,000.00	165,000.00
Year End Bonus	665,432.00	617,200.00
Life and Retirement Insurance	933,064.77	872,443.93
Pag-IBIG Contributions	41,100.00	39,000.00
PhilHealth Contributions	87,562.50	81,487.50
ECC Contributions	41,400.00	38,838.03
Other Personnel Benefits	431,249.28	380,338.21
Totals	₱13,180,538.27	₱11,998,680.13

15. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2015	2014
Travelling Expenses	₱ 159,627.75	₱ 125,638.00
Training Expenses	911,216.73	527,001.24
Office Supplies Expenses	203,407.25	156,192.40
Accountable Forms Expenses	265,245.00	212,100.00
Gasoline, Oil and Lubricants Expenses	663,361.49	743,717.93
Other Supplies Expenses	1,868,406.28	2,079,257.90
Water Expenses	29,953,641.46	27,895,958.31
Electricity Expenses	5,389,610.82	5,767,116.99
Postage and Deliveries	1,690.00	165.00
Telephone Expenses - Landline	61,304.71	58,963.41
Telephone Expenses - Mobile	185,137.98	126,613.91
Internet Expenses	32,300.00	-
Cable, Satellite, Telegraph and Radio	310.00	135.00
Membership Dues and Contributions to Organizations	71,014.00	50,527.00
Advertising Expenses	170,331.40	139,026.50
Printing and Binding Expenses	6,081.20	2,485.00
Rent Expenses	131,900.00	129,500.00
Representation Expenses	1,074,603.33	969,328.64
Rewards and Other Claims	6,000.00	3,700.00
Legal Services	70,100.00	60,740.00
Consultant Services	4,286.25	279,000.00
Environment/Sanitary Services	237,212.00	172,550.00
General Services	2,740,891.19	2,445,632.20
Security Services	491,671.47	402,108.85
Repairs and Maintenance -		
Power and Energy Supply	64,475.80	92,094.50
Other Structures	289,749.30	190,335.50
Office Equipment	300.00	-
Furniture and Fixtures	11,709.50	10,780.00
IT Equipment and Software	139,735.00	27,820.00
Machinery	17,530.00	1,450.00
Communication and Equipment	1,078.75	2,500.00
Scientific Equipment	536.00	22,300.00
Motor Vehicles	397,679.76	300,373.29
Other Property, Plant and Equipment	3,491,909.25	1,616,942.42
Subsidy to Other Fund	-	124,039.54
Donations	17,977.00	8,776.00
Extraordinary Expenses	58,745.51	88,251.46
Miscellaneous Expenses	58,745.51	24,153.43
Taxes, Duties and Licenses	1,614,120.92	1,383,425.24

	2015	2014
Insurance Expenses	24,278.23	45,474.35
Bad Debts Expenses	15,591.66	0.00
Depreciation Expenses	4,249,428.60	3,741,030.88
Totals	₱55,152,941.10	₱50,027,204.89