

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

1. GENERAL INFORMATION

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. On March 29, 2012, pursuant to the Revised Local Water District (LWD) Manual on Categorization, Re-Categorization and Other Related Matters, LWUA has categorizaed Carcar Water District as Category "C."

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 financial statements of the Carcar Water District were approved and authorized for release thru Board Resolution No. 03, series of 2015, dated February 4, 2015.

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

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 peso, which is the District's functional and presentation currency. CWD is using the CPS/NGAS Modified Chart of Accounts for Water Districts.

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. 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. 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 collectibility.

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/Expense 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. 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.

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	0.00	1,221.76
	P 15,949,361.08	P 7,993,655.54

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

5. RECEIVABLES

This account consists of:

	2014	2013
Accounts Receivable	P 5,356,474.92	P 4,874,907.80
Less: Allowance for Doubtful Accounts	146,120.99	1,558,449.13
Accounts Receivable – Net	5,210,353.93	3,316,458.67
Due from Local Government Units	150,000.00	150,000.00
Due from Officers and Employees	61,699.21	70,962.94
Other Receivables (Net of the Sun Fixed Load Plan)	158,023.91	159,573.91
	P 5,580,077.05	P 3,696,995.52

6. INVENTORIES

This account represents the following:

	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 (P&S)	Buildings & Other Structures	Office Equipment	Land Transport Equipment	Other Machinery & Equipment	Furniture and Fixtures	CP Plant	CP Bldgs & Other Structure	Total
At December 31, 2013										
Cost	2,748,468.02	93,811,873.16	8,840,842.14	3,387,715.74	2,927,085.24	6,018,134.22	1,045,523.98	5,746,241.84	556,272.25	P 125,082,161.54
Accumulated Dep.		(47,096,002.75)	(2,398,752.93)	(2,008,100.02)	(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	P 66,669,494.69
Year Ended December 31, 2013										
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)	0.00
Partial Projects Adjustments								(72,048.55)		(72,048.55)
Redclassification								(1,947,174.15)	(7,188.80)	(1,954,362.95)
Retired 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	546,920.62	P 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	6,699,045.22	1,082,084.43	9,024,081.87	546,920.62	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)			(62,146,266.06)
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	546,920.62	P 69,579,140.47

8. OTHER ASSETS

	2014	2013
Restricted Fund	P 3,330,176.33	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 which is in compliance with the loan contract provision has a balance of P2,995,498.31 as of December 31, 2014.
2. Reserve for Expropriation to cover expropriation costs pending final court decision on the water districts expropriation cases amounted to P334,678.02 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 0.00	P 19,596.60
Contractor's Security Deposit	10,392.68	10,392.68
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
3-226 (Reg)	4-21-1988	P11,094,000.00	3,273,715.88	---	3,273,715.88
3-397 (Reg)	4-04-1991	5,735,850.65	2,762,048.35	---	2,762,048.35
3-326 (Soft)	7-26-1990	8,685,723.47	2,597,714.02	---	2,597,714.02
4-2039 (Reg)	2-12-2003	26,740,332.26	14,593,645.26	---	14,593,645.26
Total		P52,255,906.38	23,227,123.51	---	23,227,123.51

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% 25.217 M - 14.00%	November 2004

As of December 31, 2014, the Water District did not take up the current portion of its loans payable pending the re-financing of these loans by the Development Bank of the Philippines which is now in its final documentation phase.

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
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
Honoraria (BOD)	454,965.00	432,915.00
	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
Generation, Transmission & Distribution Expenses	4,151,483.88	3,054,434.35
Repairs and Maintenance	3,197,646.31	2,462,723.87
Taxes, Duties and Licenses	1,102,733.45	1,036,644.80
Security Services	695,760.00	687,417.68
Fuel, Oil and Lubricants Expenses	693,418.46	702,369.73
Electricity	622,214.53	623,053.28
Training and Scholarship Expenses	373,193.06	615,066.23
Advertising, Promotion & Marketing Exp.	356,415.54	109,685.05
Office Supplies Expenses	356,067.39	337,265.08
Travel Expenses	334,732.64	245,011.65
Representation Expenses	258,034.48	251,603.68
Telephone Expenses	185,460.75	144,011.92
Auditing Services	154,958.10	8,865.00
Extraordinary and Miscellaneous Expenses	90,200.00	93,996.00
Insurance Premiums	88,807.59	98,473.19
Awards and Rewards	60,306.00	62,040.00
Cultural and Athletic Activities	56,801.20	27,520.00
Membership Dues & Cont. to Organization	29,412.00	38,804.40
Postage and Deliveries	15,819.30	14,077.89
Donations	12,000.00	0.00
Doubtful Accounts Expense	10,126.99	0.00
Indemnities and Other Claims	7,666.00	9,735.00
Legal Services	5,850.00	11,350.00
Freight and Handling	3,163.70	19,305.58
Other Professional Services	1,000.00	410.00
Loss on Sale of Assets	0.00	270,282.93
Other Maintenance and Operating Exp.	257,228.70	0.00
	P 16,862,262.16	P 14,558,120.42