

MACABEBE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

1. AGENCY BACKGROUND

Macabebe Water District (MWD) is a government-owned and/or controlled corporation, which was established on September 25, 1981 thru Sangguniang Bayan Resolution No. 24, and it became a full pledged water district with the issuance of Conditional Certificate of Performance No. 171 on November 20, 1981 by the Local Water Utilities Administration (LWUA).

The MWD underwent improvements through the implementation of various loan packages granted by LWUA. At present, the District is utilizing six (8) main pump stations, which serve eighteen (19) barangays. It has a total of 6,285 total billed service connections.

The policy-making body of MWD is vested in its Board of Directors. As of the end of December, 2015 the MWD Board of Directors consisted of the following with a fixed term of office six (6) years with one or two members ending their terms of office at the end of every odd year, namely:

Chairman	-	Dir. Antonio F. Pangan, Jr.
Board Treasurer	-	Dir. Hilda R. Bagtas
Board Secretary	-	Dir. Anita A. Sotto
Members	-	Dir. Maria Luz B. Guinto
		Dir. Anacleto A. Bustos

Through the hard work and dedication of its officers and employees, MWD was able to withstand the hardships and challenges of time and was able to make use of its resources in order to achieve its goal and objectives.

Presently, Macabebe Water District is headed by Mr. Rene B. Bernarte as General Manager and is categorized as "Category C" water district. It has twelve (15) regular and eighteen (19) contractual employees as of December 31, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING SYSTEMS & POLICIES

Basis of Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in the Philippines and in conformity with pertinent laws and regulations.

Accounting System

The Water District started the implementation of the New Government Accounting System prescribed by the Commission on Audit on January 1, 2005.

Allowance for Doubtful Accounts

Allowance for Doubtful Accounts was set up for estimated uncollectible trade receivable to provide them fair valuation. The amount provided as allowance for doubtful accounts is based on the evaluation of past collection experience and other factors that affect collectability.

Inventories

Purchases of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period, are recorded under the appropriate inventory accounts following the *Perpetual Inventory Method*.

The inventories on hand are stated at cost, based on the average method and determined on the basis of inventory control records.

Tangible assets with serviceable life of more than one year but small enough to be considered as Property, Plant and Equipment are considered as inventories upon purchase and as expense once issued. The recipient of the item acknowledges receipt in the Inventory Control Sheet (ICS) for monitoring and control purposes.

Property, Plant & Equipment

The Straight-line Method of depreciation is used. Depreciation starts on the month following the month of purchase of the PPE, and a residual value equivalent to ten percent (10%) of the purchase cost is set-up.

The useful life of the PPE is based on the estimated useful life prescribed by the COA for each group of PPE.

The cost of property, plant and equipment (PPE) acquired thru purchase includes the purchase cost plus the incidental cost in bringing the asset to its location, including installation and testing costs, until it becomes fully operational.

Repairs and maintenance of assets, including those fully depreciated ones, shall be charged against the appropriate "Repair and Maintenance Expense" account of the specific PPE.

Income and Expense Recognition

The accrual method of accounting is adopted in the recognition of earnings and expenses.

3. CASH & CASH EQUIVALENTS

This account which pertains to cash collecting officers, petty cash funds and cash in banks readily available for payment of current obligations of the district and not subject to any restriction, contractual or otherwise, consists of the following balances:

		2015		2014
Cash-Collecting Officer	P	2,533.00	P	31,659.52
Petty Cash Fund				
Cash In Bank - LCCA		660,812.98		1,439,780.59
Total Cash & Cash Equivalents	P	663,345.98	P	1,471,440.11

4. RECEIVABLES

This account includes all amounts due arising from services rendered to customers/concessionaires, water sales and incidental services, Allowance for Doubtful Accounts, Due from Officers and Employees and Others Receivables .

		2015		2014
Accounts Receivable	P	15,714,259.88	P	16,069,654.58
Allow. for Doubtful Accounts		(3,293,576.31)		(2,967,562.92)
Accounts Receivable, Net		12,420,683.57		13,102,091.66
Due from Officers and Employees				
Other Receivables		554,197.80		554,197.80
Total Receivables	P	12,974,881.37	P	13,656,289.46

5. INVENTORIES

This account consists of unissued materials and supplies which are kept in the stock room and available for future use by the District in its operations.

