

**CARCAR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2014**

1. GENERAL INFORMATION

Agency Profile

Carcar Water District (CWD) is a government owned and controlled corporation created and existing by virtue of P.D. 198, as amended.

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

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.

2. BASIS OF FINANCIAL STATEMENT PRESENTATION

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 System’s functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Cash equivalents are for varying periods of up to three months depending on the immediate cash requirements of the System, and earn interest at the respective investment rates. Due to the short term maturity of the transaction, the fair value of cash and cash equivalents approximates the amount at the time of initial recognition.

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 provisions or allowance is based on management's evaluation of collection experience and other factors that may affect collectability.

Property, plant and equipment

Property 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 recognition

Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a timely basis, and dividend income from investment is recognized when the right to receive payment has been established.

4. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2014		2013
Cash on hand	P 207,914.92	P	197,822.00
Cash in bank	15,741,446.16		7,794,611.78
Petty cash fund	-		1,221.76
	P 15,949,361.08	P	7,993,655.54

The cash on hand account represents cash collected at the end of the year on the hand of cash collecting officers which is due for deposit the next banking day.

5. RECEIVABLES

This account is composed of the following:

	2014	2013
Accounts Receivable –Net	P 5,210,353.93	P 3,316,458.67
Due from Local Government Units	150,000.00	150,000.00
Advances to Officers and Employees		
Due from Officers and Employees	61,699.21	70,962.94
Other receivables	160,773.91	159,573.91
	P 5,582,827.05	P 3,696,995.52

The allowance for doubtful accounts of has been evaluated and found to be overstated as to its previous balance of P 1,558,449.13. It has been adjusted monthly since July 2014 to adequately reflect the reasonable amount of allowance as prescribed. The balance as of December 2014 amounted to 146,120.99. Other receivables include Sun Cellular Fixed Load Plan representing employees' payments for post-paid cell phone accounts attached to the corporate line assigned to CWD employees which were already deducted from payroll but not yet paid pending receipt of statement of account from the cell phone provider.

6. INVENTORIES

This account consists of:

	2014	2013
Office supplies inventory	P 124,481.19	P 320,211.43
Chemicals and filtering supplies inventory	(98.79)	(98.79)
Spare parts/Maintenance Supplies inventory	50,688.78	41,011.59
Construction materials inventory	(182,304.33)	(182,304.33)
Other supplies inventory	2,272,959.03	2,882,158.35
	P 2,265,725.88	P 3,060,978.25

7. PROPERTY, PLANT AND EQUIPMENT

This account comprises of the following

	Land	Plant (UPIS)	Buildings & Other Structures	Office Equipment	Land Transport Equipment	Other Machinery & Eq.	Furniture and Fixtures	CIP-Plant	CIP-Bldgs. & Other Structure	Total
Cost	2,748,468.02	93,811,873.16	8,840,842.14	3,387,715.74	2,927,085.24	6,018,139.22	1,045,523.93	5,746,241.84	556,272.25	125,082,161.54
Accumulated Dep.		(47,096,002.75)	(2,398,752.93)	(2,003,100.02)	(1,653,395.49)	(4,484,997.64)	(776,418.02)			(58,412,666.85)
Net Book Value	2,748,468.02	46,715,870.41	6,442,089.21	1,384,615.72	1,273,689.75	1,533,141.58	269,105.91	5,746,241.84	556,272.25	66,669,494.69
Opening Net Book Value	2,748,468.02	46,715,870.41	6,442,089.21	1,384,615.72	1,273,689.75	1,533,141.58	269,105.91	5,746,241.84	556,272.25	66,669,494.69
Additions		2,165,444.91		81,548.00		680,919.00	27,822.00	5,716,371.91	6,574.87	8,678,680.69
Cost of Completed Projects		301,871.55	117,437.63				8,738.50	(419,309.18)	(8,738.50)	-
Paid Projects								(72,048.55)		(72,048.55)
Re-classification to PYA								(1,947,174.15)	(7,188.80)	(1,954,362.15)
Retired/Lost Assets										
Cost						(9,015.00)				(9,015.00)
Accumulated Dep.						8,152.88				8,152.88
Depreciation for the Year		(2,496,635.69)	(317,691.00)	(237,238.04)	(212,702.16)	(391,289.90)	(86,205.30)			(3,741,762.09)
Closing Net Book Value	2,748,468.02	46,686,551.18	6,241,835.84	1,228,925.68	1,060,987.59	1,821,908.56	219,461.11	9,024,081.87	546,919.82	69,579,140.47
Cost	2,748,468.02	96,279,189.62	8,958,279.77	3,469,263.74	2,927,085.24	6,690,043.22	1,082,084.43	9,024,081.87	546,919.82	131,725,416.53
Accumulated Dep.		(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)
Net Book Value	2,748,468.02	46,686,551.18	6,241,835.84	1,228,925.68	1,060,987.59	1,821,908.56	219,461.11	9,024,081.87	546,919.82	69,579,140.47

8. OTHER ASSETS

	2014	2013
Restricted Fund	P 3,322,546.72	P 3,322,546.72

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

1. Joint Savings Account (JSA) with LWUA-Reserve in compliance with loan contract provision with a balance of P 2,995,498.31 as of December 31, 2014.
2. Reserve for Expropriation to cover expropriation costs pending final court decision on the water districts expropriation cases amounting to P 334,678.02 as of December 31, 2014.

