

JARO WATER DISTRICT
JARO, LEYTE
NOTES TO FINANCIAL STATEMENTS

1) AGENCY PROFILE

JARO WATER DISTRICT was established on November 11, 1979 by virtue of Sangguniang Bayan Resolution No. 64, series of 1979. The Local Water Utilities Administration (LWUA) awarded a Conditional Certificate of Conformance (CCC) No. 157 on July 20, 1981 granting the District all the rights and privileges provided for under Presidential Decree No. 198.

After having experienced operational problems in 1980's, the District was rehabilitated in the early part of 1991. A soft loan amounting to P2.021M was approved by LWUA under L/A#3-365 for the purpose of: (a) reactivation of a deep well drilled sometime in 1981, which serves as the main source; (b) construction of a pump house to safeguard the well; (c) providing pumping facilities; (d) restoration of transmission and distribution lines; (e) pipeline expansion and (f) service connections.

By November 1992, the District started to operate.

At the early part of year 2000, sand pumping was observed causing a periodic breakage and maintenance of the turbine pumps. On September 21, 2000, part of the well casing collapsed, pump bogged down and eventually water supply ceases.

In February 2001, a donation from Lingap Fund amounting to P700,000.00 was released to the District through LWUA. Part of the grant was used for well rehabilitation and repair of the turbine pumps. A shallow well was constructed near the elevated reservoir but did not materialize. (The recorded cost was P577,778.50 and was booked under Other Assets.)

The Water District resumed its operation by September 2001 with an scheduled water supply to four (4) barangays in the Poblacion of Jaro.

At present, JARO WATER DISTRICT, with its new management and coupled with its new set of working Board of Directors, is on 24-hour of water supply to six (6) barangays.

JWD Office is located at Real St. Poblacion Jaro, Leyte. It has 11 employees: 6 permanent, 2 casuals and 3 JOs.

The vision of JWD is to be of service in its area of responsibility to all Salugnon at a cost that is economically viable to both the supplier and the users. Its mission is to provide potable, reliable and sustainable water supply to the concessioners at an affordable price.

2) BASIS OF FINANCIAL STATEMENTS PRESENTATION

The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amount that are based on the best estimates and informed judgment of management with an appropriate consideration of materiality.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & EVENTS

3.1 JWD uses an accrual method of accounting. Income earned is credited upon collection. Expenses incurred are recorded in the period to which they relate. Commercial Practice System (CPS) is followed as installed by LWUA. National Government Accounting System (NGAS) is partially used for auditing purposes.

3.2 Petty Cash Fund account is maintained under imprest system.

3.3 Straight Line Method of Depreciation is used in depreciating the Property, Plant and Equipment with estimated useful life ranging from two to thirty years. A residual value computed at 10% of the actual cost of asset is set and depreciation starts on the following month after its purchase.

3.4 Loan Penalty Condonation amounting to P1,625,477.27 was approved by LWUA. Loan payments from October 2009 to October 2011 were deferred, to resume by November 2011.

3.5 Construction of a ground reservoir was started on the 3rd quarter of CY 2011.

4) CORRECTION OF FUNDAMENTAL ERRORS

Fundamental errors of prior years are corrected by using the Prior Period Adjustment Account and also errors affecting current years' operation.

5) CURRENT ASSETS

5.1 Cash are collection from payment on water bills, plumbing materials, water meters, installation fees and other fees. Cash-collecting officer represents the year-end cash balance for deposits.

5.2 Cash in Bank – represents bank deposits at Land Bank of Philippines – P154,022.90 and Philippine National Bank – P167,752.33.

A reduction on Cash in Bank balances at LBP is in connection to a construction of the ground reservoir at Brgy. Kalinawan and computerization cost of the District's billing and collection system.

6) RECEIVABLES

Account Receivable is collectibles of unpaid water bills from the concessioners. Other Receivables are collectibles from concessioners with balances of plumbing materials Installed. This unpaid balances in the amount of P11, 632.35 has been due since of the previous years and could not be accounted for.

