

NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Pesos unless otherwise stated)

1. Agency Background

The Norala Water District (NWD) was established thru the passage of Sangguniang Bayan Resolution No. 20 dated March 23, 1982 with the amended Presidential Decree no. 198, as the enabling law to the creation of water districts. It was granted the Conditional Certificate of Conformance (CCC) No. 213 on September 6, 1982 giving recognition to its existence as a local water district by the Local Water Utilities Administration (LWUA). It became fully operational as a corporate entity when it was transferred by the Municipality of Norala on June 6, 1988. The mandates of the district are:

- To acquire, install, improve, maintain and operate water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of the district;
- To provide, maintain and operate waste water collection treatment and disposal facilities; and
- To conduct such other functions and operations incidental to water resource development, utilization and disposal within the district, as are necessary or incidental to said purpose.

The powers, privileges and duties of the District are exercised and performed by and through the Board of Directors, as the policy-making body composed of the following:

Chairperson	-	Miss Eriberta P. Pulido
Vice-Chairman	-	Mr. Jerry L. Catedrilla
Secretary	-	Dra. Ellen D. Januto
Member	-	Mr. Eduardo M. Castin
Member	-	Rev. Rolando S. Malazarte

Day to day activities are executed by General Manager, Ms. Jovelyn P. Perez together with the other seven (7) permanent employees, and four (4) job order employees.

2. Statement of Compliance and Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) in compliance with

Commission on Audit Resolution No. 2015-040 dated December 1, 2015 and COA Circular Nos. 2015-010 and 2016-006 dated December 1, 2015 and December 29, 2016, respectively.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

2. Summary of Significant Accounting Principles

- The accompanying financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).
- Property, Plant and Equipment are carried at cost less accumulated depreciation which is computed using the straight-line method based on the estimated service lives of the property ranging from 3 to 30 years. The cost of maintenance and repairs are charged to operations as incurred. Major renewals and betterments which extend the lives of the equipment are capitalized. The cost and related depreciation are removed from the accounts when assets are retired and disposed of and any resulting gain or loss is credited or charged to current operations.
- Allowance for doubtful accounts is set up to provide for estimated losses due to non-collection of accounts from customers based on past experiences.
- Materials and supplies are valued at moving average method.
- The District uses the accrual basis of accounting. Revenues are recorded during the period in which the services are given/rendered and expenses are recorded at the times these are incurred.

3. Cash and Cash Equivalents

This account includes cash deposits with banks, undeposited collections of collecting officers, unliquidated cash advances (including petty cash fund) of officers and employees and other cash equivalent, the details of which follows:

	2016	2015
Cash – Collecting Officers	0.00	15,294.21
Cash in Bank-Local Currency, Current Account	3,260,892.93	1,401,415.79
Cash in Bank-Local Currency, Savings Account	1,526,953.16	0.00
Total	4,787,846.09	1,416,710.00

4. Investments

This consists of Reserve Funds and Sinking Funds broken down as follows:

	2016	2015
LBP SA #2191-1293-96 – (Cash Reserve)	0.00	798,216.39
LBP SA #2191-1293-88 – (Pension and Benefits)	0.00	176,121.47
LBP CA #2192-1044-00 – (Project Account)	0.00	4,384,797.39
LBP SA #2191-1350-94 – (Meter Maintenance)	0.00	37,872.30
PNB SA #58522700013 – (BIR Remittances)	0.00	21,607.44
Total	0.00	5,418,614.99

All of these funds were reclassified to Cash in Bank in CY 2016.

5. Receivables – net

This consists of the following receivable accounts:

	2016	2015
Accounts Receivable	859,513.24	1,014,175.46
Less: Allowance For Doubtful Accounts ²	(36,576.31)	(39,417.33)
Accounts Receivable, Net	822,936.93	974,758.13
Due from National Government Agencies	15,732.67	12,182.67
Due from Officers & Employees	23,251.38	0.00
Other Receivables	331,938.96	251,444.56
Receivables	1,193,859.94	1,238,385.36

- Accounts Receivable – This consist all amounts due on open accounts arising from services rendered to customers for water sales and incidental services.
- Due from Officers & Employees – This account includes un-liquidated cash advances.
- Due from National Government Agencies – This pertains to receivable from BIR due to double posting of payment on remittances. Other Receivables are collectibles from customers for their unpaid application fee balances, materials' loan accounts.

6. Inventories

This consists of the following inventory accounts:

	2016	2015
Office Supplies Inventory	60,746.28	54,041.86
Accountable Forms Inventory	46,918.08	33,762.64
Medical, Dental and Laboratory Supplies Inventory	35,061.43	13,268.04
Other Supplies and Materials Inventory	770,187.49	873,031.36
Total	912,913.28	974,103.90

- Office Supplies Inventory includes cost of office supplies on hand.
- Accountable Forms Inventory includes water bills and official receipts on hand.
- Medical, Dental and Laboratory Supplies Inventory includes cost of the chemicals on hand to be used for water treatment and purification.
- Other Supplies and Materials Inventory includes the cost of service connection, transmission and distribution lines materials on hand.

