



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

# **FINANCIAL AUDIT REPORT**

on the

**NORZAGARAY WATER DISTRICT**  
Norzagaray, Bulacan

**For the Year Ended December 31, 2014**



Republic of the Philippines  
**COMMISSION ON AUDIT**

Regional Office No. III  
City of San Fernando, Pampanga

Tel. Nos. (045) 455-42-69 to 73 \* Fax No. (045) 455-4273 • Website: [www.coa.gov.ph](http://www.coa.gov.ph)

18 February 2016

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

Dear **Manager Cruz**:

We are pleased to transmit the Financial Audit Report on the audit of the Norzagaray Water District, Norzagaray, Bulacan for the Calendar Year 2014 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 audit results.

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 Years' Unimplemented Audit Recommendations.

The audit observations and recommendations were discussed with concerned officials of the District in an exit conference held on December 28, 2015. 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 88 of the General Provisions of the General Appropriations Act for FY 2014.

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

Very truly yours,

*Elvita P. de las Lomas*  
for **MA. CORAZON S. GOMEZ**  
Regional Director

**NORZAGARAY WATER DISTRICT**  
**NORZAGARAY, BULACAN**  
**STATEMENT OF FINANCIAL POSITION**  
As of December 31, 2014  
(With Comparative Figures for CY 2013)

	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 3)	₱ 5,926,726.19	₱ 1,093,741.06
Receivables, net (Note 4)	5,981,605.73	5,180,031.37
Inventories (Note 5)	4,331,868.16	3,569,034.87
Other Current Assets (Note 6)	601,382.18	631,005.43
<b>Total Current Assets</b>	<b>16,841,582.26</b>	<b>10,473,812.73</b>
<b>Non-Current Assets</b>		
Sinking Fund (Note 7)	1,000,000.00	1,197,687.07
Property, Plant and Equipment, net (Note 8)	131,553,716.05	122,519,384.90
Construction in Progress - Agency Assets (Note 9)	2,135,904.92	83,578.50
Other Assets (Note 10)	2,764,438.64	1,045,077.59
<b>Total Non-Current Assets</b>	<b>137,454,059.61</b>	<b>124,845,728.06</b>
<b>TOTAL ASSETS</b>	<b>₱ 154,295,641.87</b>	<b>₱ 135,319,540.79</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables (Note 11)	₱ 4,629,293.89	₱ 4,390,370.43
Other Current Liabilities (Note 12)	703,935.94	2,178,469.74
<b>Total Current Liabilities</b>	<b>5,333,229.83</b>	<b>6,568,840.17</b>
<b>Non-Current Liabilities</b>		
Loans Payable-Domestic (Note 13)	42,228,005.15	44,485,550.13
Other Deferred Credits (Note 14)	59,951.77	59,951.77
<b>Total Non-Current Liabilities</b>	<b>42,287,956.92</b>	<b>44,545,501.90</b>
<b>TOTAL LIABILITIES</b>	<b>47,621,186.75</b>	<b>51,114,342.07</b>
<b>EQUITY</b>		
Government Equity	61,568,818.55	61,568,818.55
Retained Earnings	45,105,636.57	22,636,380.17
<b>TOTAL EQUITY (Note 15)</b>	<b>106,674,455.12</b>	<b>84,205,198.72</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱ 154,295,641.87</b>	<b>₱ 135,319,540.79</b>

*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, 2014  
(With Comparative Figures for CY 2013)

	2014	2013
<b>INCOME</b>		
Income from Waterworks System	₱ 67,019,835.12	₱ 61,228,330.77
Other Business Income	4,012,821.06	4,567,904.00
Income from Grants and Donations	2,000,000.00	-
Fines and Penalties - Business Income	2,756,526.81	2,465,483.21
Interest Income	9,353.77	9,308.21
<b>GROSS INCOME</b>	<b>75,798,536.76</b>	<b>68,271,026.19</b>
<b>EXPENSES</b>		
Personal Services (Note 16)	11,998,680.13	12,619,810.97
Maintenance and Other Operating Expenses (Note 17)	50,027,204.89	46,863,662.10
Financial Expenses	5,097,689.80	5,741,039.74
<b>TOTAL EXPENSES</b>	<b>67,123,574.82</b>	<b>65,224,512.81</b>
<b>NET INCOME (LOSS) BEFORE INCOME TAX</b>	<b>₱ 8,674,961.94</b>	<b>₱ 3,046,513.38</b>

