

MACABEBE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. AGENCY BACKGROUND

The Macabebe Water System started its potable water distribution in 1934. The marker attached to the concrete water tower in Macabebe banners the names of those who pioneered this very important public service, they were President Raymundo P. Lagman (back then, the town mayor is called "President"); Vice-President (Vice Mayor) Lope Magat; the Councilors; Luis H. Sabado, Fortunato Baluyut, Vice Gutierrez, Teotimo de Leon, Macario Aniciete and Jose Blanco. The Municipal Treasurer Miguel Miranda and Municipal Secretary Francisco Guese. It is rather easy to imagine that in those "peaceful times" before World War II, the number of water consumers would not be more than fifty paying subscribers since water wells were still working in the barrios of the old Macabebe. Today, as the water wells dried out, the need for potable water has grown to "overflowing".

The Macabebe Water District was created by virtue of a Sangguniang Bayan Resolution No. 24 enacted on September 15, 1981 led by the then Mayor Fidel L. Isip. The resolution transfers the Management of the old Macabebe Water System to the Local Water Utilities Administration (LWUA). When all documents and other legal requirements were satisfied, a Conditional Certificate of Conformance No. 171 was issued on November 20, 1981 by the LWUA thus, the Macabebe Water District was formally created. The first set of Directors; were Dionicio Panganiban, representing Education; Prospero Enriquez, representing Business, Zosimo Viray, representing Professionals; Aurelio Cano, representing Civic Organizations; and Wivinda Pineda, representing Women's Sector. The first General Manager was Dionicio Panganiban. However, after a few months, Mr Panganiban resigned the position owing to pressure of work as a Principal and Registrar of a Private College in Macabebe. In his place, Mr. Aurelio Cano was appointed General Manager. In place of Mr. Cano in the board, Mr. Cesar Sotto was appointed Director.

After a few years, again, because of a burgeoning business venture, Mr. Cano gave way to Mr. Diosdado Pineda as General Manager on May 1984. It was during the incumbency of Mr. Pineda that a grant of five million pesos was given to the district, through the representation of the late Congressman Emigdio A. Bondoc.

The grant was used to build a water pumping station in Barangay San Juan. Immediately thereafter, from 200 subscribers, the number rose to about six hundred after only a few months.

The District is categorized as "C" water district under the managership of Mr. Rene B. Bernarte. At present, the District is utilizing eight (8) main pumping stations, which serve nineteen (19) barangays. It has a total of 6,874 total billed service connections, because of the Financial Assistance from LWUA and other grant from LEVI'S Philippines. Macabebe Water District has certainly come a long way. But it has yet plenty of room for improvements if only more financial assistance would come its way.

The policy-making body of the District is vested in its Board of Directors. As of the end of December, 2017 the District Board of Directors is composed of the following officials 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:

Dir. Ma. Luz B. Guinto	Chairperson	Professional
Dir. Anita A. Sotto	Vice-Chairperson	Women
Dir Hilda R. Bagtas	Board Secretary	Education
Dir. Anacleto A. Bustos	Member	Civic
Dir Geminiano Y. Yanga	Member	Business

As of December 31, 2017, the District has a total work force of fourteen (14) permanent and twenty one (21) casual employees.

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

Statement of Compliance

The financial statements were prepared in compliance with Philippine Financial Reporting Standards (PFRS), which includes statements named PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council and Revised Chart of Accounts (RCA) for Government Corporations prescribed in COA Circular Nos. 2015-010 and 2016-006.

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. The District's Allowance for impairment of its Accounts Receivable amounted to ₱74,197.98 and ₱149,271.43 as of December 31, 2017 and 2016, respectively. This was determined as the likely amount that will not be collected from delinquent customers.

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.

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE. The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- the cost or fair value of the item can be measured reliably; and
- the cost is at least P15,000.00.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the property, plant and equipment as follows:

<u>Category</u>	<u>Number of years</u>
Office furniture and equipment	5 years
Transportation equipment	7 years
Machinery and equipment	10 years
Building and other structures	30 years

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:

		2017		2016		Jan. 1, 2016 As Restated
Cash-Collecting Officer	P		P		P	(0.01)
Petty Cash						5,000.00
Cash In Bank – Local Currency		1,623,187.07		1,509,995.65		1,354,784.57
Total Cash & Cash Equivalents	P	1,623,187.07	P	1,509,995.65	P	1,359,784.56

4. RECEIVABLES, NET

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.

		2017		2016		Jan. 1, 2016 As Restated
Accounts Receivable	P	15,600,475.92	P	15,794,550.01	P	15,244,433.89
Allow. for Doubtful Accounts		(3,368,649.76)		(3,442,847.74)		(3,293,576.31)
Accounts Receivable, Net		12,231,826.16		12,351,702.27		11,950,857.58
Other Receivables		562,156.50		554,197.80		554,197.80
Total Loans and Receivable Accounts	P	12,793,982.66	P	12,905,900.07	P	12,505,055.38

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.

