

**C A R C A R   W A T E R   D I S T R I C T**  
**NOTES TO FINANCIAL STATEMENTS**  
**A S   O F   D E C E M B E R   3 1 , 2 0 1 5**

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**1.     G E N E R A L   I N F O R M A T I O N**

Carcar Water District (CWD) is a government owned and controlled corporation created and existing by virtue of P.D. 198, as amended. A Certificate of Conformance, Certificate No. 117, was issued by the Local Water Utilities Administration (LWUA) to CWD on May 30, 1980 validating its operations as one of the water districts of the country. Under the Revised Local Water District Manual on Categorization Re-Categorization and Other Matters (LWD-MaCRO), Carcar Water District was re-categorized to Category “B” effective November 2014.

The primary objective of the Water District is to provide sufficient potable water to the residents of the town of Carcar (now a City) utilizing available sources of water and applying appropriate water treatment measures to ensure that water is safe for the consumption of the concessionaires.

In compliance with Philippine Accounting Standard (PAS) No. 10, the accompanying CY 2015 financial statements of the Carcar Water District were authorized for release thru Board Resolution No. 3, series of 2016 dated February 9, 2016.

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**2.     B A S I S   O F   F I N A N C I A L   S T A T E M E N T S   P R E P A R A T I O N**

The accompanying financial statements have been prepared in conformity with the generally accepted state accounting principles in the Philippines.

The financial statements of CWD have been prepared using the historical cost basis and presented in Philippine pesos, which is the District’s functional and presentation currency. CWD is using the CPS/NGAS Modified Chart of Accounts for Water Districts.

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**3.     S U M M A R Y   O F   S I G N I F I C A N T   A C C O U N T I N G   P O L I C I E S**

Cash and Cash Equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in values. Due to the short term maturity of the transaction, the fair value of cash

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and cash equivalents approximates the amount at the time of initial recognition. These deposits earn interest at the prevailing market rate.

#### Receivables

Receivables are recognized and carried at original billed amount. Provision for doubtful accounts on water accounts receivable is maintained at a level considered adequate to provide for potential losses on receivables. The level of this provision or allowance is based on management's evaluation of collection experience and other factors that may affect collectability.

#### Property, Plant and Equipment

Property, Plant and equipment are initially measured at cost less any subsequent accumulated depreciation, amortization and impairment losses. Subsequent expenditures on property and equipment are recognized only as an asset when the expenditure improves the condition of the asset beyond its originally assessed standard of performance. All other subsequent expenditure, such as repairs and maintenance and overhaul cost, is recognized as an expense when incurred. Depreciation and amortization are computed using the straight line method.

The cost of maintenance and repairs is charged to income as incurred. Significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss will be reflected in income for the period.

#### Revenue/Expense Recognition

Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the Water District and the amount of revenue can be measured reliably. Expenses are recorded when incurred.

#### Correction of Fundamental Errors

Fundamental errors of prior years are corrected by using the Prior Period Adjustments to Retained Earnings. Errors affecting current year's operation are charged to current year's account.

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## 4. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2015		2014
Cash In Bank	P 14,686,888.48	P	15,741,446.16
Cash On Hand	183,676.40		207,914.92
	P 14,870,564.88	P	15,949,361.08

The cash on hand represents the cash collected at the end of the year for deposit on the next banking day.

## 5. RECEIVABLES

This account consists of:

	2015	2014
Accounts Receivable	P 4,866,646.88	P 5,356,474.92
Less: Allowance for Doubtful Accounts	149,651.91	146,120.99
Accounts Receivable – Net	4,716,994.97	5,210,353.93
Due from Local Government Units	150,000.00	150,000.00
Due from Officers and Employees	44,670.25	61,699.21
Other Receivables (net of the Sun Fixed Loan Plan)	166,360.27	158,023.91
	P 5,078,025.49	P 5,580,077.05

## 6. INVENTORIES

This account represents the following:

	2015	2014
Office Supplies Inventory	P 187,549.46	P 124,481.19
Maintenance Supplies Inventory	56,695.35	50,688.78
Other Inventories	4,136,823.22	2,272,959.03
Chemicals and Filtering Supplies Inventory	(98.79)	(98.79)
Construction Materials Inventory	(182,304.33)	(182,304.33)
	P 4,198,664.91	P 2,265,725.88

## 7. OTHER ASSETS

These are the restricted funds described below:

	2015	2014
Restricted Fund	P 3,342,942.63	P 3,330,176.33

The Restrict Fund account consists of two (2) savings accounts with the Landbank of the Philippines:

1. Joint Savings Account (JSA) with LWUA - the reserved fund in compliance with the loan contract provisions with a balance of P3,006,584.05 as of December 31, 2015. This account is for closure since the loan accounts with LWUA had been refinanced by the Development Bank of the Philippines (DBP).