*See accompanying Notes to Financial Statements.*

**NORZAGARAY WATER DISTRICT**  
**NORZAGARAY, BULACAN**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended December 31, 2014  
(Wth Comparative Figures for CY 2013)

	2014	2013
<b>GOVERNMENT EQUITY</b>		
Balance at Beginning of the Year	₱ 61,568,818.55	₱ 61,568,818.55
<b>RETAINED EARNINGS</b>		
Retained Earnings, Beginning	22,636,380.27	19,631,983.45
Prior period adjustments	13,794,294.36	(42,116.66)
Net Income (Loss) for the period	8,674,961.94	3,046,513.38
Retained Earnings, End	45,105,636.57	22,636,380.17
<b>TOTAL EQUITY (Note 15)</b>	<b>₱ 106,674,455.12</b>	<b>₱ 84,205,198.72</b>

*See accompanying Notes to Financial Statements.*

**NORZAGARAY WATER DISTRICT**  
**NORZAGARAY, BULACAN**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2014  
(With Comparative Figures for CY 2013)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Cash Receipts From Concessionaires	₱ 76,694,510.69	₱ 68,690,680.58
<b>Cash Outflows</b>		
Payment of Payroll	62,510,582.09	57,342,389.73
Purchase of Inventories	131,145.44	100,100.01
Maintenance and Other Operating Expenses	1,310,059.07	1,012,698.48
<b>Total Cash Outflows</b>	<b>63,951,786.60</b>	<b>58,455,188.22</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>12,742,724.09</b>	<b>10,235,492.36</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Outflows</b>		
Reserves	554,504.18	1,000,000.00
Purchase of PPE	-	575,830.72
<b>Total Cash Outflows</b>	<b>554,504.18</b>	<b>1,575,830.72</b>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(554,504.18)</b>	<b>(1,575,830.72)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Borrowings	1,592,000.00	-
<b>Cash Outflows</b>		
Loan Amortization -Domestic and Foreign	3,759,537.83	3,324,487.76
Financial Expenses	5,187,696.95	5,741,049.74
<b>Total Cash Outflows</b>	<b>8,947,234.78</b>	<b>9,065,537.50</b>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(7,355,234.78)</b>	<b>(9,065,537.50)</b>
<b>CASH PROVIDED (USED) BY OPERATING, INVESTING AND FINANCING ACTIVITIES</b>	<b>4,832,985.13</b>	<b>(405,875.86)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>1,093,741.06</b>	<b>1,499,616.92</b>
<b>CASH AND CASH EQUIVALENTS - ENDING (Note 3)</b>	<b>₱ 5,926,726.19</b>	<b>₱ 1,093,741.06</b>

*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. Abaño 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 13,714 service connections and nine pumping stations operating 24/7 covering ten barangays of Norzagaray, Bulacan.

The District has a total of 58 personnel consisting of 33 regular and 25 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:

	2014	2013
Cash - Collecting Officers	₱ 132,403.34	₱ 70,855.32
Cash in Bank - LBP Current	4,907,065.16	396,317.33
Cash in Bank - FSLB Current	20,000.00	20,000.00
Cash in Bank - FSLB Savings	203,330.26	1,914.07
Cash in Bank - CRBTI Savings	61,190.99	1,917.90
Cash in Bank - LBP Savings	602,736.44	602,736.44
<b>Total</b>	<b>₱ 5,926,726.19</b>	<b>₱ 1,093,741.06</b>

