

Notes to Financial Statements
December 31, 2014

1. Accounting System:

- a) The Water District uses the New Government Accounting System (NGAS) in recording the financial transactions and preparation of financial reports. The chart of accounts are those specified in the NGAS manual.
- b) Recognition of Income and Expenses
The water District adopts the accrual method of accounting, wherein revenues are recorded in the period in which services is given.
Expenses are recorded in the period in which the benefits are received although payments are made in subsequent period.

2. Cash on Hand

This account includes undeposited collections and the petty cash fund authorized for payment petty expenses.

	2014	2013
Cash Collecting Officer	P 36,075.21	P 42,901.28
Petty Cash Fund	1,574.95	1,859.50
Total	P 37,650.16	P 44,760.78

3. Cash in Bank - LC

This account are funds available for general expenditure to meet the current obligations of the district. This consists of deposits in the following account.

	2014	2013
Cash in Bank-LCCA		
PNB-350888200037	P 108,014.05	P 79,221.97
LBP-0782-1040-71	40,044.89	11,811.59
POSTAL-0021-003075-231	41,491.91	32,725.78
	P 189,550.85	P 123,759.34
 Cash in Bank-LCSA		
Rural Bank of G.- 0301223	P 199,118.27	P 24,929.89
PNB-350888200029	49,598.99	46,550.24
LBP-07811140-90	80,217.25	22,214.58
	P 308,932.51	P 93,694.69
 Cash in Bank-LCTD		
PNB-350-8882400000014	P 102,179.89	P 101,858.58
DBP-0645 03733D 160	24,235.58	
	P 126,415.45	P 101,858.58

4. Receivables

- a) The account receivables are composed of receivables for unpaid water bills and loaned-out materials of customers. This account is composed of the following :

	2014	2013
Account Receivables	P 6,690,240.04	P 6,449,079.71
Allowance for doubtful accts.	(136,298.20)	(122,348.37)
Net Receivables	P 6,553,941.84	P 6,326,731.34

The Allowance for Doubtful Accounts is the provision for probable loss on account receivables. Yearly the districts provides :

1 day - 180 days	0%
181 days - 1 year	1%
1 year- 2 years	2%
2 years - 3 years	3%
3 years - 4 years	4%
More than 4 years	5%

c) Due from GOCC's are receivables from other WDs.

	<u>2014</u>	<u>2013</u>
Casiguran WD	P 58,981.93	P 58,981.93
Matnog WD	1,931.01	1,931.01
Paracale WD	1,725.00	1,725.00
Pilar WD	5,799.90	5,799.90
Sorsogon WD	2,160.43	2,160.43
Barcelona WD	-	4,560.00
Total	<u>P 70,598.27</u>	<u>P 75,158.27</u>

d) Receivables-Disallowances/Charges -Pertains to extraordinary Miscellaneous Expenses (EME) for CYs2005-2008 per COA decision no.2012-c-010 dated July 11,2012.

	<u>2014</u>	<u>2013</u>
Disallowances ,Beginning	P 811,969.21	P 903,938.94
Partial settlements	(142,730.38)	(91,969.73)
Balance (Dec.31 ,2014)	<u>669,238.85</u>	<u>811,969.21</u>

e) Other Receivables Are unliquidated receivables pertains to employees. Others are accounts due from the contractors.

	<u>2014</u>	<u>2013</u>
Jesus Dino	P 67,870.03	P 67,870.03
Romeo Fulo	1,402.44	1,402.44
Rolly Gacias	700.00	700.00
Jose Pura	1,271.85	1,271.85
Quinico Espaldon	7,548.00	7,548.00
Charito Estropia	200.00	200.00
Rolly Fombuena	200.00	200.00
Ruben Rocha	200.00	200.00
Noel Espena	6,690.00	6,690.00
	<u>86,082.12</u>	<u>86,082.12</u>
Jofel Construction	58,403.44	58,403.44
Artman Construction	1,005.54	1,005.54
Artemio Huet	4,250.00	4,250.00
	<u>61,758.98</u>	<u>61,758.98</u>
Total	<u>P 147,841.10</u>	<u>P 147,841.10</u>

5. INVENTORIES

These are supplies and materials used by the district in its operation which are unissued as of balance sheet date. The cost are computed based on Moving Average Method .

	<u>2014</u>	<u>2013</u>
Office supplies inventory	P 11,088.37	P 16,513.48
Accountable Forms inventory	48,091.59	78,326.75
Medical,Dental & Laboratory Inventory	7,111.00	12,088.70
Spareparts inventory	1,400.00	1,400.00
Construction materials inventory	1,258,187.49	1,809,228.45
Total	<u>P 1,323,878.45</u>	<u>P 1,717,557.38</u>

6. Prepayments

This represents the unamortized portion of insurance of service vehicles , bonds of accountable officers and property tax for CY 2015.

