

**CARCAR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2015**

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**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.

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**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.

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**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.

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## 4. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	<b>2015</b>		<b>2014</b>	
Cash on hand	P	183,676.00	P	207,914.92
Cash in bank		14,686,888.00		15,741,446.16
Petty cash fund		-		-
	<b>P</b>	<b>14,870,565.00</b>	<b>P</b>	<b>15,949,361.08</b>

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.

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## 5. RECEIVABLES

This account is composed of the following:

	<b>2015</b>	<b>2014</b>
Accounts Receivable –Net	P 4,716,995.00	P 5,210,353.93
Due from Local Government Units	150,000.00	150,000.00
Advances to Officers and Employees		
Due from Officers and Employees	42,670.00	61,699.21
Other receivables	168,360.00	160,773.91
	<b>P 5,078,025.00</b>	<b>P 5,582,827.05</b>

The allowance for doubtful accounts is adjusted monthly using the rates as prescribed by the COA. The balance as of December 2015 amounted to 149,652.00. 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.

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## 6. INVENTORIES

This account consists of:

	<b>2015</b>	<b>2014</b>
Office supplies inventory	P 187,549.00	P 124,481.19
Chemicals and filtering supplies inventory	(99.00)	(98.79)
Spare parts/Maintenance Supplies inventory	56,695.00	50,688.78
Construction materials inventory	(182,304.00)	(182,304.33)
Other supplies inventory	4,136,823.00	2,272,959.03
	<b>P 4,198,665.00</b>	<b>P 2,265,725.88</b>

## 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
<b>Cost</b>	2,748,468.00	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	131,725,415.71
<b>Accumulated Dep.</b>		(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>	2,748,468.00	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	69,579,139.65
<b>Opening Net Book Value</b>	2,748,468.00	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	69,579,139.65
<b>Additions</b>	27,500.00	2,600,104.80		231,639.36	1,635,580.00	3,053,404.54	40,898.00	9,103,470.47		16,692,597.17
<b>Cost of Completed Projects</b>		3,487,111.88						(3,655,778.92)		(168,667.04)
<b>Paid Projects Re-classification to PYA</b>		(1,526.33)	(5,871.88)			(64,973.73)		(202,419.00)		(72,371.94)
<b>Retired/ Lost Assets</b>	-	179,780.76	-	181,717.50	-	(72,162.53)	(59,318.85)	-	-	230,016.88
<b>Cost</b>		627,257.82		182,977.50		81,757.00				891,992.32
<b>Accumulated Dep. Depreciation for the Year</b>		447,477.06		1,260.00		153,919.53	59,318.85			661,975.44
		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>	2,775,968.00	49,902,579.77	5,923,712.56	1,031,686.17	2,411,774.69	4,214,646.89	240,650.10	14,269,354.42	546,919.82	81,317,292.42
<b>Cost</b>	2,775,968.00	101,739,148.48	8,958,279.77	3,517,925.60	4,562,665.24	9,661,690.76	1,122,982.43	14,269,354.42	546,919.82	147,154,934.52
<b>Accumulated Dep.</b>	-	51,836,568.71	3,034,567.21	2,486,239.43	2,150,890.55	5,447,043.87	882,332.33			65,837,642.10
<b>Net Book Value</b>	2,775,968.00	49,902,579.77	5,923,712.56	1,031,686.17	2,411,774.69	4,214,646.89	240,650.10	14,269,354.42	546,919.82	81,317,292.42

\* Error in recording the accumulated depreciation of disposed UPIS was adjusted under JEV No. 16-01-0013.

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## 8. OTHER ASSETS

	2015	2014
Restricted Fund	P 3,342,942.63	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 3,006,584.05 as of December 31, 2015.
2. Reserve for Expropriation to cover expropriation costs pending final court decision on the water districts expropriation cases amounting to P 336,358.58 as of December 31, 2015.

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## 9. INTER-AGENCY PAYABLES

This consists of:

	2015	2014
Due to National Government Agencies	P 675,302.05	P 645,391.14
Due to other GOCCs	76,307.15	76,307.15
	<b>P 751,609.20</b>	<b>P 721,698.29</b>

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## 10. OTHER LIABILITY ACCOUNTS

This consists of the following accounts:

	2015	2014
Due to Officers and Employees	P -	P -
Contractor's Security Deposit	10,392.68	10,392.68
Performance & Bidders Bond Payable		
Other Payables	82,515.54	(138,356.62)
	<b>P 92,908.22</b>	<b>P 127,963.94</b>

## 11. LOANS PAYABLE

The loans with LWUA were re-financed by the Development Bank of the Philippines at a lower interest rate of 6% p.a. The loan contract was signed on May 29, 2015.