		2017		2016		Jan. 1, 2016 As Restated
Office Supplies Inventory	P	30,311.86	P	50,922.95	P	85,655.92
Accountable Forms, Plates and Stickers Inventory		242,576.08		344,907.14		546,102.31
Chemicals and Filtering Supplies Inventory		76,500.00		.00		
Other Supplies Inventory		998,400.04		462,509.48		377,163.44
Total Inventory Held for Consumption	P	1,347,787.98	P	858,339.57	P	1,003,921.67

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:

		2017		2016		Jan. 1, 2016 As Restated
Land	P	350,000.00	P	350,000.00	P	350,000.00
Land Improvement		370,475.00		370,475.00		370,475.00
Infrastructure Assets –Plant – (UPIS)		58,353,336.95		55,514,336.95		52,705,266.95
Office Building		653,739.81		653,739.81		653,739.81
Other Structures		3,951,843.81		3,933,843.81		3,548,693.81
Office Equipment		253,504.75		253,504.75		253,504.75
Furniture & Fixtures		496,924.25		496,924.25		496,924.25
Other Machineries & Equipment		11,415,250.19		9,206,375.19		7,846,844.19
IT Equipment & Software		564,735.50		564,735.50		538,435.50
Communication Equipment		7,990.00		7,990.00		7,990.00
Other Transportation Equipment		1,002,554.00		275,589.00		259,835.00
Other Property, Plant & Equipment		1,083,127.65		991,285.65		639,093.65
Total		78,503,481.91		72,618,799.91		67,670,802.91
Less: Accumulated Depreciation		40,064,919.89		34,806,815.14		30,349,871.02
Other Assets		7,481,928.06		7,331,893.06		7,331,893.06
Total Non-Current Assets	P	45,920,490.08	P	45,143,877.83	P	44,652,824.95

7. *INTER-AGENCY PAYABLES*

Due to BIR refers to the withheld taxes on compensation of employees, withheld expanded taxes on suppliers and franchise tax, which are due for remittance.

Due to GSIS, Pag-IBIG and Philhealth are the premiums and loans for remittance.

		2017		2016		Jan. 1, 2016 As Restated
Due to BIR	P	0.00	P	0.00	P	77,872.86
Due to GSIS						
Due to PAG-IBIG						
Due to Philhealth						
Total Inter-Agency Payables	P	0.00	P	0.00	P	77,872.86

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.

		2016		2016		Jan. 1, 2016 As Restated
Other Payables	P	2,332,751.95	P	1,947,499.85	P	2,075,021.03
Retention		0.00		0.00		192,152.20
Total Other Current Liabilities	P	2,332,751.95	P	1,947,499.85	P	2,267,173.23

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:

		2017		2016
LWUA Loan Acct. No. 4-2346	P	2,076,839.83	P	2,503,891.83
LWUA Loan Acct. No. 4-2456		2,279,578.51		2,622,759.51
LWUA Loan Acct. No. 4-2559		2,216,588.51		3,358,905.51
LWUA Loan Acct. No. 9-0101		3,750,019.97		4,000,015.97
National Housing Authority (NHA) Loan Acct.		6,272,000.00		6,272,000.00
Total Loans Payable	P	16,595,026.82	P	18,757,572.82

10. *PERSONAL SERVICES*

This account consists of the following expenses incurred by the Water District amounting to
P 8,483,505.81

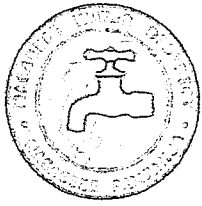
		2017		2016
Salaries and Wages	P	5,515,134.56	P	5,124,816.29
Other Compensation		2,220,703.36		2,411,092.41
Personnel Benefit Contr.		747,667.89		460,786.30
Other Personnel Benefits		0.00		358,648.02
Total Personal Services	P	8,483,505.81	P	8,355,343.02

11. MAINTENANCE AND OTHER OPERATING SERVICES (MOOE)

These expenses which are incurred in the operations of the Water District amounting to:

P 21,565,338.71 include the following:

		2017		2016
Traveling Expense	P	130,206.04	P	499,289.30
Training and Scholarship Expense		225,679.50		251,440.00
Supplies and Materials Expense		4,456,934.05		2,953,826.42
Electricity Expense		8,592,992.58		8,294,891.68
Rent Expense		104,500.00		123,300.00
Communication Expense		170,327.32		141,575.69
Membership Dues & Contributions		33,074.00		14,970.00
Survey Expenses		6,000.00		0.00
Advertising Expense		0.00		15,000.00
Representation Expense		424,155.50		320,066.75
Subscription Expenses		3,000.00		0.00
ExtraOrdinary Miscellaneous Expenses (EME)		681,486.38		621,190.63
Professional Services Expense		56,480.80		1,050.00
General Services		46,200.00		45,000.00
Repairs & Maintenance Expense		917,961.87		2,009,547.50
Donations & Contributions		25,463.75		25,680.00
Taxes, Insurance Prem. & Other Fees		506,970.15		208,440.07
Bad Debts Expense		(74,197.98)		149,271.43
Depreciation Expense		5,258,104.75		4,855,762.61
Total MOOE	P	21,565,338.71	P	20,530,302.08




**REPUBLIC OF THE PHILIPPINES
PROVINCE OF PAMPANGA
MUNICIPALITY OF MACABEBE
MACABEBE WATER DISTRICT**

Tele./Fax No. (045) 435-0553/ email add: macabebewaterdistrict@yahoo.com

***STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS***

The Management of Macabebe Water District is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2017 and the related Statement Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended. The financial statements have been prepared in conformity with the applicable laws and regulations and generally accepted state accounting principles applied on a consistent basis and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.


ADORITA M. BENIGNO
Sr. Accounting Processor A


MR. RENE B. BERNARTE
General Manager