### 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.

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

	2014	2013
Accounts Receivable	₱ 4,352,110.21	₱ 3,775,315.22
Allowance for Doubtful Accounts	(85,249.31)	(85,249.31)
Other Receivables	1,707,344.83	1,173,565.46
Due from Officers and Employees	7,400.00	316,400.00
<b>Receivables, net</b>	<b>₱ 5,981,605.73</b>	<b>₱ 5,180,031.37</b>

### 5. INVENTORIES

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

	2014	2013
Office Supplies Inventory	₱ 18,839.75	₱ -
Accountable Forms Inventory	75,650.00	53,600.00
Other Supplies Inventory	4,237,378.41	3,515,434.87
<b>Total</b>	<b>₱ 4,331,868.16</b>	<b>₱ 3,569,034.87</b>

## 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 amounting to ₱601,382.18 and ₱631,005.43 as of December 31, 2014 and 2013, respectively.

## 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. The breakdown of this account is as follows:

	2014	2013
Land	₱ 6,374,871.00	₱ 6,374,871.00
Electrification, Power and Energy Structures	3,556,034.17	3,658,927.51
Buildings and Other Structures	7,033,314.31	7,037,645.31
Office Equipment	87,410.00	27,979.75
Furniture and Fixtures	1,054,540.85	828,735.00
IT Equipment and Software	814,210.51	1,078,039.16
Machinery	271,000.00	162,813.00
Communication Equipment	2,490.00	49,708.00
Technical and Scientific Equipment	312,287.00	2,271,307.69
Motor Vehicles	3,136,874.55	3,508,464.05
Other Property, Plant and Equipment	142,974,934.99	135,408,881.99
Total	165,617,967.38	160,407,372.46
Less: Accumulated Depreciation	(34,064,251.33)	(37,887,987.56)
<b>Property, Plant and Equipment, net</b>	<b>₱ 131,553,716.05</b>	<b>₱ 122,519,384.90</b>

## 9. CONSTRUCTION IN PROGRESS

This account consists of appraised value of the District's assets which are still under construction amounting to ₱2,135,904.92 and ₱83,578.50 as of December 31, 2014 and 2013, respectively.

## 10. OTHER ASSETS

This account includes all other current assets which are not classified under any of the specific assets accounts amounting to ₱2,764,438.64 and ₱1,045,077.59 as of December 31, 2014 and 2013, respectively.

## 11. PAYABLES

Accounts Payable account 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.

	2014	2013
Accounts Payable	₱ 3,025,900.35	₱ 3,115,670.01
Due to Officers and Employees	6,130.06	87,336.05
Inter-agency Payables	469,777.48	546,228.37
Guaranty Deposits Payable	1,127,486.00	641,136.00
<b>Total</b>	<b>₱ 4,629,293.89</b>	<b>₱ 4,390,370.43</b>

## 12. 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 NorWD per memorandum of agreement executed on March 10, 2010 amounting to ₱703,935.94 and ₱2,178,469.74 as of December 31, 2014 and 2013, respectively.

## 13. 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.

	2014	2013
LA 3-801	₱ 4,466,073.35	₱ 4,645,946.84
LA 4-2151A	-	15,490,385.50
LA 4-2151B	219,164.00	2,659,416.00
LA 4 -2253K	-	16,669,646.00
LA 4 -2253L	-	1,857,815.79
LA 4 -2407	2,670,629.00	3,162,340.00
LBP-Refinancing	33,280,138.80	-
LBP-Project	1,592,000.00	-
<b>Total</b>	<b>₱ 42,228,005.15</b>	<b>₱ 44,485,550.13</b>

#### 14. 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 amounting to ₱59,951.77 for the years December 31, 2014 and 2013.

#### 15. EQUITY

This Government Equity account refers to the difference between the District's assets and liabilities at the time the District assumed control over its operations. Subsequent capital additions such as subsidies will be added to this account. It also includes private utility systems or other assets acquired free of charge for nominal considerations. Retained Earnings consists of the balance of the accumulated earnings or losses, and prior period adjustments of the District.

