

**JAGNA WATERWORKS SYSTEM
MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

TITLE

This document shall be called the FINANCIAL MANAGEMENT GUIDELINES FOR THE RING-FENCED JAGNA WATERWORKS SYSTEM (JWS).

PURPOSE

The purpose of this document is to provide a uniform guide in the administration of the ring-fenced water utility accounts. These are the accounts which are used solely for the operation of Jagna's waterworks system and which have been segregated from the overall LGU financial reports.

GENERAL GUIDELINES

1. The ring-fenced financial management system, in general, shall operate within the context of the New Government Accounting System. Some exceptions are:
 - a. Transactions for the Property, Plant and Equipment accounts classified under the Public Infrastructure accounts are to be subjected to depreciation.
 - b. The accrual method is to be used for the accounting of revenues. All revenues of the water utility will be recognized at the point of generation. Water bills issued will be recognized as revenues upon billing, and not upon collection.
 - c. All costs that are incurred directly or indirectly by the Water Utility in the delivery of water supply services to its clientele should be fully accounted for and reported. These are classified into Dedicated and Shared Expenses. Dedicated expenses are costs directly incurred by the waterworks while shared expenses are expenses incurred by other units or departments while servicing the water utility.
2. A system of allocating shared costs shall be established by the LGU. The manner of identifying which units or departments contribute to the operations of the waterworks system as well as determining the costs that should be allocated to the waterworks will be computed by the Accountant/MPDC.
3. A special account for water utility shall be established and maintained within the General Fund. A separate bank account shall be opened by the Treasurer for the exclusive use of the JWS.

SPECIFIC GUIDELINES

A. BILLING AND COLLECTION

1. Relevant provisions contained in Municipal Ordinance No. 6-04-2003 shall govern the billing and collection policies. Any addendum or amending ordinances for waterworks operational policies shall also apply.
2. The following types of income shall accrue to the waterworks special account:
 - a. water bills
 - b. fines and penalties

**JAGNA WATERWORKS SYSTEM
MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

- c. reconnection fee
 - d. grants and donations
 - e. other fees
 - i. inspection fee
 - ii. tapping fee
 - iii. installation fee
 - iv. deposit (for new connections starting 2010)
 - v. other operating income on water meter
 - vi. transfer fees
3. The Treasurer shall be the principal person responsible for all waterworks collections. He/she, however, may deputize others to act as revenue collection officers. The deputized revenue collection officers shall be appropriately bonded.
 4. The Treasurer shall assign separate Official Receipt booklets exclusively for all waterworks collections.
 5. The Official Receipts issued shall clearly state the details of the payment made (e.g. current water bills, previous water bill, penalties, etc.)
 6. The Treasurer or Revenue Collection Officer shall prepare a daily Report of Collection and Deposit (RCD) and forward this to the Accounting Office. The RCD shall be supported with a recapitulation of the details of collections.
 7. The Treasurer or Revenue Collection Officer shall prepare an Abstract of Monthly Collection/Collection Summary (Appendix B) and forward this to the Accounting Office for recording in the waterworks books of accounts.
 8. The waterworks office shall prepare a monthly Summary of Water Bills (Appendix A) and forward this to the Accounting Office for recording in the books of accounts.
 9. The monthly water bill for each connection shall indicate current volume consumed and the corresponding amount billed. It shall also show in detail the previous unpaid water bills, penalties, adjustments, and other charges.
 10. For partial payments, the amount shall first be applied to penalties, surcharges and previous unpaid water bills before any remaining amount can be applied to current billings.
 11. The LGU may acquire water meters for less privileged consumers upon the recommendation of the Mayor or the Water Management Board. Payment shall be made in twelve (12) monthly installments at cost plus twenty percent (20%).
 12. The deposit required for new applications of water connection shall be treated as guarantee deposit payable. This may be used to pay for any unpaid water bills upon the termination of the contract. Any balance remaining after the settlement of all outstanding payables will be refunded to the consumer.
 13. New connections shall be done only after the payment of the application fee and other charges like, installation fee for pipes used in excess of 20 meters for PE pipe or 3 lengths of GI pipes, guarantee deposit, etc.
 14. A repair service charge, with a minimum charge of P25, shall be imposed for repairs made on water meters, leaking pipes or the replacement of water pipes after the water meter. Additional repair service fees shall be levied depending on the scope of work done which amount shall be

**JAGNA WATERWORKS SYSTEM
MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

determined by the waterworks office.

