

GENERAL MARIANO ALVAREZ WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

1. General Information

The General Mariano Alvarez Water District (GMAWD), a service oriented and socially conscious public utility agency, created pursuant to Presidential Decree No. 198, as amended, otherwise known as the Provincial Water Utilities Act of 1973. The GMAWD was created in 1988 by virtue of SB Resolution No. 30-88 dated May 24, 1988 and was issued Conditional Certificate of Conformance (CCC) No. 393 by Local Water Utilities Administration on April 14, 1989, thereby meeting government standards.

The GMAWD was formed for the following purposes:

- To acquire, install, improve, maintain and operate water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within its boundaries:
- To provide, maintain and operate waste water collection, treatment and disposal facilities, and
- To conduct such other functions and operations incidental to water resource development, utilization and disposal within its boundaries.

GMAWD took over the ownership, management and operation of GMAWD water supply in 1991 by virtue of the Deed of Donation of six deepwells and appurtenances of the NHA in its favour.

As of December 31, 2017 it serves 19,582 total service connections that are attended by 135 personnel. The Agency has 76 permanent employees, 39 casual, and 20 job orders. The GMAWD has been operating with Ms. Juliet M. Nacita as its General Manager since November 28, 2009.

The powers, privileges and duties of the water district are exercised and performed by and through its policy making body, which is the Board of Directors composed of the following:

Atty. Iluminada Vaflor Fabroa	-	Chairman
Engr. Cesario R. Mullet	-	Vice Chairman
Rev. Dr. Mely S. Mojica	-	Secretary
Engr. Michael I. Torres	-	Treasurer
Rosalinda P. Ancero	-	Member

As of this report, the district is been operating with 20 deepwells that serves water supply for the 24 Barangays and has an on-going water supply system project at Metro San Jose, GMA, Cavite.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

Property, Plant and Equipment are carried at cost less accumulated depreciation and obsolescence. For assets under construction, the Construction Period Theory was applied for costing purposes. Related expenses incurred during the construction of the project formed part of the operating cost. Bonus paid to Contractors for early completion the works was added to the total cost of the project and those projects with liquidated damages were charged to and paid by the contractor thru deduction from the project cost.

The GMAWD has provided allowance for doubtful accounts which represents the estimated amount of accounts receivables which are liable to become uncollectible.

2.2 Revenue Recognition

Accrual method is used in recognizing income.

2.3 Inventory Procedure and Valuation Method

Materials and Supplies Inventory are valued at cost using the moving average method.

2.4 Property, Plant and Equipment

The GMA Water District computes depreciation expenses on the basis of an estimated useful life of the following Property, Plant and Equipment.

Particulars	Estimated Useful Life (in Years)
Land	
Land Improvements	10
Water supply System- Infrastructure Assets	20 to 50
Other Property, Plant and Equipment	5
Buildings and Other Structures	30 to 50
Other Machinery and Equipment	5 to 15
Transportation Equipment – Motor Vehicles	5 to 15
Furniture, Fixtures and Books	2 to 15
Office Equipment	5
Leased Assets Improvements – Land	5
Leased Assets Improvements – Building	5
Communication Equipment	2 to 5
Information and communication Technology Equipment	10

2.5 Changes in Accounting Policy

There have been no changes in accounting policies. All accounting policies have been applied on bases consistent with the previous year.

3. Cash and Cash Equivalents

This account includes the following:

Particulars	2017	2016	2015
Cash – Collecting Officers	410,278.82	413,490.42	484,931.15
Working Fund	30,000.00	30,000.00	15,000.00
Cash in Bank:			
LBP # 2371-0923-85	22,545.29	21,534.28	21,501.54
LBP # 2372-1011-91	66,131.60	66,131.60	66,131.60
LBP # 2372-1015-15	21,211.00	20,211.02	20,211.02
LBP # 2371-0229-72	155,085.70	44,895.16	44,826.89
LBP # 2371-0167-94	12,191,781.57	9,921,044.82	5,824,836.01
LBP # 2372-1011-40	1,340,757.32	2,116,198.68	4,848,570.58
LBP # 3282-1022-33	3,256,904.31	9,038,218.31	2,296,449.11
LBP # 3281-0495-84	975,014.69	753,269.98	492,453.03
DBP # 05303-650-6	<u>745,726.12</u>	<u>645,726.12</u>	<u>445,726.12</u>
Total	<u>19,215,436.44</u>	<u>23,070,720.39</u>	<u>14,560,637.05</u>

Cash Collecting Officers – This consists of collections and deposits made by Collecting Officers based on official receipts last December 31, 2017 which were deposited on January 3, 2017.

