

BOCAUE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

1. AGENCY BACKGROUND

Bocaue Water District (BWD) was organized in 1979, and its Certificate of Conformance No. 086 was issued on September 16, 1979. The District receives financial aid, management advisory services and technical assistance from Local Water Utilities Administration (LWUA). The Board of Directors (BOD) is its policy-making body and the local government officials appoint them.

As of December 31, 2016 WD covers seventeen (18) out of the nineteen (19) barangays of the Municipality of Bocaue with twenty one (20) deep-well sources and total active connections of 11,062. Estimated population served is 61,320.

BWD is categorized as "B" water district and presently headed by Engr. Ricardo B. Perez as General Manager. It has a total work force of forty-six (46) permanent personnel and two (4) job order employees. The BOD is composed of the following:

Mr. Danilo T. Castro	Chairman	Business
Arch. Conrado G. de Guzman	Vice-Chairman	Civic
Mr. Boy Leoncio R. dela Cruz	Secretary	Education
Ms. Zenaida M. Artuz	Member	Women
Atty. Peter Christopher A. Gonzales	Member	Professional

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 Bad Debts

Allowance for Bad Debts is set up for estimated uncollectible trade receivables to allow for fair valuation. The amount provided as allowance for doubtful accounts is based on the evaluation of past collection, experience, and other factors that affect collectibility. The following table is used as benchmark for the provision:

<u>Type of Account</u>	<u>Aging Schedule</u>	<u>Rate Per Month</u>
Active Account	1 day – 180 days	0%
Inactive Account	181 days – 1 year	1%
Inactive Account	> 1 year - 2 years	2%
Inactive Account	> 2 years – 3 years	3%
Inactive Account	> 3 years - 4 years	4%
Inactive Account	> 4 years - 5 years	5%

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 first in-first out 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 started on the month following the month of purchase of the PPE, and a residual value equivalent to ten percent (10%) of the acquisition 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 AND CASH EQUIVALENTS

This account which pertains to cash collecting officers, petty cash fund 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:

	2016	2015
Cash- Collecting Officer	214,701.03	304,037.38
Petty Cash Fund	0.00	0.00
Cash in Bank-LCCA	7,372,544.55	9,541,937.34
Cash in Bank-LCSA	8,925,321.78	8,511,082.96
Total	16,512,567.36	18,357,057.68

4. RECEIVABLES

This account includes all amounts due arising from services rendered to customers/concessionaires, water sales and incidental services, allowance for bad debts and advances to officers and employees.

	2016	2015
Accounts Receivable	6,075,744.21	5,707,698.20
Allowance for Bad Debts	2,277,880.56	2,082,740.94
Accounts Receivable, Net	3,797,863.65	3,624,740.26
Due from Officers & Emp.	0.00	0.00
Other Receivables	316,582.89	473,211.74
Total	4,114,446.54	4,098,169.00

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.

	2016	2015
Accountable Forms	67,200.00	43,680.00
Office Supplies Inventory	421,911.70	355,321.93
Chemicals & Filtering Materials	0.00	29,240.00
Other Inventories (Water Meters)	282,400.00	198,370.00
Construction Materials Invty.	1,388,272.96	1,507,085.63
Total	2,159,784.66	2,133,697.56

6. PREPAYMENTS AND DEFERRED CHARGES

This Account consists of Prepaid Interest for hold-out loan. It also includes Deferred Charges which is the amount of other expenses paid for but unconsumed/unutilized at the end of the accounting period.

	2016	2015
Guaranty Deposits	5,443,672.55	28,080.00
Deferred Charges	1,332,331.32	1,584,124.82
Total	6,776,003.87	1,612,204.82

7. PLANT, PROPERTY & EQUIPMENT

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

	2016	2015
Land	19,310,814.00	19,216,018
Land Improvements	1,656,481.10	829,029.85
Public Infrastructures- Wells	48,419,487.07	54,125,977.19
Public Infrastructures-Reservoir & Tanks	10,075,998.00	10,075,998.00
Public Infrastructures- Transmission	48,415,742.95	45,227,093.39
Public Infrastructures- Hydrants	158,618.05	158,618.05
Public Infrastructures- Other Plants	503,437.96	917,345.00
Buildings- Pumping Plant Structures	5,410,946.31	4,743,302.05
Buildings- Administrative Structures	1,385,237.48	1,258,240.48
Office Equipment	384,097.00	524,636.75
IT Equipment and Software	1,558,644.00	1,431,454.00
Motor Vehicles	3,061,166.00	3,061,166.00
Other Equipment- Power Production Equipment	1,915,000.00	1,915,000.00
Other Equipment- Pumping Equipment	12,073,708.45	12,823,197.45
Other Equipment- Water Treatment Equipment	534,950.00	534,950.00
Other Equipment- Tools, Shop & Garage Equipt.	789,323.44	949,798.44
Furniture & Fixtures	480,856.20	433,323.75
Other Assets	12,895,714.37	7,699,148.86
Total PPE	169,558,010.42	165,924,297.26
Less: Accum. Depreciation	65,339,215.79	60,224,173.63
Net PPE	104,218,794.63	105,700,123.63
Add: CWIP	5,626,426.29	4,619,242.95
Total	109,845,220.92	110,319,366.58

8. AGENCY PAYABLES

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

	2016	2015
Due to BIR	384,037.09	348,655.16
Due to GSIS	402,178.97	342,128.66
Due to Pag-ibig	47,463.99	58,268.45
Due to Philhealth	21,875.00	21,225.00
Total	855,555.05	770,277.27

9. Payable Accounts

This account refers to the amount of indebtedness of the District to other creditors.