	<u>2014</u>	<u>2013</u>
Insurance of Service Vehicles	P 5,257.83	P 6,318.91
Bonds	3,548.84	3,548.84
Property Tax	9,535.20	9,535.20
Total	<u>P 18,339.87</u>	<u>P 19,409.95</u>

7. Sinking Fund

	<u>2014</u>	<u>2013</u>
	P 414,925.86	P 410,090.74

This include cash deposit in a joint account with LWUA for specific long-term purpose. It includes among others,a debt service reserve to loan repayment,operation and maintenance reserve for repair of damaged facilities due to natural calamities and other fortitous events and capital reserve for expansion of water district facilities.

The reserve provided by the district is equivalent to 10% of gross billing,some of the amount were used in the expansion of projects of the district .The fund is deposited with LBP account # 0781-0387-50.

8. Property, Plant and Equipment

Pertains to property of relatively permanent in character that are used in normal utility operation of the Water District with expected useful life of more than one year.

These fixed assets are depreciated using the straight-line method of computation based on the estimated useful life of the asset with the provision of 10% residual value per COA circular no. 2003-007 dated Dec. 11, 2003. The account is composed of the following:

	Acquisition Cost	Accumulated Dep.	Net Book Value
Land	P 1,362,782.84		P 1,362,782.84
Land Improvement	184,306.99	(100,331.56)	83,975.43
Irrigation and Water System & Structures	53,009,276.13	(17,167,845.29)	35,841,430.84
Office Bldg.	857,358.05	(308,650.89)	548,707.16
Other Structures	2,237,715.61	(1,353,719.16)	883,996.45
Office Equipment	590,106.02	(430,221.99)	159,884.03
Furniture & Fixtures	123,120.83	(108,451.43)	14,669.40
IT Equipment	1,008,597.46	(730,159.77)	278,437.69
Machinery	6,254,317.13	(3,716,302.91)	2,538,014.22
Communication Equipment	98,850.00	(87,495.00)	11,355.00
Other Machineries and Equipment	904,338.36	(567,512.03)	336,826.33
Motor Vehicles	684,411.79	(815,327.93)	89,083.86
Other Transportation Equipment	484,462.00	(386,851.50)	97,610.50
Other Property, Plant & Equipment	360,876.78	(267,060.09)	93,816.69
Total	P 68,180,519.99	(25,839,729.55)	P 42,320,790.44

9. Construction In Progress

These are the Water District on going projects:

	2014	2013
Bngy. Tagaytay Water System	P 15,189.95	P 15,189.95
Bngy. Sta Ana Water System	31,701.80	31,701.80
Bngy. San Ignacio Water System	9,255.00	9,255.00
Renovation of Kadaop pump House	-	131,898.00
Bngy. Ariman-Well	35,995.00	25,000.00
Total	P 92,141.75	P 213,044.75

10. Other Assets: P 15,500.47

These are the assets of the district which are classified as non-serviceable assets.

	2014	2013
Olympia Typewriter	1 P 1,853.80	P 1,853.80
UPS (Giant)	1 960.00	960.00
Epson Printer (FX2180)	1 2,541.80	2,541.80
Adjustable Wrench (set)	1 8,184.57	8,184.57
Hydrochlorinator	1 2,160.50	2,160.50
Total	P 15,500.47	P 15,500.47

11. Current Liabilities

These are the obligation of the Water District which have already mature or will become due with in the year from Balance sheet date.

a) Payable Accounts

Accounts Payable	2014	2013
Moldex Products	P -	P 26,540.60
MGF Marketing	39,216.00	39,216.00
Makati Foundry	33,270.10	33,270.10
Fortune Trading	419.00	419.00
MIG Systems	458,325.00	633,510.00
Digital Telecommunication Philippines Inc.	-	1,226.87
SORECO II Electric Coop.	-	67,319.51
Villarroya-Pura Gas Station	154,491.51	163,327.28
Gubat Lucky Marketing	10,250.00	8,260.00
Goal Team	110,821.50	387,875.00
Office of the Government Corporate Counsel	9,000.00	18,000.00
Water World	47,568.00	47,568.00
RDS Tech Software Dev't. & Trading Services	60,000.00	-
Local Water Utilities Admin. (LWUA) Current Portion	-	122,034.18
Rizal Beach Resort Canteen & Lodging House	-	3,775.00
Total	P 923,359.11	P 1,552,339.54

Accounts payable pertains to obligation to suppliers not yet paid as of Balance Sheet date. It also includes the current portion of long-term debts on LWUA loans.