Working Fund – This account represents a revolving cash funds given to the designated disbursing officers either for specific or general purpose.

Cash in Bank – Local Currency, CA (LBP # 2372-1011-40 LBP # 3282-1022-33 and DBP # 5303-650-6) – These account pertains to deposits in banks available for general expenditures incurred in operations.

Cash in Bank – Local Currency, SA – (LBP # 2371-0229-72 and 3281-0495-84) -These accounts are maintained for special or specific purposes such as operation and maintenance reserve for repairs of damaged facilities. **LBP #2371-0167-94** is a sinking fund which pertains to

payments of debt service and a capital reserve for expansion/projects of GMAWD facilities. On the other hand, LBP 2372-1011-91, 2372-1015-15, and 2371-0923-85 are joint accounts of GMAWD/LWUA for special projects funded from LWUA loan released.

4. Receivables are

Particulars	2017	2016	2015
Accounts Receivable	9,678,886.45	16,691,084.07	16,703,813.71
Less: Allowance for Impairment- Accounts Receivable	<u>(1,072,403.91)</u>	<u>(771,352.65)</u>	<u>(469,557.57)</u>
Net Value of Receivable	8,606,482.54	15,619,731.42	16,234,256.14
Receivables- Disallowances Charges	25,935,305.01	17,024,610.71	17,631,336.61
Due to Officers and Employees	31,080.00	55,168.00	7,120.25
Other Receivables	915,078.12	4,426,794.14	4,560,527.58
Due from Non-Government Organization	<u>6,586,945.41</u>	<u>5,799,519.72</u>	<u>5,341,025.88</u>
Total	<u>42,074,891.08</u>	<u>42,925,823.99</u>	<u>43,774,266.46</u>

Accounts Receivable- GMAWD - This account represents the water bills of active and inactive concessionaires of GMAWD. Adjusting entry pursuant to PFRS No. 37 were made due for the immediately recognition of fine and penalties from the books from the time it was billed and not as from the time it was collected.

Receivables – Disallowances – This pertains to the benefits claimed/received by GMAWD officers and employees for the year 2009, 2010, 2011, 2013 and 2014 with Notices of Disallowances (ND) Notice of Finality of Decision (NFD) COA Order of Execution (COE). As of December 31, 2017, the employees has made a refund to the district for a total of One Million Nine Hundred Ten Thousand Four Hundred Ninety Three Pesos and 72/100 (1,910,493.72).

Other Receivables – This account consists of the amount due to:

- Materials and fittings for installation of new service connections sold to concessionaires on instalment basis.
- GMAWD-GAD Micro-Finance Loan extended to women's organization in GMA as livelihood program per approved 2007 GAD Plan.
- Amount lost during burglary on March 25, 2007. The incident was already reported to COA Regional Office.
- Unremitted cash collections from year 2002-2007 of Mr. Ricardito C. Verdeprado, Sr., Bill Collector at Mandarin Homes Sub-office. He was charged administratively for committing dishonesty thru malversation of public funds and conduct prejudicial to the best/interest of the service and was dismissed from the service on Sept. 6, 2007. A criminal case against him was also filed by GMAWD and is now pending in court for resolution.
- Due from Non-Government Organization this pertains to application of service/power lines for Meralco.

5. Inventories

This account consists of the following:

Particulars	2017	2016	2015
Merchandise Inventory	3,386,571.79	5,037,628.76	2,714,777.25
Office Supplies Inventory	50,181.33	78,395.77	119,387.17
Chemicals and Filtering Supplies Inventory	113,940.00	-	-
Semi-Expendable Information and Communication Technology Equipment	33,299.00	-	-
Total	<u>3,583,992.12</u>	<u>5,116,024.53</u>	<u>2,834,164.42</u>

- Merchandise Inventory these pertains to cost of materials purchased or produced for sale and for the repair of service lines.
 - Office Supplies Inventory and Semi-Expendable Information and Communication Technology Equipment are cost of items purchased/received being used in GMAWD office operations.
 - Chemical and Filtering Supplies Inventory is used for water treatment, filtering supplies and the like used in government operations.
6. Prepaid Insurance – this account pertains to advanced payment of insurance of GMAWD property from the Government Service Insurance System.
7. Guaranty Deposits are amounts paid to Meralco as meter and service deposits, Smart Communication (Plan 2500) and to PLDT.
8. **Property, Plant and Equipment , Net**

