

Republic of the Philippines
PROVINCE OF ZAMBOANGA DEL SUR
Municipality of Mahayag



OFFICE OF THE SANGGUNIANG BAYAN

**EXCERPT FROM THE MINUTES OF THE 26TH REGULAR
SESSION OF THE SANGGUNIANG BAYAN OF MAHAYAG,
ZAMBOANGA DEL SUR, HELD IN THE MUNICIPAL SESSION
HALL, ON FEBRUARY 4, 2011.**

ATTENDANCE

Names	Position	Present	Absent	Remarks
1. Hon. Paulino P. Familag	Municipal Vice Mayor/Presiding Officer	(x)		
2. Hon. Kristoffer Dan L. Lambatan	SB Member/Floor Leader	(x)		
3. Hon. Yecimo N. Adon, Jr.	Sangguniang Bayan Member	(x)		
4. Hon. Jeffrey G. Aranga	- do -	(x)		
5. Hon. Rodulfo A. Caylan	- do -	(x)		
6. Hon. Ju Dandre M. Apala	- do -	(x)		
7. Hon. Felipe A. Capadangan	- do -	(x)		
8. Hon. Felipe P. Heral	- do -	(x)		
9. Hon. Raquel V. Frasco	- do -	(x)		
10. Hon. Helen M. Manlasang	ABC President/S. B. Member	(x)		
11. Hon. Jafath J. Manapsal	SKP President/S. B. Member	(x)		

MUNICIPAL ORDINANCE NO. 97-2011

BE IT ORDAINED by the Sangguniang Bayan of Mahayag, Zamboanga del Sur, during its session duly assembled, that:

Section I - Title: This shall be known as "**AN ORDINANCE
ADOPTING THE FINANCIAL MANAGEMENT GUIDELINES FOR
THE RING-FENCED MAHAYAG LOCAL WATER SYSTEM,
MAHAYAG, ZAMBOANGA DEL SUR.**"

Section II - Coverage: This Ordinance shall cover the guidelines for the ring-fenced Mahayag Local Water System of the Municipality of Mahayag, Zamboanga del Sur;

Section III - Purpose: The purpose of the said 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 Mahayag Local Water system and which have been segregated from the overall local government unit (LGU) financial reports.

Section III - General Guidelines:

1. The ring-fenced financial management system, in general, shall operate within the context of the New Government Accounting System (NGAS);
2. The following transactions and procedures shall not be governed by the NGAS:

- a. The property, plant, and equipment accounts classified under the Public Infrastructure Accounts shall be subject to depreciation;
 - b. The accrual method shall be used to account for revenues. All revenues of the water utility shall be recognized at the point of generation. Water bills issued shall be recognized as revenues upon billing and not upon collection;
 - c. All costs incurred directly or indirectly by the waterworks system in the delivery of water supply services to the clientele shall be fully accounted for and recorded in the ring-fenced book of accounts. These are classified into Dedicated and Shared Expenses. Dedicated expenses are expenses incurred by other units or departments while servicing the waterworks system.
3. A system for 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 shall be computed by the Municipal Accountant;
 4. A special account for the waterworks system shall be established and maintained within the General Fund. A separate bank account shall be opened by the Treasurer for the exclusive use if the MALOWAS.

Section IV - Specific Guidelines:

A. BILLING COLLECTION

1. The Economic Enterprise Code of 2008 shall provide for the rules and regulations for the waterworks system operations, particularly the billing and collection policies. Any addendum or amending ordinances affecting the operations of waterworks system shall also apply.
2. The following types of income shall accrue to the waterworks special account:

- a. water bills
- b. fines and penalties
- c. reconnection fee
- d. grants and donations
- e. other fees

- i. application fee
- ii. tapping fee
- iii. installation fee
- iv. deposit
- v. water meter
- vi. pipe threading
- vii. others

- 3. The Treasurer shall be the principal authority for all waterworks collections. He/she shall assign separate Official Receipt booklets exclusively for all waterworks collections. He/she, however, may deputize others to act as revenue collection officers. These deputized revenue collection officers shall be appropriately bonded.
- 4. The Official Receipts issued shall clearly state the details of the payment made (e.g. current water bills, previous water bill, penalties, etc.)
- 5. The Treasurer or Revenue Collection Officer shall prepare a daily Report of Collection and Deposit (RCD) and forward this to the Accounting Office which is supported with a recapitulation of the details of collections. He/she shall also prepare an Abstract of Monthly Collection/Collection Summary (Appendix "A") and forward this to the Accounting Office for recording in the waterworks books of accounts.
- 6. The waterworks office shall prepare a monthly summary of Water Bills (Appendix "B") and forward this to the Accounting Office for recording in the books of accounts.
- 7. 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.

