

Notes to Financial Statements
December 31, 2015

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.

		<u>2015</u>		<u>2014</u>
Cash Collecting Officer	P	90,354.75	P	36,075.21
Petty Cash Fund		709.45		1,574.95
Total	P	<u>91,064.20</u>	P	<u>37,650.16</u>

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.

		<u>2015</u>		<u>2014</u>
Cash in Bank-LCCA				
PNB-350888200037	P	(14,430.96)	P	108,014.05
LBP-0782-1040-71		105,973.84		40,044.89
POSTAL-0021-003075-231		143,544.80		41,491.91
DBP-0645-03733D-081		247,521.80		-
	P	<u>482,809.28</u>	P	<u>189,550.85</u>
 Cash in Bank-LCSA				
Rural Bank of G.- 0301223	P	32,041.88	P	199,116.27
PNB-350888200029		149,092.95		49,598.99
LBP-07811140-90		325,821.98		60,217.25
DBP-5-16759-645-7		236,487.78		-
	P	<u>743,424.35</u>	P	<u>308,932.51</u>
 Cash in Bank-LCTD				
PNB-350-8882400000014	P	102,474.90	P	102,179.89
DBP-0645 03733D 160		249,827.43		24,235.58
	P	<u>352,302.33</u>	P	<u>126,415.45</u>

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 :

		<u>2015</u>		<u>2014</u>
Account Receivables	P	5,597,043.05	P	6,890,240.04
Allowance for doubtful accts.		(145,382.80)		(138,298.20)
Net Receivables	P	<u>5,451,660.25</u>	P	<u>6,553,941.84</u>

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.

		2015		2014
Casiguran WD	P	58,981.93	P	58,981.93
Mainog 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		-		-
Total	P	<u>70,598.27</u>	P	<u>70,598.27</u>

d) Receivables-Disallowance/Charges -Pertains to extraordinary Miscellaneous Expenses (EME) for CY2005-2008 per COA decision no.2012-c-010 dated July 11,2012.

		2015		2014
Disallowances Beginning	P	669,238.85	P	811,969.21
Partial settlements		(196,992.52)		(142,730.36)
Balance (Dec.31,2015)		<u>472,246.33</u>		<u>669,238.85</u>

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

		2015		2014
Jesus Dingo	P	10,897.61	P	67,870.03
Romeo Fulo		1,402.44		1,402.44
Rolly Gacias		700.00		700.00
Jose Pura		1,271.65		1,271.65
Quirico 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>29,109.70</u>		<u>86,082.12</u>
Jofel Construction		56,403.44		56,403.44
Artman Construction		1,005.54		1,005.54
Artemio Huet		4,350.00		4,350.00
		<u>61,758.98</u>		<u>61,758.98</u>
Total	P	<u>90,868.68</u>	P	<u>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 .

		2015		2014
Office supplies inventory	P	21,824.22	P	11,088.37
Accountable Forms inventory		22,803.84		46,091.59
Medical,Dental & Laboratory Inventory		4,977.70		7,111.00
Gasoline, Oil and Lubricants Inventory		11,957.70		-
Spareparts inventory		1,400.00		1,400.00
Construction materials inventory		1,427,712.99		1,258,187.49
Total	P	<u>1,490,476.45</u>	P	<u>1,323,878.45</u>

6. Prepayments

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

		2015		2014
Insurance of Service Vehicles	P	3,624.87	P	5,257.63
Bonds		3,531.25		3,546.84
Property Tax		10,336.64		9,535.20
Total	P	<u>17,492.76</u>	P	<u>18,339.67</u>

7. Sinking Fund

		2015		2014
	P	<u>560,909.91</u>	P	<u>414,925.66</u>

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:

	<u>Acquisition Cost</u>	<u>Accumulated Dep.</u>	<u>Net B</u>
Land	P 1,362,782.84		P
Land Improvement	184,306.99	(108,625.36)	
Irrigation and Water System & Structures	55,821,836.40	(19,182,519.86)	
Office Bldg.	995,796.05	(337,554.81)	
Other Structures	2,263,228.61	(1,435,151.10)	
Office Equipment	622,305.02	(471,622.46)	
Furniture & Fixtures	132,840.83	(110,828.71)	
IT Equipment	1,097,833.48	(788,379.40)	
Machinery	4,488,232.87	(3,081,895.18)	
Communication Equipment	102,856.80	(88,826.28)	
Other Machineries and Equipment	998,118.36	(603,811.35)	
Motor Vehicles	721,061.79	(621,350.72)	
Other Transportation Equipment	579,046.00	(410,074.98)	
Other Property, Plant & Equipment	396,424.78	(282,872.23)	
Total	P <u>69,766,670.80</u>	<u>(27,523,112.20)</u>	P <u> </u>