This account consists of the following:

Particulars	2017	2016	2015
Land	13,968,033.80	11,938,033.80	10,823,133.80
Water supply System	143,336,869.29	132,399,512.86	128,555,665.75
Land Improvements	42,539.26	46,734.64	51,144.67
Buildings	17,831,464.81	18,212,536.54	18,879,513.32
Office Equipment	2,979,113.84	2,686,271.14	1,932,666.86
Information and Communication Technology Equipment	5,818,690.09	5,801,609.69	1,033,548.50
Communication Equipment	378,324.77	368,111.11	400,107.22
Other Machinery and Equipment	11,722,499.45	7,380,019.21	3,182,169.68
Transportation Equipment- Motor Vehicles	6,646,145.22	5,017,863.94	2,111,510.38
Furniture, Fixtures and Books	4,773,125.33	4,614,281.29	4,555,800.73
Leased Assets, Building and Structures	87,598.00	87,598.00	87,598.00
Leased Assets, Land	1,360,173.40	1,360,173.40	1,360,173.40
Other Property, Plant and Equipment	<u>7,797,580.71</u>	<u>8,117,539.83</u>	<u>8,733,909.33</u>
Total	<u>216,742,157.97</u>	<u>198,030,285.45</u>	<u>181,706,941.64</u>
Construction in Progress	<u>5,354,837.36</u>	<u>5,165,250.10</u>	<u>3,966,766.60</u>
Total	<u>222,096,995.33</u>	<u>203,319,553.55</u>	<u>185,673,708.24</u>

9. **Current Liabilities**

Particulars	2017	2016	2015
Accounts Payable	17,111,534.76	15,550,678.85	8,009,929.93
Performance/Bidders/Bail Bonds Payable	1,354,121.35	762,448.82	969,370.52
Other Payables	<u>462,419.16</u>	<u>72,197.09</u>	<u>65,074.24</u>
Total	<u>18,928,075.27</u>	<u>16,385,324.76</u>	<u>9,044,374.69</u>

Performance/Bidders/Bail Bonds Payable pertains to the amount withheld from payments due to the contractors to assure fulfilment of their contracts.

Accounts Payables are those unpaid Purchase Orders within one year from the Balance Sheet date.

Other Payables pertains to employer and employees Provident Fund Contribution.

10. Inter-Agency Payables

This account pertains to the following:

Particulars	2017	2016	2015
Due to BIR	326,884.66	663,689.45	748,527.92
Due to GSIS	984.25	625,179.43	483,081.08
Due to Pag-ibig	26,603.31	174,342.90	173,939.58
Due to Philhealth	<u>56,210.79</u>	<u>76,099.29</u>	<u>72,999.29</u>
Total	<u>410,683.01</u>	<u>1,539,311.07</u>	<u>1,478,547.87</u>

Due to BIR are taxes withheld from employees compensation, VAT and expanded withholding tax deducted from different suppliers; Due to GSIS, Pag-ibig, Philhealth are personal shares and loan payments of employees which are to be remitted on or before 10th day of the following month.

11. Financial Liabilities

GMAWD has the following long-term liabilities which are the loans from LWUA.

Loan Account No.	2017	2016	2015
3-447	883,341.76	1,076,630.76	1,254,753.76
3-710	2,496,958.30	2,687,107.30	2,862,338.30
4-2149A	<u>29,501,748.35</u>	<u>31,689,297.35</u>	<u>33,705,185.35</u>
Total	<u>32,882,048.41</u>	<u>35,453,035.41</u>	<u>37,822,277.41</u>

- For LA 3-447 (Regular Loan) this loan was used for the rehabilitation of Area D Pumping Station.
- Loan Account No. 3-710 (Regular Loan) was used for the construction of one (1) exploratory well and expansion of lines at Brgy. Tirona Pumping Station.
- Loan Account No. 4-2149A (ADB Loan) and LA No. 4-2149B (LBP Loan) were used for the construction of five (5) exploratory production well located at Brgy. Ramon Cruz, Brgy. Poblacion 5, Brgy. Olaes, Brgy. San Gabriel (Tahanan) and Brgy. Pulido; construction of four (4) overhead tank located at Brgy. Ramon Cruz, Brgy. Kua, Brgy. Tirona and Brgy. San Gabriel (Tahanan) and expansion of lines in different Barangays.