8. For partial payments, the amount shall be applied first to penalties, surcharges and previous unpaid water bills. Any remaining amount shall be applied to current billings.
9. The LGU may acquire water meters for less privileged consumers upon the recommendation of the Mayor. Payment for the water meter shall be made in 12 monthly installments.
10. The deposit collected from the clients applying for water connection shall be treated as guarantee deposits. The guarantee deposit shall be used to cover unpaid water bills upon termination of the contract. Any balance thereof, shall be refunded to the customer.
11. A request for transfer of an old connection to a new location will be treated as a new connection and will be charged the corresponding installation fee.
12. A penalty, which rate shall be stipulated in the Municipal Ordinance, shall be imposed on payments after due date. The computation of the penalty shall be based on the total amount due. Customers with unpaid bills after due date will be followed up using demand letters or tracers.
13. Disconnection of water service shall be made after ten (10) days after due date and/or for violation of any conditions in the water service contract. Prior to service disconnection, a follow-up shall be made for those accounts which remain unpaid after due date by issuing demand letters and/or tracers. Reconnections or re-opening shall be made only after payment of all unpaid balances including the reconnection fee.

B. BUDGETING

1. The projected collections from the waterworks system will form part of the estimated income of the LGU for budgeting purposes.
2. A separate budget shall be provided for the waterworks system for its operational and capital requirements.

3. The head of the waterworks system shall prepare its annual budget proposal and/or work and financial plan for consolidation in the annual budget of the LGU.
4. The previous year's budget shall be used as a tentative budget for the first quarter of the current year pending the approval of the current year's annual budget by the Sangguniang Bayan.

C. DISBURSEMENTS

1. All disbursements shall follow the usual LGU disbursement approval processes and procedure.
2. An additional copy of the disbursement vouchers for all waterworks-related transactions shall be made available to the waterworks system organization.
3. All procurements charged against the waterworks system 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 (10%) percent 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 Accounting Department shall establish and maintain Property Ledger Cards for all PPEs including those waterworks assets classified as Public Infrastructures.
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 the 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 Journal Entry Voucher (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 Actions (Appendix "C") in the preparation of the JEV, e.g.
 - a. Accounts Receivables for the current and previous water bills collected
 - b. Other Business Income for application fee, inspection fee, tapping fee, installation fee, pipe threading, reconnection fee and other fees.

- c. Other operating revenues, such as mark-up on sale of water meter rentals, etc.
 - d. Fines and penalties imposed on late payments
6. At the end of the month, a JEV shall also be prepared and recorded in the General Journal for the following:
- a. Allowance for doubtful accounts
 - b. Shared costs - identifiable
 - 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.

Section V - Applicability Clause: Any resolution, regulation, ordinance or law consistent with this ordinance shall be valid and form part to this ordinance.

Section VI - Separability Clause: Any part or provision of this ordinance shall be held to be unconstitutional or invalid; other part or provision hereof which are not affected thereby shall continue to be in full force and effect.

Section VII - Repealing Clause: All existing rules and regulation inconsistent herewith are hereby repealed or modified accordingly.

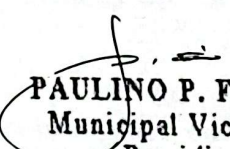
Section VIII- Effectivity Clause: This ordinance shall take effect fifteen (15) days after its publication in one (1) newspaper of general circulation in the Province of Zamboanga del Sur.

ADOPTED this 4th day of February 2011, on motion by Honorable Rodulfo A. Caylan and duly seconded by Honorable Teotimo N. Aclon, Jr.

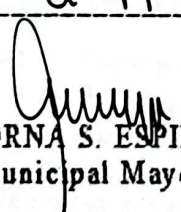
CERTIFIED CORRECT:

ATTESTED:


PRISCO J. CLEOPAS III
Municipal Secretary


PAULINO P. FANILAG
Municipal Vice Mayor
Presiding

APPROVED: 2-17, 2011


LORNA S. ESPINA
Municipal Mayor