		2015		2014
Office Supplies Inventory	P	89,528.60	P	73,929.72
Medical, Dental & Lab. Inventory		12,000.00		21,750.00
Accountable Forms Inventory		564,561.49		367,143.94
Other Supplies Inventory		281,219.04		666,975.75
Total Inventories	P	947,309.13	P	1,129,799.41

6. PROPERTY, PLANT & EQUIPMENT (PPE)

This account includes all properties of relatively permanent character that are used in normal utility operations. The breakdown of this account is as follows:

		2015		2014
Land	P	350,000.00	P	350,000.00
Land Improvement		370,475.00		318,150.00
Irrigation & Water System Structures		52,705,266.95		46,554,797.95
Office Building		653,739.81		653,739.81
Other Structures		3,548,693.81		3,077,491.81
Office Equipment		253,504.75		141,204.05
Furniture & Fixtures		496,924.25		496,924.25
Other Machineries & Equipment		4,347,009.19		4,229,359.19
IT Equipment & Software		538,435.50		461,500.50
Communication Equipment		7,990.00		7,990.00
Other Transportation Equipment		209,935.00		150,035.00
Machineries		3,499,835.00		1,738,714.00
Other Property, Plant & Equipment		438,594.65		438,594.65
Total		67,620,902.91		58,676,166.21
Less: Accumulated Depreciation		29,951,052.53		19,132,904.22
Other Assets		7,331,893.06		7,324,598.76
Total PPE	P	37,669,850.38	P	32,144,966.74

7. INTER-AGENCY PAYABLES

This includes amount of taxes withheld and other mandatory contributions from employees for remittance to the following agencies, to wit:

		2015		2014
Due to BIR	P	(28,723.57)	P	49,298.73
Due to GSIS				
Due to PAG-IBIG				584.84
Due to Philhealth				
Total Inter-Agency Payables	P	(28,723.57)	P	49,883.57

8. OTHER CURRENT LIABILITIES

This account consists of Guaranty Deposits Payable which pertains to liability arising from cash received from concessionaires to guaranty performance and Other Payables include other liabilities of the water district due to other creditors.

		2015		2014
Other Payables	P	2,008,397.73	P	687,409.71
Retention		192,152.00		
Total Other Current Liabilities	P	2,200,549.73	P	687,409.71

9. LOANS PAYABLE

This represents long-term obligations of the District under contract agreement with NHA and LWUA, the proceeds of which were used to finance various infrastructures and permanent improvements in order to meet the demands of the growing clientele. Repayments for the District's long-term obligation under NHA are to be made quarterly in the amount of P157,903.19 payable within twenty five (25) years at the interest rate of 9% per annum. However, up to date of audit, no payment and accrual of interest has been made by the District. The repayments of the LWUA loans are made monthly based of the agreed terms and schedule provided in the contract agreement. This account is composed of:

		2015		2014
LWUA Loan Acct. No. 4-2346	P	2,844,062.83	P	3,223,529.83
LWUA Loan Acct. No. 4-2456		2,989,749.51		3,610,593.51
LWUA Loan Acct. No. 4-2559		4,418,928.51		5,030,750.51
LWUA Loan Acct. No. 9-0101		4,250,011.97		4,500,007.97
National Housing Authority (NHA) Loan Acct.		6,272,000.00		6,272,000.00
Total Loans Payable	P	20,774,752.82	P	22,636,881.82

10. PERSONAL SERVICES

This account consists of the following expenses incurred by the Water District amounting to P7,451,548.28

		2015		2014
Salaries and Wages	P	4,792,199.49	P	4,199,847.40
Other Compensation		2,124,469.41		1,742,404.80
Personnel Benefit Contr.		460,637.25		425,437.09
Other Personnel Benefits		74,242.13		206,830.48
Total Personal Services	P	7,451,548.28	P	6,574,519.77

11. MAINTENANCE AND OTHER OPERATING SERVICES (MOOE)

These expenses which are incurred in the operations of the Water District amounting to P17,089,991.84 include the following:

		2015		2014
Traveling Expense	P	418,997.50	P	269,583.83
Training and Scholarship Expense		228,150.00		207,300.00
Supplies and Materials Expense		2,738,884.47		3,101,173.19
Electricity Expense		7,712,470.49		8,035,840.51
Rent Expense		209,250.00		130,950.00
Communication Expense		145,772.91		163,277.27
Membership Dues & Contributions		21,112.00		18,507.50
Advertising Expense				5,000.00
Representation Expense		365,809.87		348,509.25
Subscription Expenses		6,279.00		25,994.00
ExtraOrdinary Miscellaneous Expenses (EME)		117,000.00		68,250.00
Miscellaneous Expenses		366,409.72		304,173.54
Professional Services Expense		132,627.27		81,400.00
Repairs & Maintenance Expense		677,024.00		691,624.00
Donations & Contributions		55,500.00		30,076.00
Taxes, Insurance Prem. & Other Fees		21,173.36		40,673.38
Fidelity Bond Premiums		5,550.00		5,784.00
Insurance Expense		122,114.80		122,144.80
Bad Debts Expense		326,013.39		568,830.31
Depreciation Expense		3,419,853.06		3,324,236.12
Total MOOE	P	17,089,991.84	P	17,543,297.70