

**CARCAR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013**

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.

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:

	2013		2012	
Cash on hand	P	197,822.00	P	130,791.31
Cash in bank		7,794,611.78		3,758,407.17
Petty cash fund		1,221.76		0.00
	P	7,993,655.54	P	3,889,198.48

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:

	2013	2012
Accounts Receivable –Net	P 3,316,458.67	P 3,020,042.90
Due from Local Government Units	150,000.00	
Advances to Officers and Employees		86,463.00
Due from Officers and Employees	70,962.94	58,170.14
Other receivables	159,573.91	156,763.18
	P 3,696,995.52	P 3,321,439.22

The allowance for doubtful accounts of P 1,558,449.13 remains unchanged for the four-year period. 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:

	2013	2012
Office supplies inventory	P 320,211.43	P 263,867.55
Chemicals and filtering supplies inventory	(98.79)	(98.79)
Spare parts/Maintenance Supplies inventory	41,011.59	(6,222.69)
Construction materials inventory	(182,304.33)	(182,304.33)
Other supplies inventory	2,882,158.35	2,353,579.42
	P 3,060,978.25	P 2,428,821.16

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	Reforesta-tions	CIP-Plant	CIP-Bldgs. & Other Structure	Total
At December 31, 2012											
Cost	2,748,468.02	91,988,370.49	8,686,041.93	3,257,886.20	2,927,085.24	5,646,811.78	967,237.93	617,810.98	6,136,631.58	449,891.79	123,426,235.94
Accumulated Dep.	0.00	(45,028,432.00)	(2,085,705.93)	(1,869,877.42)	(1,440,693.33)	(4,182,037.73)	(709,166.55)	(0.00)			(55,315,912.96)
Net Book Value	2,748,468.02	46,959,938.49	6,600,336.00	1,388,008.78	1,486,391.91	1,464,774.05	258,071.38	617,810.98	6,136,631.58	449,891.79	68,110,322.98
Year Ended December 31, 2013											
Opening Net Book Value	2,748,468.02	46,959,938.49	6,600,336.00	1,388,008.78	1,486,391.91	1,464,774.05	258,071.38	617,810.98	6,136,631.58	449,891.79	68,110,322.98
Additions		2,086,485.06	154,800.21	252,212.54		428,529.00	102,801.00		2,600,895.91	106,380.46	5,732,104.18
Cost of Completed Projects		311,837.86				29,555.44			(2,991,285.65)		(2,649,892.35)
Reclassification								(617,810.98)			(617,810.98)
Retired Assets											
Cost		(574,820.25)		(122,383.00)		(86,757.00)	(24,515.00)				(808,475.25)
Accumulated Dep.		340,996.22		101,206.35		75,095.06	19,921.59				537,219.22
Depreciation for the Year		(2,408,566.97)	(313,047.00)	(234,428.95)	(212,702.16)	(378,054.97)	(87,173.06)				(3,633,973.11)
Closing 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	0.00	5,746,241.84	556,272.25	66,669,494.69
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	0.00	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	0.00	5,746,241.84	556,272.25	66,669,494.69

8. OTHER ASSETS

	2013	2012
Restricted Fund	P 3,322,546.72	P 3,265,103.25

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 2,989,545.80 as of December 31, 2013 per books. However, the balance per bank reflects a balance of P 2,939,545.80 due to non-crediting of deposit of P 50,000.00 pending compliance with documentary requirements on the updating of account signatories.
2. Reserve for Expropriation to cover expropriation costs pending final court decision on the water districts expropriation cases amounting to P 333,000.92 as of December 31, 2013.