2. Reserve for Expropriation to cover expropriation costs pending final court decision on the water district's expropriation cases amounting to P336,358.58 as of December 31, 2015.

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**8. INTER-AGENCY PAYABLES**

This account consists of:

		2015		2014
Due to National Government Agencies	P	675,302.05	P	645,391.14
Due to Government Owned and/or Controlled Corporations (GOCCs)		76,307.15		76,307.15
	P	751,609.20	P	721,698.29

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**9. OTHER LIABILITY ACCOUNTS**

This account is composed of the following:

		2015		2014
Contractor's Security Deposit	P	10,392.68	P	10,392.68
Other Payables		82,515.54		(138,356.62)
	P	92,908.22	P	(127,963.94)

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**10. DEFERRED CREDITS**

This account represents the following:

		2015		2014
Customers' Deposit	P	702,106.98	P	302,424.52
Other Deferred Credits		299,079.96		(70,025.98)
	P	1,001,186.94	P	232,398.54

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## 11. PROPERTY, PLANT AND EQUIPMENT

This account comprises of the following

	Land	Plant (US\$)	Buildings & Other Structures	Office Equipment	Land Transport Equipment	Other Machinery & Equipment	Furniture and Fixtures	Oil Plant	Offices & Other Structures	Total
<b>At December 31, 2014</b>										
Cost	2,748,468.02	96,279,189.62	8,958,279.77	3,469,263.74	2,927,085.24	6,600,043.22	1,082,084.43	9,024,081.87	546,919.82	131,725,415.73
Accumulated Depreciation		(49,592,638.44)	(2,716,443.93)	(2,240,338.06)	(1,866,097.65)	(4,868,134.66)	(862,623.32)			(62,146,276.06)
<b>Net Book Value</b>	<b>2,748,468.02</b>	<b>46,686,551.18</b>	<b>6,241,835.84</b>	<b>1,228,925.68</b>	<b>1,060,987.59</b>	<b>1,731,908.56</b>	<b>219,461.11</b>	<b>9,024,081.87</b>	<b>546,919.82</b>	<b>69,579,139.67</b>
<b>Year Ended December 31, 2015</b>										
Opening Net Book Value	2,748,468.02	46,686,551.18	6,241,835.84	1,228,925.68	1,060,987.59	1,731,908.56	219,461.11	9,024,081.87	546,919.82	69,579,139.67
Additions	27,500.00	2,600,104.80		231,639.36	1,655,800.00	3,053,404.54	40,898.00	9,103,470.47		16,692,597.17
Cost of Completed Projects		3,487,111.88						(3,655,778.92)		(168,667.04)
Paid Projects								(202,419.00)		(202,419.00)
Redclassification to PYA Retired/ Lost Assets		(1,526.33)	(5,871.88)			(64,973.73)				(72,371.94)
Cost Accumulated Depreciation		(627,257.82)		(182,977.50)		(81,757.00)				(891,992.32)
		447,477.06		1,260.00*		153,919.53*	59,318.85*			661,975.44
Depreciation for the Year		(2,689,881.00)	(312,251.40)	(247,161.37)	(284,792.90)	(667,855.01)	(79,027.86)			(4,280,969.54)
<b>Closing Net Book Value</b>	<b>2,775,968.02</b>	<b>49,902,579.77</b>	<b>5,923,712.56</b>	<b>1,031,661.7</b>	<b>2,411,746.9</b>	<b>4,214,616.89</b>	<b>240,601.10</b>	<b>14,269,354.2</b>	<b>546,919.82</b>	<b>81,317,292.44</b>
Cost	2,775,968.02	101,739,148.48	8,958,279.77	3,517,925.60	4,562,665.24	9,661,690.76	1,122,982.43	14,269,354.2	546,919.82	147,154,984.54
Accumulated Depreciation		51,836,568.71	3,034,567.21	2,486,239.43	2,150,805.5	5,447,043.87	882,332.33			65,837,642.10
<b>Net Book Value</b>	<b>2,775,968.02</b>	<b>49,902,579.77</b>	<b>5,923,712.56</b>	<b>1,031,661.7</b>	<b>2,411,746.9</b>	<b>4,214,616.89</b>	<b>240,601.10</b>	<b>14,269,354.2</b>	<b>546,919.82</b>	<b>81,317,292.44</b>

\*For adjustment in 2016

## 12. LOANS PAYABLE

As of May 29, 2015, the LWUA Loans with the following balances were refinanced by the Development Bank of the Philippines (DBP), Carcar Branch, Carcar City, Cebu.