- c) Interest payable pertains to the unpaid interest on LWUA loans not yet paid as of balance sheet date with 1% penalty per month.

Acct. No.	Type		2014		2013
3-432	Regular	P	-	P	217,904.33
3-432S	Soft		-		49,919.49
	Total	P	-	P	267,823.82

- c) Inter-Agency Payable are the obligation of the district to BIR/GSIS/HDMF/PhilHealth, Other Water Districts and Financing institutions as of Balance Sheet Date and will be remitted on the 10th day of the following month.

	Date Remitted	OR NO.		2014		2013
BIR	1/12/2015	BIR Form No.2524	P	143,886.49	P	102,393.31
GSIS	1/9/2015	900009913/5940002848		213,083.04		192,947.98
HDMF	1/9/2015	3986188-3986191		63,602.45		59,817.00
PhilHealth	1/9/2015	55957548		10,250.00		10,875.00
Due to other GOCCs						
LBP	1/5/2015	0027049		63,215.95		40,268.32
PPSB	1/5/2015	008068		34,460.29		37,695.54
Casiguran WD				6,230.00		6,230.00
Daraga WD				1,800.00		1,800.00
	Total		P	536,528.22	P	452,117.15

12. Other Current Liabilities

- a) Guarantee Deposits P 1,259,228.54 this pertains to the deposit made by costumers before the extension of service connection as a security for the payment of subsequent bills.

	2014	2013
Guarantee Deposits	1,259,228.54	1,259,228.54

- b) Other Payables P 43,986.70, this pertains to the salary loan granted by private banks to the employees of the district.

		2014		2013
Postal Bank	P	19,718.88	P	-
Sorsogon Provincial Coop.Bank		24,267.82		20,219.26
Total	P	43,986.70	P	20,219.26

13. Loans Payable-Domestic

This pertains to the loan contract to finance long-term projects of Water District granted by LWUA under the following categories.

Acct. No.	Type		2014		2013
3-432	Regular	P	20,588,964.15	P	21,795,807.64
3-432S	Soft		5,457,597.41		5,809,573.33
	Total	P	26,046,561.56	P	27,605,380.97

- a) The regular loan has a principal of 30,000,000.00 payable in 26 years with monthly amortization of 312,187.00 from January,1998 to December,2023. Interest rate is computed as follows.

8.50% -	2,000,000.00
10.50% -	5,000,000.00
12.50% -	23,000,000.00

- b) The soft loan has a principal of 7,915,000.00 payable in 20 years with monthly amortization of 77,871.00 from January,2004 to December,2023. Interest rate is computed as follows.

8.50% -	2,000,000.00
10.50% -	5,000,000.00
12.50% -	915,000.00

14. Other Deferred Credits -P 71,708.53

Advance payment by costumers on service fees and materials to be used for service connections.
Deposit for COLA of the retired employee is also included in this account.

	2014	2013
P	71,708.53	10,497.28

15. Government Equity

Pertains to the difference between the utility's assets and liabilities at the time the Water District assumed control over the operations of the utility.

	2014	2013
	P4,811.80	P4,811.80

16. Retained Earnings

The account pertains to accumulated earnings from the start of the Districts operation to present.

	2014	2013
Retained Earnings Beginning	22,190,520.72	19,859,508.09
Prior Year Adjustment-Net	(248,086.58)	885,172.01
Adjusted Retained Earnings	21,942,434.14	20,544,678.10
Add: Net Income (Loss)	1,461,327.07	1,845,842.82
Retained Earnings End	23,403,781.21	22,190,520.72

17. Gross Income

This account includes gross revenues derived from the utility operation detailed as follows.

	2014	2013
Income from water works system	18,915,575.44	18,716,309.11
Other Business Income	855,856.88	898,981.77
Fines and penalties-Business Income	891,831.54	860,160.05
Interest Income	8,580.10	9,557.42
Total	20,871,823.96	20,484,988.35

Income from water works system includes all billings from water deliveries to residential,commercial and public customers where the total charge is based on the amount of water delivered or consumed as measured through water meters.

Other Business Income includes revenues from miscellaneous services rendered to customers such as fees like inspection, excavation, tapping, installation,restoration and other special services rendered to customers as well as income from sale of materials.

Fines and penalties includes surcharges from late payment imposed by the office equivalent to 10% of the unpaid billing.

Interest Income pertains to interest earned from bank deposits of the Water District .

18. Expenses**a) Personal Services**

Includes salaries and allowances of all employees ,office share in the contribution to GSIS,PhilHealth and Pag-ibig Fund ,benefits received by employees like cash gift given in December, bonuses, productivity incentive and others.