9. INTER-AGENCY PAYABLES

This consists of:

	2013	2012
Due to National Government Agencies	P 575,411.03	P 1,429,594.33
Due to other GOCCs	76,307.15	76,307.15
	P 651,718.18	P 1,505,901.48

10. OTHER LIABILITY ACCOUNTS

This consists of the following accounts:

	2013	2012
Due to Officers and Employees	P 19,596.60	P 0.00
Contractor's Security Deposit	10,392.68	10,000.00
Performance & Bidders Bond Payable		392.68
Other Payables	62,548.54	72,648.54
	P 92,537.82	P 83,041.22

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	873,052.65	4,146,768.53	412,927.35
3-397 (Reg)	4-04-1991	5,735,850.65	2,762,048.35	374,434.12	3,136,482.47	371,089.88
3-326 (Soft)	7-26-1990	8,685,723.47	2,597,714.02	707,168.92	3,304,882.94	298,659.08
4-2039 (Reg)	2-12-2003	26,740,332.26	14,593,645.26	2,078,383.00	16,672,028.26	2,191,121.00
Total		52,255,906.38	23,227,123.51	4,033,038.69	27,260,162.20	3,273,797.31

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

12. DEFERRED CREDITS

This consists of:

	2013	2012
Customer's deposit	P 449,746.22	P 520,695.89
Other deferred credits	(70,814.18)	239,866.08
	P 378,932.04	P 760,561.97

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	Cabitoohan, 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. GENERATION, TRANSMISSION AND DISTRIBUTION INCOME

The WD implemented an increase in tariff rates effective May 1, 2013 which resulted in a significant increase in operating revenues as well as net income in comparison to CY 2012.

The new tariff rates are as follows:

Classification	Min. Charge	Commodity Charges			
		11-20	21-30	31-40	41-up
Residential	146.00	15.60	18.20	21.20	24.70
Commercial	292.00	31.20	36.40	42.40	49.40

15. PERSONAL SERVICES

This account is distributed as follows:

	2013	2012
Salaries and wages-regular	P 13,938,032.81	P 12,596,350.22
Personnel Economic Relief Allowance	1,655,903.17	1,489,045.44
Life & retirement insurance contributions	1,533,897.00	1,382,041.56
Honoraria	432,915.00	764,445.00
Other personnel benefits	978,013.70	632,774.12
Provident fund contributions	895,706.63	607,616.91
Other bonuses and allowances	24,000.00	463,500.00
Year-end bonus	355,000.00	324,500.00
Representation allowance	395,125.00	302,000.00
Transportation allowance	395,125.00	302,000.00
Clothing and Uniform allowance	345,000.00	290,000.00
Philhealth contributions	147,337.50	130,287.50
Pag-ibig contributions	83,100.00	74,300.00
ECC Contributions	81,421.72	72,715.56
	P 21,260,577.53	P 19,431,576.31

16. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

	2013	2012
Depreciation	P 3,633,973.11	P 3,592,004.57
Gen., transmission & distribution exp.	3,054,434.35	3,209,702.58
Repairs and maintenance	2,462,723.87	2,556,487.90

	2013	2012
Taxes, duties and licenses	1,036,644.80	897,317.22
Fuel, oil and lubricants expenses	702,369.73	725,021.04
Extraordinary and miscellaneous exp.	93,996.00	681,252.09
Electricity	623,053.28	657,763.51
Security services	687,417.68	633,774.24
Office supplies expenses	337,265.08	372,451.78
Loss on sale of assets	270,282.93	244,318.58
Travel expenses	245,011.65	191,874.44
Telephone expenses – landline	144,011.92	142,021.59
Advertising, promotion & marketing exp.	109,685.05	138,097.00
Training and scholarship expenses	615,066.23	133,966.00
Representation expenses	251,603.68	133,280.51
Insurance premiums	98,473.19	118,438.66
Donations		23,705.00
Cultural and Athletic Activities	27,520.00	
Postage and deliveries	14,077.89	10,555.00
Membership dues & cont. to orgs.	38,804.40	14,000.00
Freight and handling	19,305.58	7,102.43
Legal services	11,350.00	2200.00
Auditing Services	8,865.00	
Indemnities and other claims	9,735.00	546.00
Other professional services	410.00	
Awards and Rewards	62,040.00	
	P 14,558,120.42	P 14,485,880.14

17. OTHER MATTERS

In compliance with Philippine Accounting Standard (PAS) No. 10, the financial statements of Carcar Water District for CY 2013 have been authorized for release thru Board Resolution No. 05, series of 2014 dated January 7, 2014.

Certified true and correct:



JOSEFA SALVACION N. MANUGAS
Division Manager C- Finance

Approved by:



ENGR. EDWARD L. REMO
General Manager