7. Property, Plant & Equipment

This consists of the following accounts:

Property, Plant and Equipment	Balance Dec. 31, 2016	Net Addition/ (Reduction)	Balance Dec. 31, 2015
1 Land	185,652.00	0.00	185,652.00
2 Other Land Improvements	21,253.00	0.00	21,253.00
3 Water Supply Systems	15,329,986.93	180,144.64	15,149,842.29
4 Buildings	1,275,810.89	488,447.41	787,363.48
5 Other Structures	53,591.00	0.00	53,591.00
6 Office Equipment	586,644.98	286,419.88	300,225.10
7 Information and Communication Technology Equipment	300,522.00	34,290.00	266,232.00
8 Communication Equipment	8,022.00	995.00	7,027.00
9 Other Equipment	60,663.75	7,900.00	52,763.75
10 Other Transportation Equipment	114,450.89	0.00	114,450.89
11 Furniture & Fixtures	72,746.40	0.00	72,746.40
12 Construction in Progress- Infrastructure Assets	8,598,208.96	6,453,990.18	2,144,218.78
Total Property, Plant and Equipment	26,607,552.80	7,452,187.11	19,155,365.69
Less: Accumulated Depreciation	(7,188,452.88)	(791,386.70)	(6,397,066.18)
Net Book Value	19,419,099.92	6,660,800.41	12,758,299.51

8. Other Assets

These pertain to other expenses which were paid for but remain unutilized. Also includes equipment that are not in use but functional (Note: For reclassification/retrieve Property Plant and Equipment (PPE) not functional but not yet disposed which was booked as loss of asset). Breakdown as follows:

	2016	2015
Current Assets:		
Deferred Charges/Losses	2,000.00	2,000.00
Total Current Other Assets	2,000.00	2,000.00
Non-Current Assets:		
Office Furniture & Equipment	4,215.26	4,215.26
IT Equipment & Software	2,393.00	2,393.00
Communication Equipment	1,095.29	1,095.29
Tools, Shop & Garage Equipment	1,500.00	1,500.00
Reservoir & Tanks	135,377.47	135,377.47
Total Non-Current Other Assets	144,581.02	144,581.02
Total Other Assets	146,581.02	146,581.02

9. Financial Liabilities

Financial Liabilities are recognized and recorded in the books of accounts upon acceptance of the goods/inventory/other assets and rendition of services to NWD. It also includes Due to Officers and Employees for the accrued Terminal Leave Benefits.

	2016	2015
Accounts Payable	171,647.42	59,824.65
Due to Officers and Employees	926,779.80	855,019.77
Total	1,098,427.22	914,844.42

10. Loans Payable-Domestic

This consists of loans availed from LWUA for the different water system projects as follows:

	2016	2015
LA No.4-1916	4,022,935.48	4,269,625.48
LA No.4-2651	1,364,967.00	3,593,824.00
LA No.4-2364	3,288,703.00	1,837,501.00
New Loan (P10.311M)	4,889,860.50	0.00
Total	13,566,465.98	9,700,950.48

11. Inter-Agency Payables

This consists of the amounts due to government agencies, such as the BIR, GSIS, HDMF and PhilHealth, which were withheld from the payments made to suppliers and employees broken down as follows:

	2016	2015
Due to BIR	44,786.25	32,150.63
Due to GSIS	71,403.10	66,960.59
Due to Pag-IBIG	24,373.74	22,383.02
Due to PhilHealth	6,875.00	3,325.00
Total	147,438.09	124,819.24

12. Trust Liabilities

This pertains to deposits made by concessionaires before service connections are made as security for payments of subsequent water bills.

	2016	2015
Guaranty/Security Deposits Payable	47,048.62	14,680.05
Total	47,048.62	14,680.05

13. Other Payables

This is accountabilities to other agencies.

	2016	2015
Other Payables	84,565.67	89,475.67
Total	84,565.67	87,475.67

14. Other Deferred Credits

For CY 2015 this consists of loan releases from LWUA for 10.311M Water Supply Improvement Project at Brgy. San Miguel and reclassified to Loans Payable and Income from Grants and Donations for CY 2016.

15. Government Equity

This represents the grants and donations to Norala Water District. Subsequent capital additions, such as subsidies are added to this account breakdown as follows:

	2016	2015
LINGAP fund for Transmission & Distributions Lines	400,000.00	400,000.00
Donation from LWUA		
A. Materials	41,910.71	41,910.71
B. Computer	17,477.60	17,477.60

Congressional fund from the 2 nd District of South Cotabato		
A. Office Building	400,000.00	400,000.00
Local Government Unit of Norala		
A. Land Donation for office site (900 sq.m.)	90,720.00	90,720.00
B. Land Donation for reservoir site (879 sq.m.)	94,932.00	94,932.00
Turned-Over Concrete Reservoir	17,325.00	17,325.00
Computer Set from MAWD	28,985.00	28,985.00
Generator Set from Province of South Cotabato	23,000.00	23,000.00
Motorcycle from Davao City Water District	20,000.00	20,000.00
Total	1,134,350.31	1,134,350.31

16. Retained Earnings

Retained Earnings consists of the balance of accumulated earnings or losses of Norala Water District.