	2014	2013
Salaries and Wages	5,842,825.50	5,723,963.00
Other Compensation	2,258,436.00	2,068,530.00
Personnel Benefits Contribution	773,356.26	782,039.58
Other Personnel Benefits	258,237.58	79,585.91
Total	9,130,855.34	8,652,118.47

b) Maintenance & Other Operating Expenses

Includes payments of necessary expenditures in the operation of the system.

	2014	2013
Traveling Expenses	69,998.40	90,868.00
Training Expenses	1,800.00	-
Supplies and Materials Expenses	958,804.97	868,818.30
Utility Expenses	2,638,965.28	2,900,862.77
Communication Expenses	11,868.70	27,116.88
Membership Dues	27,752.00	500.00
Printing and Binding Expenses	58,377.50	6,024.25
Representation Expenses	24,154.45	39,963.56
Transportation and Delivery	12,797.73	5,930.00
Legal and Other Professional Services	38,000.00	-
Board Members Allowance	419,850.00	392,550.00
Repairs and Maintenance	380,259.19	283,407.90
Extraordinary and Miscellaneous Expenses	4,000.00	-
Taxes ,Insurance Premiums & Other Fees	464,464.08	470,318.13
Other Maintenance and Operating Expenses	-	1,574.00
Total	5,108,892.28	4,887,333.79

c) Non-Cash Expenses

Bad Debts expense pertains to the amount estimated to be uncollectible. It is computed based on the age of receivables:

<u>Age of Receivable</u>	<u>Percentage</u>
1 day to 180 days	0%
181 days to 1 year	1%
1 year to 2 years	2%
2 years to 3 years	3%
3 years to 4 years	4%
4 years and above	5%

Depreciation Expense is the expense portion of the assets used in the districts operation. The amount is computed based on COA circular no. 2003-007 dated Dec.11,2003 subject to the revised useful life in computing depreciation of government property,plant and equipment.

The formula is Total acquisition of the asset less 10% residual value,divided by the estimated life.

	<u>2014</u>	<u>2013</u>
Bad Debts	136,298.20	122,348.37
Depreciation-Land Improvements	8,293.80	8,293.80
Depreciation-Irrigation & water system and Structures	1,065,781.48	1,121,432.59
Depreciation-Office Buildings	28,211.52	27,579.44
Depreciation-Other Structures	78,705.80	69,894.27
Depreciation-Office Equipment	43,278.36	43,899.40
Depreciation-Furniture & Fixtures	1,993.68	4,218.13
Depreciation-IT Equipment	37,254.97	25,539.30
Depreciation-Machinery	371,842.04	441,711.55
Depreciation-Communication Equipment	630.00	3,234.00
Depreciation-Other Machinery & Equipment	26,189.83	23,641.13
Depreciation-Motor Vehicles	7,714.32	7,714.32
Depreciation-Other Transportation Equipment	17,794.80	17,935.50
Depreciation-Other Property, Plant & Equipment	17,388.36	17,789.00
Total	1,841,376.94	1,935,230.80

19. Financial Expenses

Interest Expense represent interest on long-term debts with LWUA, based on the amortization schedule.

	<u>Regular Loan</u>	<u>Soft Loan</u>	<u>2014</u>	<u>2013</u>
Jan.	216,972.04	49,684.03	P 266,656.07	P 266,656.07
Feb.	216,030.42	49,446.54	265,476.96	265,476.96
Mar.	215,079.40	49,207.01	264,286.41	264,286.41
Apr.	214,118.87	48,965.43	263,084.30	263,084.30
May	213,148.75	48,721.78	261,870.51	261,870.51
Jun.	212,168.93	48,475.99	260,644.92	260,644.92
Jul.	211,179.32	48,228.12	259,407.44	259,407.44
Aug.	210,179.82	47,978.12	258,157.94	258,157.94
Sept.	209,170.33	47,725.95	256,896.28	256,896.28
Oct.	208,150.75	47,471.63	255,622.38	255,622.38
Nov.	207,120.97	47,215.11	254,336.08	254,336.08
Dec.	206,080.91	46,956.39	253,037.30	253,037.30
		Total	P 3,119,476.59	P 3,119,476.59
	Add:Other Financial Charges		9,895.74	76,636.73
	TOTAL		P 3,129,372.33	P 3,196,113.32

Other financial charges represent the amount charged by LWUA for the suspension of debt service payment. The penalty charge is 1% per month.

Certified Correct:

ORIGINAL SIGNED
Josephine A. Mejorada
GSO-A

Approved by:

ORIGINAL SIGNED
Salvador F. Villaverde Jr.
General Manager