	2016	2015
Guaranty Deposits	5,443,672.55	5,069,944.15
Accounts Payable	2,687,908.57	7,651,554.23
Due to Employees	2,797,216.91	2,424,567.45
Contractor's Security Deposit	505,234.75	215,694.75
Other Deferred Credits	1,332,331.32	1,198,363.47
Other Payables	369,657.67	563,684.25
Total	13,136,021.77	17,123,808.30

10. LOANS PAYABLE

This account represents long-term obligations of the District to 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 are made monthly based on the agreed terms and schedule provided in the contract agreement. This account is composed of:

	2016	2015
LA No. 3-345	51,468.95	86,543.95
LA No. 3-489	222,261.94	267,373.94
LA No. 3-716	848,352.23	944,915.23
LA No. 3-783	3,572,578.00	3,863,862.00
LA No. 4-2431	3,529,823.00	3,862,233.00
NLIF	17,471,224.12	18,214,684.12
TOTAL	25,695,708.24	27,239,612.24

11. GOVERNMENT EQUITY

This pertains to the difference between the utility's assets and liabilities at the time the local government turned-over the assets to the district amounting to Php546,551.10.

12. RETAINED EARNINGS

This pertains to the accumulated net income of the District from the start of its operation which amounts to Php74,211,841.21 to date.

	2016	2015
Retained Earnings, Beg.	69,687,150.25	74,193,160.84
Changes During the Period	(351,519.00)	(9,817,526.91)
Add: Net Income (Loss)	4,876,209.96	5,311,516.32
Total	74,211,841.21	69,687,150.25

13. PERSONAL SERVICES

This account consists of the following expenses incurred by the Water District amounting to Php20,777,768.27.

	2016	2015
Salaries & Wages- Regular	12,064,907.25	11,827,276.92
Salaries & Wages- JO	197,633.95	277,749.50
PERA	1,135,000.00	1,158,000.00
Representation Allowance (RA)	282,000.00	282,000.00
Transportation Allowance (TA)	180,000.00	239,500.00
Clothing/Uniform Allowance	245,000.00	250,000.00
Other Bonuses & Allowances	3,138,521.00	4,046,764.00
Overtime & Night Pay	953,526.37	1,225,686.75
Life & Retirement Insurance Cont.	1,440,785.70	1,364,265.57
Pag-ibig Contributions	56,800.00	58,000.00
Philhealth Contributions	133,175.00	129,675.00
ECC Contribution	56,800.00	57,985.54
Terminal Leave Benefits	21,063.00	0.00
Longevity Pay	94,000.00	10,000.00
Vacation & Sick Leave Benefits	698,056.00	893,649.23
Other Personnel Benefits	80,500.00	550,949.30
Total	20,777,768.27	22,371,501.81

14. MAINTENANCE AND OTHER OPERATING EXPENSES

These expenses which are incurred in the operations of the Water District amounting to Php25,573,439.87 include the following:

	2016	2015
Water Purchase from Outside	4,099,681.39	3,187,304.51
Office Supplies Expenses	334,461.63	432,109.82
Chemicals & Filtering Materials	29,240.00	105,460.00
Water Quality Test Expenses	132,910.00	150,300.00
Other Supplies Expenses	14,551.50	94,203.25
Traveling Expenses- Local	114,063.76	97,535.00
Training Exp. & Scholarship Exp.	365,570.00	153,668.00
Accountable Forms Expenses	57,480.00	40,300.00
Electricity Expense	13,628,572.18	16,394,537.64
Gasoline, Oil and Lubricants Exp.	867,072.37	870,727.99
Postage & Deliveries	2,205.00	140.00
Telephone/Telegraph & Internet	119,395.01	133,657.90
Other Expenses- Cable	8,400.00	7,750.00
Advertising Expenses	12,407.00	0.00
Taxes, Duties & Licenses	992,730.91	1,485,314.68
Insurance Expense	30,688.62	38,963.01
Fidelity Bond Premium	31,250.00	
Representation Expenses	6,159.51	39,149.76
Awards and Rewards	30,000.00	94,000.00
Rent Expenses	162,080.00	160,640.00
Grants and Donations	18,000.00	16,500.00
Legal Services	114,971.85	112,850.00
Auditing Services	0.00	102,232.73
Security Services	240,000.00	240,000.00
Other Professional Services- BOD	1,348,810.48	1,118,549.70
Other Professional Services	305,840.00	0.00
Extraordinary & Misc. Expenses	68,733.29	93,992.88
Miscellaneous Expenses	471,348.95	586,802.04
Membership Dues & Cont.	32,951.00	39,221.00
Cultural and Athletic Expenses	61,045.01	71,808.04
IT Equipment Maintenance	16,260.00	17,100.00
Repairs & Maint.- Supply Main	251,682.55	216,124.32
Repairs & Maint.- Services	343,180.15	412,820.90
Repairs & Maint.- Meters	683,735.27	591,819.75
Repairs & Maint.- Pumping Plants	52,809.13	69,414.94
Repairs & Maint.- Bldg. & Others	27,352.25	18,041.90
Repairs & Maint.- Office Eqpt.	0.00	9,450.00

	2016	2015
Repairs & Maint.- Motor Vehicles	98,688.06	206,752.23
Repairs & Maint.- Pumping Eqpt.	308,043.00	448,891.50
Repairs & Maint.- Tools, Shops & Garage Equipment	91,070.00	8,481.00
Total	25,573,439.87	27,866,614.49

Prepared by:

MARGARITA SJ. FLORES
Division Manager B- Admin. & Finance

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