

NOTES TO FINANCIAL STATEMENT
December 31, 2014

I. GENERAL

Dumalag Water District was created on September 14, 2009 by virtue of Municipal Council Resolution No. 28-2009 and the Local Water Utilities Administration (LWUA) issued a Conditional Certificate of Conformance (CCC) No. 712 on September 23, 2009. The Dumalag Water District started its operation on September 2010 based on the Presidential Act of 1973 creating the Local Utilities Administration (LWUA) to assist the provincial urban water system through loans, technical assistance and others.

II. BASIS OF FINANCIAL STATEMENTS AND PRESENTATION

The accounts presented in these financial statements are in conformity to the New Government Accounting System (NGAS).

III. RELATED PARTY OF INTEREST

As of December 31, 2013, the Water District is solely indebted to LWUA in so far as its Long Term Loans is concerned in the amount of Php. 1,228,000.00.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Income and Expenses Recognition

Income and expenses are accounted for using the modified accrual basis of accounting where income is recognized at the time they accrue and expenses are recognized when incurred and reported at the period in which they relate. In cases where accrual basis for recording income is not practicable, the cash basis is adapted.

2. Depreciation

Depreciation expense is computed using the formula of:

$$\text{Depreciation} = \frac{\text{cost} - \text{salvage value (10\% of cost)}}{\text{Useful life of the asset}}$$

3. Cash and Cash Equivalent are composed of cash in bank and on hand.

Cash in Bank- Local Currency:

Current Account – PVB 0049-006856-001

516,633.86

Cash-Hand	66,093.58
Cash-Collecting Officer	5,000.00
Petty Cash Fund	0.00
Working Fund- Project	<u>71,093.58</u>

4. Receivables

This account is composed of the Following:

Accounts Receivable- Customer	711,673.55
Other Receivable- Materials	19,657.00
Due from officers and employees	<u>9,204.24</u>
	<u>740,534.79</u>

4.1 Accounts Receivable- Customer

This represents water sales and water meter maintenance fee from concessionaires both active and inactive accounts.

Allowance for Doubtful Accounts was not provided to date.

4.2 Other Receivable- Materials

This represents the balance receivable for the materials sold to the concessionaires.

4.3 Due from Officers and Employees

This pertains to the unliquidated cash advances of the officers and employees

Noe Vicente B. Castro	9,204.24
-----------------------	----------

5. Inventories

This account is composed of the Following:

Office Supplies Inventory	1,093.50
Other Supplies Inventory	363,480.92
Construction Work in Progress	1,797,918.02
Work in Progress- CAPEX	<u>12,000.00</u>
	<u>2,174,492.44</u>

The account is used to record the cost of water meter, new and damaged (returned) and materials purchased held temporarily in inventory.

5.2 Construction Work in Progress and Work in Progress-CAPEX

Temporary account used for the expansion project of Dumalag Water District to Brgy. Sto. Angel, Dumalag, Capiz.

5.3 Work in Progress-Capex

Temporary account used for the amount paid to LWUA for processing of loan.

6. Inter-Agency Payable

These are insurance premiums and taxes withheld on income of employees & employer due to the GSIS, Pag-IBIG, fund (HDMF), Philippine Health Insurance Corporation (PHIC) and the BIR for repayment on January 2015.

7. Loans Payable

This account consist of long-term liability with Local Water Utilities Administration (LWUA) used to finance the expansion project of the water district.

• Balance		1,228,000.00
Term	25 years	
Interest Rate	0 %	
1 st Amort. Due	Septemeber 2014	
Amount	Php. 4,093.33	

8. Guaranty Deposits Payable

This is paid by concessionaires upon applying for service connection as a security for the payments of subsequent bills.

9. Water Meter Deposits Payable

Temporary account used to record the payments received from concessionaires for water meter from October 2010 to August 2012.