15. A penalty of ten percent (10%) shall be imposed on bills which remain unpaid five (5) days after the due date. The computation of the penalty shall be based on the total amount due. Follow ups using demand letters or tracers shall be made for those accounts which remain unpaid after the due date.
16. Disconnection of water supply shall be made after three (3) consecutive months of delinquency, fraudulent use of water, misrepresentation in the application for water service, transfer of water meter without consent of the waterworks office, failure to replace non-functioning water meters after fifteen (15) days from receipt of Notice of Disconnection (Appendix F), and/or for violation of any conditions in the water service contract (Appendix G).
17. The consumer may execute a promissory note (Appendix H) to settle obligations at a definite date or period. Failure to comply with the promissory note will automatically result in a service disconnection.
18. Reconnections or re-installations shall be made only after payment of all unpaid balances including reconnection fees.

B. BUDGETING

1. The projected collections from waterworks prepared by the Waterworks Office shall form part of the estimated income of the LGU for budgeting purposes.
2. A separate budget shall be provided for the waterworks system to cover its operational and capital requirements.
3. The head of the waterworks system shall prepare the annual budget proposal and/or work and financial plan for consolidation in the annual budget of the LGU.

C. DISBURSEMENTS

1. All disbursements shall follow the usual LGU disbursement approval process and procedure.
2. An additional copy of the disbursement vouchers for all waterworks-related transactions shall be made available to the waterworks organization.
3. All procurements charged against the waterworks shall be initiated by the waterworks supervisor/head based on the approved annual procurement plan.

D. ASSET MANAGEMENT

1. The straight line depreciation method net of ten percent (10%) residual value as prescribed by the NGAS for LGUs shall be used for all waterworks property, plant and equipment including those classified under public infrastructures.
2. The LGU shall establish and maintain Property Plant and Equipment Ledger Cards for all property plant and equipment including those waterworks assets classified as public infrastructures.

**JAGNA WATERWORKS SYSTEM
MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

3. For donations in kind, the donated asset shall be recorded in the books of accounts. The donors shall be properly disclosed in the notes to the financial statements. The valuation of donated assets shall be based on acquisition cost or market value.

E. ACCOUNTING

1. A complete set of books of accounts should be maintained by the accounting department for all waterworks transactions. These books shall include the:
 - a. Cash Receipts Journal
 - b. Cash Disbursements Journal
 - c. Check Disbursements Journal
 - d. General Journal
 - e. General Ledger
 - f. Subsidiary Ledger
2. Subsidiary Ledgers shall be maintained for the following accounts:
 - a. Cash
 - b. Receivables
 - c. Inventories
 - d. Investments
 - e. Property, Plant and Equipment
 - f. Liabilities
 - g. Income
 - h. Expenses
3. Separate cash books shall be maintained by the Treasurer and disbursing officers for all waterworks transactions:
 - a. Cashbook – Cash in Treasury
 - b. Cashbook – Cash in Bank
 - c. Cashbook – Cash Advances
4. The Accountant shall prepare a JEV to record the Accounts Receivable and Water Sales Revenue accounts based on the Monthly Summary of Water Bills.
5. Collections per the RCD shall be reclassified based on the Ring-fenced Chart of Accounts (Appendix C) in the preparation of the JEV, e.g.
 - a. Accounts Receivables for current and previous water bills collected
 - b. Other Business Income for inspection fee, tapping fee, installation fee and reconnection fee
 - c. Other operating revenues, such as mark-up on sale of water meters, water meter rentals, etc.
 - d. Fines and penalties for service fees imposed on late payments
6. At the end of the month, a JEV shall also be prepared and the following recorded in the General Journal:
 - a. Allowance for doubtful accounts
 - b. Shared costs – identifiable

**JAGNA WATERWORKS SYSTEM
MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

- c. Shared costs – not specifically identifiable
- d. Depreciation
- e. Interest expense

7. At year's end, a JEV shall be prepared for the following accounts:

- a. Interest Payable
- b. Unearned Income

F. REPORTING

1. The Municipal Treasurer, Municipal Accountant, Budget Officer, and Waterworks Office shall reconcile their books of accounts on a monthly basis. This is to ensure the:
 - a. Completeness of entries captured in the ring-fenced books of accounts
 - b. Accuracy of amounts
 - c. Correctness of accounts used
2. The following monthly ring-fenced financial statements shall be prepared. This should be completed not later than twenty (20) days after the end of each month:
 - a. Income Statement
 - b. Balance Sheet
 - c. Cash Flows Statement
3. A complete set of annual financial statements shall be prepared two (2) months after the close of each year. This should at the minimum include the following:
 - a. Balance Sheet
 - b. Statement of Income and Expenses
 - c. Cash Flows Statement
 - d. Notes to the Financial Statement
4. Other monitoring and evaluation reports such as the financial and operational ratios and Aging of Accounts Receivable shall also be prepared yearly.