	2014	2013
Government Equity	₱ 61,568,818.55	₱ 61,568,818.55
Retained Earnings	45,105,636.57	22,636,380.17
<b>Total</b>	<b>₱ 106,674,455.12</b>	<b>₱ 84,205,198.72</b>

#### 16. PERSONAL SERVICES

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

	2014	2013
Salaries and Wages	₱ 7,265,686.34	₱ 7,491,896.37
Personal Economic Relief Allowance	774,000.00	809,519.04
Representation Allowance	222,000.00	222,000.00
Transportation Allowance	222,000.00	222,000.00
Clothing/Uniform Allowance	165,000.00	170,000.00
Other Bonuses and Allowance	290,000.00	367,100.00
Honoraria	733,826.00	809,746.00
Overtime and Night Pay	131,860.12	291,217.11
Cash Gift	165,000.00	167,500.00
Year End Bonus	617,200.00	627,456.90
Life and Retirement Insurance	872,443.93	897,956.04
Pag-ibig	39,000.00	40,531.16
PhilHealth	81,487.50	85,662.50
ECC	38,838.03	40,700.00
Other Personnel Benefits	380,338.21	376,525.85
<b>Total</b>	<b>₱ 11,998,680.13</b>	<b>₱ 12,619,810.97</b>

## 17. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2014	2013
Travelling Expenses	P 125,638.00	P 131,219.00
Training Expenses	527,001.24	432,399.16
Office Supplies Expenses	156,192.40	164,763.01
Accountable Forms Expenses	212,100.00	242,580.00
Gasoline, Oil and Lubricants Expenses	743,717.93	640,537.73
Other Supplies Expenses	2,079,257.90	2,866,393.62
Water Expenses	27,895,958.31	22,155,521.50
Electricity Expenses	5,767,116.99	5,491,606.19
Postage and Deliveries	165.00	265.00
Telephone Expenses - Landline	58,963.41	50,165.44
Telephone Expenses - Mobile	126,613.91	95,451.11
Cable, Satellite, Telegraph and Radio	135.00	1,613.00
Membership. Dues and Contributions to Organizations	50,527.00	77,938.00
Advertising Expenses	139,026.50	118,703.20
Printing and Binding Expenses	2,485.00	132.00
Rent Expenses	129,500.00	68,951.50
Representation Expenses	969,328.64	618,260.83
Rewards and Other Claims	3,700.00	44,649.75
Legal Services	60,740.00	77,590.00
Consultant Services	279,000.00	-
Environment/Sanitary Services	172,550.00	219,100.00
General Services	2,445,632.20	1,868,005.02
Security Services	402,108.85	288,000.00
Repairs and Maintenance - Power & Energy Supply	92,094.50	63,332.00
Repairs and Maintenance - Other Structures	190,335.50	149,160.25
Repairs and Maintenance - Office Equipment	-	9,148.00
Repairs and Maintenance - Furniture and Fixtures	10,780.00	15,493.42
Repairs and Maintenance - IT Equipment and Software	27,820.00	30,730.00
Repairs and Maintenance - Machinery	1,450.00	33,994.00
Repairs and Maintenance - Communication and Equipment	2,500.00	2,650.00
Repairs and Maintenance - Scientific Equipment	22,300.00	149.00
Repairs and Maintenance - Motor Vehicles	300,373.29	318,134.00
Repairs and Maintenance - Other PPE	1,616,942.42	1,530,805.33
Subsidy to Other Fund	124,039.54	595,894.48
Donations	8,776.00	66,850.10
Extraordinary Expenses	88,251.46	102,913.03
Miscellaneous Expenses	24,153.43	-
Taxes, Duties and Licenses	1,383,425.24	1,246,873.63
Insurance Expenses	45,474.35	3,454.35
Bad Debts Expenses	-	13,827.27
Depreciation Expenses	3,741,030.88	7,026,408.18
<b>Total</b>	<b>P 50,027,204.89</b>	<b>P 46,863,662.10</b>