Loan Reference	Balance Per SL	Adjustment to Principal (Interest Rebate)	Outstanding Balance
3-226 RL (433-01)	2,880,859.48	98,585.60	P 2,782,273.88
3-226 SL (433-03)	2,281,632.80	73,879.26	2,207,753.54
3-397 RL (433-02)	2,591,759.11	57,949.76	2,533,809.35
4-2039 RL (433-04)	13,639,119.26	214,042.00	13,425,077.26
<b>TOTAL</b>	<b>21,393,370.65</b>	<b>444,456.62</b>	<b>20,948,914.03</b>
ADD: Pre-Termination Fee			418,978.28
<b>Total Amount for Take-Out</b>			<b>P 21,367,892.31</b>

The terms of the DBP Loan are:

<b>Facility</b>	Term Loan under PN Number 2015-002
<b>Amount Released</b>	P21,367,892.31
<b>Purpose</b>	Take-out of LWUA loan
<b>Term</b>	Five (5) years payable monthly, commencing at the end of the first month of loan release. Maturity date is May 29, 2020.
<b>Interest Rate</b>	6.00% p.a. fixed exclusive of GRT

As at December 31, 2015, the outstanding Loans Payable due the Development Bank of the Philippines (DBP) is, as follows:

Current Portion	Non-Current Portion	Total Payable
P3,893,257.68	P15,312,356.02	<b>P 19,205,613.70</b>

## 13. DONATED CAPITAL

This account consists of the fair market value of lots donated to the water district as follows:

Account Code	Location	Donor	Amount
201-12	Magsipit, Liburon	A. Borja	P 15,350.00
201-07	Magsipit, Liburon	A. Ramos	10,693.00
201-14	Cabitoan, Napo	T. Genobisa	2,378.00
201-15	Saay, Can-asujan	F. Gaviola Jr.	1,491.00
			<b>P 29,912.00</b>

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**14. PERSONAL SERVICES (PS)**

This account is distributed as follows:

		2015		2014
Salaries and Wages – Regular	P	14,301,163.41	P	13,596,519.40
Other Personnel Benefits		2,971,719.21		971,761.18
Personal Economic Relief Allowance (PERA)		1,720,430.07		1,605,545.45
Life and Retirement Insurance Contributions		1,567,656.53		1,493,465.95
Other Bonuses and Allowances		1,407,857.00		24,000.00
Provident Fund Contributions		911,550.45		650,050.53
Honoraria		601,668.00		454,965.00
Representation Allowance		409,500.00		390,125.00
Transportation Allowance		409,500.00		390,125.00
Year-End Bonus		364,125.00		338,000.00
Clothing and Uniform Allowance		360,000.00		335,000.00
PhilHealth Contributions		151,112.50		144,675.00
Pag-Ibig Contributions		86,400.00		80,300.00
ECC Contributions		84,261.84		79,151.72
	P	25,346,944.01	P	20,553,684.23

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**15. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)**

The following are the expenses under this classification:

		2015		2014
Generation, Transmission & Distribution Expenses	P	5,269,275.91	P	4,151,483.88
Depreciation		4,280,969.54		3,741,762.09
Repairs and Maintenance		2,922,248.26		3,197,646.31
Taxes, Duties and Licenses		1,271,077.00		1,102,733.45
Security Services		696,980.00		695,760.00
Fuel, Oil and Lubricants Expenses		666,904.25		693,418.46
Electricity		463,577.68		622,214.53
Representation Expenses		433,675.52		258,034.48
Advertising, Promotional and Marketing Exp.		408,783.56		356,415.54
Training and Scholarship Expenses		305,689.24		373,193.06
Telephone Expenses		203,015.38		185,460.75
Office Supplies Expense		201,151.69		356,067.39
Travel Expenses		177,687.46		334,732.64
Insurance Premiums		176,720.47		88,807.59
Extraordinary and Miscellaneous Expenses		98,400.00		90,200.00
Awards and Rewards		89,530.00		60,306.00
Cultural and Athletic Activities		74,517.75		56,801.20
Sub-Total	P	17,740,203.71	P	19,365,037.37

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	2015		2014	
Sub-Total Forwarded	P	17,740,203.71	P	19,365,037.37
Indemnities and Other Claims		27,647.00		7,666.00
Postage and Deliveries		18,783.60		15,819.30
Membership Dues & Contributions to Org.		18,724.80		29,412.00
Donations		17,000.00		12,000.00
Auditing Services		12,049.50		154,958.10
Doubtful Accounts Expense		6,224.75		10,126.99
Freight and Handling		4,025.35		3,163.70
Legal Services		316.00		5,850.00
Other Professional Services		1,000.00		1,000.00
Other M O O E		309,322.95		257,228.70
	P	18,155,297.66	P	16,862,262.16