The LWUA Loan Portfolio consisted 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
<b>Total</b>		<b>52,255,906.38</b>	<b>23,227,123.51</b>		<b>23,227,123.51</b>	<b>2,741,213.40</b>

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

As of May 29, 2015, the LWUA Loans had the following balances:

Loan Account	Balance per SL	Adj to Principal (Int Rebate)	Principal Outstanding
3-226 RL (433-01)	2,880,859.48	98,585.60	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			<u>418,978.28</u>
<b>Total Amount for Take-out</b>			<b><u>21,367,892.31</u></b>

The terms of the DBP Loan are as follows:

<b>Facility</b>	Term Loan
<b>Amount</b>	P30,000,000.00
	*amount of DBP loan will be the outstanding LWUA loan at the time of actual release plus LWUA prepayment fee
<b>Purpose</b>	Take-out of LWUA loan
<b>Tenor</b>	Five (5) years payable monthly, commencing at the end of the first month of loan release.
<b>Interest Rate</b>	6.00% p.a. fixed exclusive of GRT

The refinancing would result to an annual savings of over Php 2.2M.

## 12. DEFERRED CREDITS

This consists of:

	<b>2015</b>	<b>2014</b>
Customer's deposit	P 702,106.98	P 302,424.52
Other deferred credits	299,079.96	(70,025.98)
	<b>P 1,001,186.94</b>	<b>P 232,398.54</b>

## 13. DONATED CAPITAL

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

<b>Account Code</b>	<b>Location</b>	<b>Donor</b>	<b>Amount</b>
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
			<b>P 29,912.00</b>

#### 14. PERSONAL SERVICES

This account is distributed as follows:

	<b>2015</b>	<b>2014</b>
Salaries and wages-regular	P 14,301,163.41	P 13,596,519.40
Personnel Economic Relief Allowance	1,720,430.07	1,605,545.45
Life & retirement insurance contributions	1,567,656.53	1,493,465.95
Honoraria	601,668.00	454,965.00
Other personnel benefits	2,971,719.21	971,761.18
Provident fund contributions	911,550.45	650,050.53
Other bonuses and allowances	1,407,857.00	24,000.00
Year-end bonus	364,125.00	338,000.00
Representation allowance	409,500.00	390,125.00
Transportation allowance	409,500.00	390,125.00
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
	<b>P 25,346,944.01</b>	<b>P 20,553,684.23</b>



## 15. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

	<b>2015</b>		<b>2014</b>	
Depreciation	P	4,280,969.54	P	3,741,762.09
Gen., transmission & distribution exp.		5,269,275.91		4,151,483.88
Repairs and maintenance		2,922,248.26		3,197,342.79
		<b>2015</b>		<b>2014</b>
Taxes, duties and licenses		1,271,077.00		1,102,733.45
Fuel, oil and lubricants expenses		666,904.25		693,418.46
Extraordinary and miscellaneous exp.		98,400.00		90,200.00
Electricity		463,577.68		622,214.53
Security services		696,980.00		695,760.00
Office supplies expenses		201,151.69		356,067.39
Loss on sale of assets		-		-
Travel expenses		177,687.46		334,732.64
Telephone expenses – landline		203,015.38		185,460.75
Advertising, promotion & marketing exp.		408,783.56		356,415.54
Training and scholarship expenses		305,689.24		373,193.06
Representation expenses		433,675.52		258,034.48
Insurance premiums		176,720.47		88,807.59
Donations		17,000.00		12,000.00
Cultural and Athletic Activities		74,517.75		56,801.20
Postage and deliveries		18,783.60		15,819.30
Membership dues & cont. to orgs.		18,724.80		29,412.00
Freight and handling		4,025.35		3,163.70
Legal services		316.00		5,850.00
Auditing Services		12,049.50		154,958.10
Indemnities and other claims		27,647.00		7,666.00
Other professional services		1,000.00		1,000.00
Awards and Rewards		89,530.00		60,306.00
Doubtful Accounts Expense		6,224.75		-
Other MOOE		309,322.95		257,228.70
		<b>P 16,851,831.65</b>		<b>P 16,851,831.65</b>

## **16. OTHER MATTERS**

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

Certified true and correct:

Approved by:

JOSEFA SALVACION N. MANUGAS  
Department Manager B

ENGR. EDWARD L. REMO  
General Manager