	2016	2015
Retained Earnings, beginning	3,462,380.61	2,025,839.86
Prior Year's Adjustments	2,452.27	46,643.31
Net Income	6,917,171.48	1,389,897.44
Total, Retained Earnings, ending	10,382,004.36	3,462,380.61

17. Business Income

NWD derives its income from the following sources: income from waterworks system, fines and penalties, other business income, and interest income, to wit;

	2016	2015
Income from Waterworks System	8,510,958.39	7,383,104.87
Income from Fines and Penalties	278,755.72	261,129.30
Other Business Income	624,074.85	390,994.48
Interest Income	4,713.90	3,272.83
Total	9,418,502.86	8,038,501.48

18. Other Non-Operating Income

This includes Income from Grants & Donations as part of P10.311M amounting to P4,908,898.50.

Income from Grants & Donations	4,908,898.50	21,345.49
Repairs and Maintenance-Machinery and Equipment	11,070.00	18,897.18
Repairs and Maintenance-Transportation	68,071.85	61,298.37
Taxes, Duties, and Licenses	178,100.39	22,504.00
Fidelity Bond Premiums	20,250.00	21,293.71

19. Personal Services

This account is broken down as follows:

	2016	2015
Salaries and Wages-Regular	2,040,999.60	1,811,544.00
Salaries and Wages-Casual/Contractual	99,442.55	118,758.81
Personnel Econ. Relief Allow. (PERA)	192,000.00	192,000.00
Representation Allowance (RA)	60,000.00	60,000.00
Transportation Allowance (TA)	60,000.00	60,000.00
Clothing/Uniform Allowance	40,000.00	40,000.00
Productivity Incentive Allowance	145,456.00	0.00
Honoraria	185,772.00	162,912.00
Year End Bonus	163,241.00	150,437.00
Cash Gift	40,000.00	40,000.00
Other Bonuses and Allowances	218,241.00	155,437.00
Retirement and Life Insurance Premium	232,366.56	216,629.28
Pag-IBIG Contribution	9,600.00	9,600.00
PhilHealth Contribution	20,325.00	19,950.00
Employees Compensation Insurance Premiums	9,600.00	9,600.00
Terminal Leave Benefits	195,357.74	158,201.93
Total	3,712,401.45	3,205,070.02

20. Maintenance and Other Operating Expenses

	2016	2015
Traveling Expenses-Local	181,250.00	126,051.00
Training Expenses	139,900.00	123,638.00
Office Supplies Expenses	66,368.42	78,044.18
Accountable Forms Expenses	15,794.56	17,327.68
Medical, Dental and Laboratory Supp. Exp.	82,313.31	88,029.52
Fuel, Oil and Lubricants Expenses	133,588.95	140,996.78
Other Supplies Expenses	181,608.04	162,874.62
Electricity Expenses	682,061.56	556,587.74
Postage and Courier Services	6,076.00	4,135.00
Telephone Expenses	12,680.91	7,698.15
Internet Subscription Expenses	59,940.28	54,013.27
Legal Services	2,700.00	800.00
Auditing Services	0.00	31,952.68
Other Professional Services	3,980.00	20,000.00
Repairs and Maintenance-Infrastructure Assets	23,165.32	83,609.67
Repairs and Maintenance-Buildings and Other Structures	35,490.25	21,265.49
Repairs and Maintenance-Machinery and Equipment	14,070.00	13,805.00
Repairs and Maintenance-Transportation Equipment	68,071.65	62,298.37
Taxes, Duties, and Licenses	158,102.59	22,864.66
Fidelity Bond Premiums	20,253.75	20,253.75

	2016	2015
Insurance Expenses	5,251.66	24,716.66
Advertising, Promotional, and Marketing Expenses	5,294.00	3,775.00
Printing and Publication Expenses	36,235.00	1,375.60
Representation Expenses	145,715.09	125,367.61
Membership Dues and Contribution to Organizations	24,612.66	22,914.05
Other Maintenance and Operating Expenses	2,175.22	10,000.00
Total	2,106,699.22	1,824,394.58

21. Financial Charges

This account is broken down as follows:

	2016	2015
Interest Expenses from LWUA Loans:		
LWUA Loan no. 4-1916	340,974.00	360,332.00
LWUA Loan no. 4-2364	133,178.00	170,259.00
LWUA Loan no. 4-2651	283,395.00	307,338.00
Bank Charges	2,730.00	3,184.58
Total	760,277.00	841,113.58

22. Non-Cash Expenses

This consists of the following accounts

	2016	2015
Depreciation-Land Improvements	447.57	718.00
Depreciation-Building and Other Structure	670,232.06	660,137.81
Depreciation-Machinery and Equipment	57,073.92	48,729.64
Depreciation-Transportation Equipment	16,149.60	8,100.00
Depreciation-Furniture, Fixtures & Books	47,483.55	30,413.12
Other Losses	6,920.15	0.00
Other Discounts	32,545.36	29,926.49
Total	830,852.21	778,025.86