9. Construction In Progress

These are the Water District on going projects:

	<u>2015</u>	<u>2014</u>
Brgy. Tagaytay Water System	P -	P 15,189.95
Brgy. Sta Ana Water System	-	31,701.80
Brgy. San Ignacio Water System	36,585.00	9,255.00
Brgy. Ariman-Well	-	35,995.00
Total	P <u>36,585.00</u>	P <u>92,141.75</u>

10. Other Assets: P 15,500.47

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

	<u>2015</u>	<u>2014</u>
Olympia Typewriter	P 1,853.80	P 1,853.80
UPS (Giant)	960.00	960.00
Epson Printer (FX2180)	2,541.80	2,541.80
Adjustable Wrench (set)	8,184.57	8,184.57
Hydrochlorinator	2,160.50	2,160.50
Total	P <u>15,500.47</u>	P <u>15,500.47</u>

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

<u>Accounts Payable</u>	<u>2015</u>	<u>2014</u>
Moldex Products	P 60,783.54	P -
MGF Marketing	39,216.00	39,216.00
Makati Foundry	33,270.10	33,270.10
Fortune Trading	419.00	419.00
MIG Systems	522,075.00	458,325.00
SORECO II Electric Coop.	101,140.98	-
Villarroya-Pura Gas Station	196,877.03	154,491.51
Gubat Lucky Marketing	-	10,250.00
Goal Team	-	110,821.50
Office of the Government Corporate Counsel	36,000.00	9,000.00

Water World	47,588.00	47,588.00
RD&Tech Software Dev't. & Trading Services	-	60,000.00
Sosogon Print Plus	58,500.00	-
JRB Calibration Center	2,100.00	-
Mango Grill	2,552.00	-
Total	P <u>1,100,499.65</u>	P <u>923,359.11</u>

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

- b) 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.	2015	2014
BIR	1/5-7/2016	236712578083035000007681610	P 95,121.77	P 143,888.49
GSIS	1/8/2016	900013887	184,450.98	213,083.04
HDMF	1/8/2016	5000894-5000898	53,054.36	63,802.45
PhilHealth	1/8/2016	307657354	9,925.00	10,250.00
Due to other GOCCs				
LBP			-	63,215.95
PPSB			-	34,480.29
Casiguran WD			6,230.00	6,230.00
Deraga WD			1,800.00	1,800.00
Total			P <u>350,582.09</u>	P <u>536,528.22</u>

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.

Guarantee Deposits	2015	2014
	<u>1,259,228.54</u>	<u>1,259,228.54</u>

- b) Other Payables P 94,876.59 this pertains to the salary loan granted by private banks to the employees of the district.

	2015	2014
LBP	P 64,382.89	P -
Postal Bank	18,113.85	19,718.88
Network Consolidated Cooperative Bank	12,379.85	24,267.82
Total	P <u>94,876.59</u>	P <u>43,986.70</u>

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	2015	2014
3-432	Regular	P 18,975,336.15	P 20,588,964.15
3-432S	Soft	5,029,868.41	5,457,597.41
	Total	P <u>24,005,204.56</u>	P <u>26,046,561.56</u>

- 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

- c) Effective January 1, 2015, LWUA's interest rate repiced to 8.2% per annum per Memorandum Circular No. 003-15.

New Monthly Amortization	
Regular Loan	270,181.00
Soft Loan	71,818.00
Total	<u>341,799.00</u>

14. Other Deferred Credits -P 150,505.89

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.

	2015	2014
	P <u>150,505.89</u>	P <u>71,708.53</u>

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.

<u>2015</u>	<u>2014</u>
P4,811.80	P4,811.80

16. Retained Earnings

The account pertains to accumulated earnings from the start of the District's operation to present.