7) INVENTORIES – consists of the following:

	<u>2011</u>	<u>2010</u>
Office Supplies Inventory	44,146.80	29,875.00
Chemicals & Filtering Supplies	26,224.00	220.00
Construction Materials Inventory	76,471.66	30,770.41
Other Inventories	36,760.53	14,301.00
TOTAL	183,602.99	76,166.41

Office Supplies inventory – an additional to this account are: one unit computer monitor & chair, power supply, one kyowa box fan and thermal papers for PSION (billing machine).

Chemical and Filtering Supplies are year-end balances for liquid hypo chloride chlorine.

Construction Materials Inventory are balances to include plumbing materials and other construction materials found in the storage at the elevated reservoir and at the JWD Office.

Other inventories – in addition to water meters are coco trees found at the new source (spring); welding machine & BMX bike- service at the pumphouse.

8) DEFERRED CHARGES

This account represents payment to LWUA for the month of December 2011.

9) PROPERTY, PLANT AND EQUIPMENT

	<u>2011</u>	<u>2010</u>
Plant	1,761,068.59	1,690,319.68
Buildings & Other Structures	1,719,628.56	963,982.23
Office Equipment (IT)	242,185.15	134,427.50
Other Machinery & Equipment	2,648,351.79	2,624,395.79
Furniture, Fixtures & Books	146,434.00	185,046.83
T o t a l	6,517,668.09	5,598,172.03
Less:	2,973,107.02	2,658,926.15
NET BOOK VALUE	3,544,561.07	2,939,245.88

Plant - development of new source (spring) at Brgy Kalinawan is an addendum to this account.

Buildings & other structures – construction of new ground reservoir at Brgy. Kalinawan and Expansion of transmission & distribution lines at Brgy. Caglawaan attributes on the increase of this account.

Office Equipment (IT) – this includes computer set with accessories and PSION thermal printer & Software for the computerization of the District's billing and collection system.

Other Machinery & equipment – includes the cost of gate valve and flowmeter amounting to P29,087.00.

Furnitures, Fixtures & Books – some items of this account were transferred to Inventories.

Other Assets represents the cost of project from Lingap Fund undertaken in CY 2001 for the construction of a shallow well which did not materialize.

Accumulated Depreciation is from the inception of the Water District since the Accounting Processor A could hardly come up of a yearly accumulated depreciation per item due to time constraints

10) CURRENT LIABILITIES

Accounts Payable- changes of this account is due to the purchase of one unit copier machine amounting to P68, 425.00 payable at Copylandia.

Due to BIR includes year-end balances on income taxes withheld from employees, Final Vat Withholding on purchases and percentage tax (2% on monthly gross receipts).

Due to GSIS, PAG-IBIG & PHILHEALTH are year-end balances to be remitted on or before 10th day of January, 2012. Increase of balances is in connection to the implementation of salary Adjustment per DBM NBC No. 530, effective October 2011.

Current Portion on Long-term Debt- are unpaid principal loans to LWUA which are due and demandable for CY 2012.

Interest payable - are interest on LWUA loans payable in CY 2012.

11) LOANS PAYABLE are outstanding Principal loan balances of the District at LWUA amounting to P3,484,812.52 for two loan accounts and at Leyte Provincial Governor's Office – P87,500.26.

12) GOVERNMENT EQUITY

This account comprises the following:

	<u>2011</u>	<u>2010</u>
Donated Capital	1,828,497.50	1,828,497.50
Retained Earnings	<u>(2,058,371.69)</u>	<u>(2,244,307.25)</u>
T o t a l	<u>(229,874.19)</u>	<u>(415,809.75)</u>

Donated capital is derived from:

	<u>Amount</u>
a) Lingap Fund	700,000.00
b) JICA	1,028,497.50
-Toshiba copier machine	50,020.00
- Submersible Pump & Meter controller	889,800.00
-Fax Machine	7,300.00
-Computer w/ printer, USB & 10 blank CD	<u>81,377.50</u>
c) Cash donation from Ex- Mayor Floro Katangkatang	<u>100,000.00</u>
T o t a l	<u>1,828,497.50</u>