APPENDICES

A. Summary of Water Bills

Month	Reference	Volume Billed (m ³)	Amount (Php)
January	MBS		
February	MBS		
March	MBS		
April	MBS		
May	MBS		
June	MBS		
July	MBS		
August	MBS		
September	MBS		
October	MBS		
November	MBS		
December	MBS		

**JAGNA WATERWORKS SYSTEM
MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

Total			
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B. Abstract of Monthly Collection/Collection Summary

Month	Water Sales	Other Business Income				Fines & Penalties	Other Operating Revenues	Guarantee Deposit Payable	Miscellaneous Income	Total
		Installation Fee	Tapping Fee	Inspection Fee	Reconnection Fee					
Jan										
Feb										
Mar										
Apr										
May										
June										
July										
Aug										
Sept										
Oct										
Nov										
Dec										
Total										

C. Ring-fenced Chart of Accounts

Account Code	Account Titles	Normal Balance	Description
121	Accounts Receivable – Water	Debit	Amount due from consumers arising from volume of water consumed. Monthly summary of water bills shall be the basis for recording of receivables.
301	Allowance for Doubtful Accounts – Water	Credit	Amount of water bills estimated to be uncollectible.
149	Other Receivables – Water Meter	Debit	Amount due from consumers who availed of the water meters on installments.
254	Artesian Wells, Reservoirs, Pumping Stations and Conduits	Debit	Cost/appraised value of artesian wells, reservoir, pumping stations, and conduits constructed/acquired.
354	Accumulated Depreciation – Artesian Wells, Reservoirs, Pumping Stations and Conduits	Credit	Cumulative reduction in the value of artesian wells, reservoir, pumping stations, and conduits due to use.
409	Interest Payable	Credit	Amount of unpaid charges arising from the use of borrowed money
426	Guaranty Deposits Payable – Water	Credit	Liability arising from cash received as water deposits to guaranty performance which are refundable to the consumer.
439-01	Unearned Income	Credit	Income on water meter sales recorded in advance but not yet realized.
639	Income from waterworks system	Credit	Income from the operation of waterworks arising from water consumptions.
648	Other Business Income	Credit	Income which is not directly related to water consumption.
648-01	Installation Fees	Credit	Income from installing new service connections.
648-02	Tapping Fees	Credit	Income from tapping new service connections.
648-03	Inspection Fees	Credit	Income from making new service connections.
648-04	Reconnection Fees	Credit	Income from reconnecting a previously disconnected connection.
648-19	Other Water Operating Revenues	Credit	Income from operations of the waterworks system which cannot be classified under specific business income accounts.
649	Fines and Penalties – Water	Credit	Service fees charged to water sales on the account of

**JAGNA WATERWORKS SYSTEM
MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

			late collections.
657	Subsidy from Other Funds	Credit	Amount of subsidy received from other funds or costs related to water operations which was charged to other funds.
854	Repairs and Maintenance - Artesian Wells, Reservoirs, Pumping Stations and Conduits	Debit	Cost of repairing and maintaining artesian wells, reservoirs, pumping stations and conduits.
901	Bad Debts Expense	Debit	Amount of receivable estimated to be uncollectible for the period
916	Depreciation-Artesian Wells, Reservoirs, Pumping Stations and Conduits	Debit	Depreciation charges for the period on artesian wells, reservoirs, pumping stations, and conduits.

D. Accounting Entries

- To record monthly water bills based on Summary of Water Bills received from Waterworks Office.

Accounts Receivable	xxxx	
Income from Waterworks		xxxx

- To record purchase of water meters

Other Supplies Inventory	xxxx	
Cash in Bank		xxxx

- To record water meter sales on installment basis

Other Receivables – Water meter	xxxx	
Cost of Sales – Water Meter	xxxx	
Other Operating Revenues		xxxx
Other Supplies Inventory		xxxx

- To record monthly collections based on RCD or Summary of Collections/Abstract of Collections received from Mun. Treasurer's Office or Waterworks Office.

Cash in Vault	xxxx	
Accounts Receivable – Water		xxxx
Other Receivables – Water meter		xxxx
Other Business Income		xxxx
Other Operating Revenues		xxxx
Fines & penalties – water		xxxx

- To record deposits

Cash in Bank	xxxx	
Cash in Vault		xxxx

- To record receipt of donated assets

Property, Plant & Equipment (spec account)	xxxx	
Income from Grants & Donations		xxxx

- To record expenses

**JAGNA WATERWORKS SYSTEM
MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

Bad Debts Expense	xxxx	
Allowance for Doubtful Accounts		xxxx
PS – Shared (specific accounts)	xxxx	
MOOE – Shared (specific accounts)	xxxx	
Subsidy from Other funds		xxxx
Depreciation Expense (specific accounts)	xxxx	
Accumulated Depreciation (spec accounts)		xxxx
Interest Expense (on loans)	xxxx	
Subsidy from Other Funds		xxxx

8. To record annual adjustments

Interest Expense (on loans)	xxxx	
Interest Payable		xxxx
Other Operating Revenues	xxxx	
Unearned Income		xxxx

**JAGNA WATERWORKS SYSTEM
MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

E. Flow Charts