	<u>2015</u>	<u>2014</u>
Retained Earnings Beginning	23,403,781.21	22,190,520.72
Prior Year Adjustment-Net	(127,070.48)	(248,086.58)
Adjusted Retained Earnings	23,276,890.73	21,942,434.14
Add: Net Income (Loss)	1,877,097.05	1,481,327.07
Retained Earnings End	<u>25,153,787.78</u>	<u>23,403,781.21</u>

17. Gross Income

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

	<u>2015</u>	<u>2014</u>
Income from water works system	18,998,486.50	18,915,575.44
Other Business Income	945,456.03	855,856.88
Fines and penalties-Business Income	709,334.85	891,831.54
Interest Income	11,239.76	8,560.10
Total	<u>20,664,517.14</u>	<u>20,671,823.96</u>

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 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, Phil-Health and Pag-ibig Fund, benefits received by employees like cash gift given in December, bonuses, productivity incentive and others.

	<u>2015</u>	<u>2014</u>
Salaries and Wages	5,703,083.50	5,842,825.50
Other Compensation	2,314,097.00	2,256,436.00
Personnel Benefits Contribution	731,369.84	773,356.28
Other Personnel Benefits	485,883.51	258,237.58
Total	<u>9,234,433.85</u>	<u>9,130,855.34</u>

b) Maintenance & Other Operating Expenses

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

	<u>2015</u>	<u>2014</u>
Traveling Expenses	78,396.00	69,998.40
Training Expenses	1,200.00	1,800.00
Supplies and Materials Expenses	625,094.35	958,804.97
Utility Expenses	3,500,894.37	2,838,965.28
Communication Expenses	15,783.00	11,888.70
Membership Dues	15,202.00	27,752.00
Printing and Binding Expenses	61,680.50	58,377.50
Rent Expenses	120,000.00	-
Representation Expenses	16,398.95	24,154.45
Transportation and Delivery	8,775.00	12,797.73
Legal and Other Professional Services	36,000.00	36,000.00
Board Members Allowance	400,800.00	419,850.00
Repairs and Maintenance	299,428.39	380,259.19
Extraordinary and Miscellaneous Expenses	5,000.00	4,000.00
Taxes, Insurance Premiums & Other Fees	479,579.23	464,484.06
Other Maintenance and Operating Expenses	-	-
Total	<u>5,863,989.79</u>	<u>5,108,892.28</u>

c) Non-Cash Expenses

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

Age of Receivable	Percentage
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.

	2015	2014
Bad Debts	145,382.80	136,298.20
Depreciation-Land Improvements	8,293.80	8,293.80
Depreciation-Irrigation & water system and Structures	1,134,443.75	1,085,781.48
Depreciation-Office Buildings	28,903.72	28,211.52
Depreciation-Other Structures	81,431.94	78,705.60
Depreciation-Office Equipment	41,400.47	43,278.36
Depreciation-Furniture & Fixtures	2,177.28	1,993.68
Depreciation-IT Equipment	58,219.63	37,254.97
Depreciation-Machinery	245,823.07	371,842.04
Depreciation-Communication Equipment	1,331.28	630.00
Depreciation-Other Machinery & Equipment	36,299.32	26,189.83
Depreciation-Motor Vehicles	6,022.79	7,714.32
Depreciation-Other Transportation Equipment	23,223.48	17,794.80
Depreciation-Other Property, Plant & Equipment	15,812.14	17,388.36
Total	1,828,785.45	1,841,378.94

19. Financial Expenses

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

	Regular Loan	Soft Loan		2015		2014
Jan.	140,891.00	37,294.00	P	177,985.00	P	266,856.07
Feb.	139,806.00	37,059.00		176,865.00		265,476.96
Mar.	138,916.00	36,823.00		175,739.00		264,286.41
Apr.	138,019.00	36,585.00		174,604.00		263,084.30
May	137,115.00	36,346.00		173,461.00		261,870.51
Jun.	136,206.00	36,105.00		172,311.00		260,644.92
Jul.	135,291.00	35,862.00		171,153.00		259,407.44
Aug.	134,369.00	35,618.00		169,987.00		258,157.94
Sept.	133,441.00	35,372.00		168,813.00		256,896.28
Oct.	132,506.00	35,124.00		167,630.00		255,622.38
Nov.	131,568.00	34,875.00		166,441.00		254,336.08
Dec.	130,618.00	34,624.00		165,242.00		253,037.30
		Total	P	2,060,231.00	P	3,119,476.59
	Add:Other Financial Charges			-		9,895.74
		TOTAL	P	2,060,231.00	P	3,129,372.33

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. Villanueva Jr.
General Manager