12. Service and Business Income

This account is composed of the following:

Particulars	2017	2016
Fine and Penalties	5,131,110.43	5,566,757.84
Waterwork System Fees	133,659,583.48	122,211,058.95
Interest Income	30,478.78	14,676.72
Rent Income	64,800.00	51,380.00
Miscellaneous Income	19,970.00	12,124.35
Other Service Income	<u>5,022,712.67</u>	<u>5,076,241.84</u>
Total Other Income	<u>143,928,655.36</u>	<u>132,932,239.70</u>

- Fines and Penalties – These are 10% charged for the late payments of water bill every month.
- Waterwork System Fees – These pertains to water sales collected from the concessionaires.
- Interest Income - These are interest earned by GMAWD on bank deposits with Land Bank of the Philippines.
- Rent/Lease Income – Income received for the use of GMAWD Training & Sports Plaza and 3rd floor of annex building.
- Miscellaneous Income – refund for overpayment of insurance of GMAWD vehicle from Government Service Insurance System (GSIS) due to erroneous computation for the year 2009 and 2013 and income for the disposal of scrap materials.

- Other Service Income includes installation and tapping fee, reconnection fee, sales on materials, service transfer and penalty on illegal connections.

13. Maintenance and Other Operating Expenses

Particulars	2017	2016
Personal Services	63,874,345.71	54,282,746.72
Other Operating and Maintenance Expenses	114,169,376.21	45,526,568.87
Depreciation Expenses	8,710,233.39	7,652,792.43
Financial Expenses	<u>2,818,044.77</u>	<u>3,016,629.35</u>
Total	<u>189,572,000.08</u>	<u>110,478,737.37</u>

- Personal Services are composed of salaries and wages, overtime pay, government contributions such as Life and Retirement Insurance from the GSIS, Pag-ibig, Philhealth, and ECC Contributions. Also includes terminal benefits, PERA/Adcom, RATA, Mid-year bonus, 13th month pay and cash gift and other personnel benefits received by GMAWD officers and employees.
- Other Operating Maintenance Expenses are incurred during business operation and for the repair and maintenance of GMAWD facilities and equipment.
- Depreciation Expenses is the portions of the cost of capital assets allocated or charged as expenses during the period.
- Financial Expenses are interest from LWUA loans and withholding tax charged by the banks on deposits accounts of GMAWD.

14. Income Tax Expenses is a monthly withholding tax remitted from the Bureau of Internal Revenue based on 2% of the gross water sales.

15. Equity

- Government Equity consists of contributions from the following:

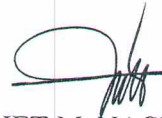
Particulars	2017	2015
Other Subsidies	351.35	351.35
Water System Donated by NHA (TV Pump Station)	5,455,000.00	5,455,000.00
Water System Donated by NHA (Area K & D)	653,965.18	653,965.18
Water System & appurtenances Donated by NHA (Brgy. Maderan, Olaes, NHA, Memije Pump Station)	<u>2,627,453.49</u>	<u>2,627,453.49</u>
Total	<u>8,736,770.02</u>	<u>8,736,770.02</u>

- Donated Capital account includes:

Particulars	2017	2016
Water System – Sunshine Homes	1,774,000.00	2,849,000.00
Municipal Subsidies and Grants	239,244.86	239,244.86
Water System Donated by Asiatic (Mandarin Homes)	2,446,200.00	2,446,200.00
Lingap Fund (Brgy. Pulido Expansion)	170,000.00	170,000.00
Water Distribution System – Riverview Place	3,287,968.80	3,287,968.80
80% of Cost of portable equipment for water testing & monitoring grant by LWUA	<u>880,000.00</u>	<u>880,000.00</u>
Total	<u>8,797,416.66</u>	<u>9,872,413.66</u>

- Retained Earnings are cumulative net earnings obtained by GMAWD during the previous years and Net Income was earned during the period of operation.

Particulars	2017	2016
Retained Earnings	204,322,576.69	181,917,715.94
Net income	<u>15,243,524.46</u>	<u>22,453,502.33</u>
Total	<u>219,566,101.15</u>	<u>204,371,218.27</u>



JULIET M. NACITA
General Manager