9. INTER-AGENCY PAYABLES

This consists of:

	2014	2013
Due to National Government Agencies	P 645,391.14	P 575,411.03
Due to other GOCCs	76,307.15	76,307.15
	P 721,698.29	P 651,718.18

10. OTHER LIABILITY ACCOUNTS

This consists of the following accounts:

	2014	2013
Due to Officers and Employees	P -	P 19,596.60
Contractor's Security Deposit	10,392.68	10,392.68
Performance & Bidders Bond Payable		
Other Payables	(138,356.62)	62,548.54
	P 127,963.94	P 92,537.82

11. LOANS PAYABLE

This account consists of:

Loan Account #	Loan Date	Amount	Account Not Yet Due	Current Portion	Total	Interest
3-226 (Reg)	4-21-1988	11,094,000.00	3,273,715.88		3,273,715.88	312,061.60
3-397 (Reg)	4-04-1991	5,735,850.65	2,762,048.35		2,762,048.35	321,813.50
3-326 (Soft)	7-26-1990	8,685,723.47	2,597,714.02		2,597,714.02	224,603.30
4-2039 (Reg)	2-12-2003	26,740,332.26	14,593,645.26		14,593,645.26	1,882,735.00
Total		52,255,906.38	23,227,123.51		23,227,123.51	2,741,213.40

The above loans were extended by the LWUA to the water district under the following terms:

Loan Account	Purpose	Interest Rate	Amortization Starts
3-226 (Reg)	Installation of distribution lines and appurtenances	2M - 8.5% 5M - 10.5% 5M + - 12.5%	January 1992
3-397 (Reg)		12.5%	January 1994
3-326 (Soft)	Same as 3-226	10%	January 1998
4-2039 (Reg)	System Expansion	1.523 M - 12.5% 25.217M - 14.00%	November 2004

The Water District did not take up the current portion in its books for CY 2014 to be paid in 2015, pending the re-financing of these loans with the Development Bank of the Philippines which is now in its final documentation process.

12. DEFERRED CREDITS

This consists of:

	2014	2013
Customer's deposit	P 302,424.52	P 449,746.22
Other deferred credits	(70,025.98)	(70,814.18)
	P 232,398.54	P 378,932.04

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
201-14	Cabitojan, Napo	T. Genobisa	2,378.00
201-07	Magsipit, Liburon	A. Ramos	10,693.00

201-15	Saay, Can-asujan	F. Gaviola Jr.	1,491.00
			P 29,912.00

14. PERSONAL SERVICES

This account is distributed as follows:

	2014	2013
Salaries and wages-regular	P 13,596,519.40	P 13,938,032.81
Personnel Economic Relief Allowance	1,605,545.45	1,655,903.17
Life & retirement insurance contributions	1,493,465.95	1,533,897.00
Honoraria	454,965.00	432,915.00
Other personnel benefits	971,761.18	978,013.70
Provident fund contributions	650,050.53	895,706.63
Other bonuses and allowances	24,000.00	24,000.00
Year-end bonus	338,000.00	355,000.00
Representation allowance	390,125.00	395,125.00
Transportation allowance	390,125.00	395,125.00
Clothing and Uniform allowance	335,000.00	345,000.00
Philhealth contributions	144,675.00	147,337.50
Pag-ibig contributions	80,300.00	83,100.00
ECC Contributions	79,151.72	81,421.72
	P 20,553,684.23	P 21,260,577.53

15. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

	2014	2013
Depreciation	P 3,741,762.09	P 3,633,973.11
Gen., transmission & distribution exp.	4,151,483.88	3,054,434.35
Repairs and maintenance	3,197,342.79	2,462,723.87
	2014	2013
Taxes, duties and licenses	1,102,733.45	1,036,644.80
Fuel, oil and lubricants expenses	693,418.46	702,369.73
Extraordinary and miscellaneous exp.	90,200.00	93,996.00
Electricity	622,214.53	623,053.28
Security services	695,760.00	687,417.68
Office supplies expenses	356,067.39	337,265.08
Loss on sale of assets		270,282.93
Travel expenses	334,732.64	245,011.65
Telephone expenses – landline	185,460.75	144,011.92

Advertising, promotion & marketing exp.	356,415.54	109,685.05
Training and scholarship expenses	373,193.06	615,066.23
Representation expenses	258,034.48	251,603.68
Insurance premiums	88,807.59	98,473.19
Donations	12,000.00	
Cultural and Athletic Activities	56,801.20	27,520.00
Postage and deliveries	15,819.30	14,077.89
Membership dues & cont. to orgs.	29,412.00	38,804.40
Freight and handling	3,163.70	19,305.58
Legal services	5,850.00	11,350.00
Auditing Services	154,958.10	8,865.00
Indemnities and other claims	7,666.00	9,735.00
Other professional services	1,000.00	410.00
Awards and Rewards	60,306.00	62,040.00
Other MOOE	257,228.70	
	P 16,851,831.65	P 14,558,120.42

16. OTHER MATTERS

In compliance with Philippine Accounting Standard (PAS) No. 10, the financial statements of Carcar Water District for CY 2014 have been authorized for release thru Board Resolution No. 03, series of 2015 dated February 4, 2015.

Certified true and correct:

Approved by:



JOSEFA SALVACION N. MANUGAS
Division Manager - Finance



ENGR. EDWARD L. REMO
General Manager