



To: on rolly

Republic of the Philippines
Province of Bataan
Municipality of Dinalupihan
OFFICE OF THE MUNICIPAL ACCOUNTANT

February 14, 2020

FOR : HON. MARIA ANGELA S. GARCIA
Municipal Mayor

FROM : SEVILLA O. BISLIG
Municipal Accountant

SUBJECT : REPORTS AS OF DECEMBER, 2019

Submitting herewith the financial statements for the year ended December, 2019 of the following funds of LGU Dinalupihan, Bataan to wit,


- a. General Fund
- b. Trust Fund
- c. Special Education Fund
- d. Consolidated
- e. 5% MDRRM Report

The reports include the following:

- Comparative Statement of Financial Position
- Comparative Statement of Financial Performance
- Comparative Statement of Cash Flows
- Comparative Statement of Changes in Net Assets/Equity

Please acknowledge receipt hereof.

Very truly yours,


SEVILLA O. BISLIG
Municipal Accountant

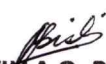
MUNICIPALITY OF DINALUPIHAN
Combined Statement of Financial Performance
For the Year Ended December 31, 2019

	<i>Note</i>	2018	2019
Revenue			
Tax Revenue	13	46,573,418.96	54,711,538.02
Share from Internal Revenue Collections		202,352,305.00	222,268,285.00
Share from Economic Zones		36,643,733.50	52,894,296.71
Service and Business Income	14	26,103,604.09	26,436,343.48
Shares, Grants and Donations	16	1,546,617.44	613,081.58
Miscellaneous Income	17	1,486,345.46	751,073.36
Total Revenue		<u>314,706,024.45</u>	<u>357,674,618.15</u>
 Less: Current Operating Expenses			
Personnel Services	18	73,593,041.51	92,165,927.10
Maintenance and Other Operating Expenses	19	202,962,765.26	213,018,295.90
Financial Expenses	20	1,648,963.00	1,262,182.32
Non-cash Expenses	21	15,120,797.37	18,157,541.39
Current Operating Expenses		<u>293,325,567.14</u>	<u>324,603,946.71</u>
 Surplus (Deficit) from Current Operation		21,380,457.31	33,070,671.44
Add (Deduct):			
Transfers, Assistance and Subsidy From	15	820,000.00	975,000.00
Transfers, Assistance and Subsidy To	22	(2,485,590.50)	(10,266,222.57)
Surplus(Deficit) for the period		<u><u>19,714,866.81</u></u>	<u><u>23,779,448.87</u></u>

Prepared by:

NEIL ALLEN S. LAPID
Accountant II

Certified Correct:


SEVILLA O. BISLIG
Municipal Accountant

MUNICIPALITY OF DINALUPIHAN
Combined Statement of Cash Flow
For the Year Ended December 31, 2019

	2018	2019
Cash Flows from Operating Activities		
<i>Cash Inflows</i>		
Collection from taxpayers	46,573,418.96	54,711,538.02
Share from Internal Revenue Allotment	202,352,305.00	222,268,285.00
Share from Economic Zones	36,643,733.50	52,894,296.71
Receipts from business/service income	25,804,707.50	26,131,419.10
Shares, Grants and Donations	2,366,617.44	1,588,081.58
Interest Income	298,896.59	304,924.38
Miscellaneous Income	1,486,345.46	751,073.36
Other Receipts	65,077,608.24	58,580,159.73
Total Cash Inflows	<u>380,603,632.69</u>	<u>417,229,777.88</u>
<i>Cash Outflows</i>		
Payments to suppliers and creditors	176,479,008.51	191,133,248.12
Payments to employees	73,593,041.51	92,165,927.10
Interest Expense	1,648,963.00	1,262,182.32
Subsidies and Donation	28,969,347.25	32,151,270.35
Other Expenses	62,658,700.48	10,992,099.81
Total Cash Outflows	<u>343,349,060.75</u>	<u>327,704,727.70</u>
Net Cash Flows from Operating Activities	<u>37,254,571.94</u>	<u>89,525,050.18</u>
 Cash Flows from Investing Activities		
<i>Cash Inflows</i>		
Proceeds from Sale/Disposal of Property, Plant and Equipment	-	-
Grants from NGAs	-	-
Total Cash Inflows	<u>-</u>	<u>-</u>
<i>Cash Outflows</i>		
Purchase/Construction of Property, Plant and Equipment	29,028,737.49	42,660,188.00
Purchase of Intangible Asset	-	806,896.12
Total Cash Outflows	<u>29,028,737.49</u>	<u>43,467,084.12</u>
Net Cash Flows from Investing Activities	<u>(29,028,737.49)</u>	<u>(43,467,084.12)</u>
 Cash Flows from Financing Activities		
<i>Cash Outflows</i>		
Payment of loan amortization	6,543,857.54	4,350,238.34
Total Cash Outflows	<u>6,543,857.54</u>	<u>4,350,238.34</u>
Net Cash Flows from Financing Activities	<u>(6,543,857.54)</u>	<u>(4,350,238.34)</u>


MUNICIPALITY OF DINALUPIHAN
Combined Statement of Changes in Net Assets/Equity
For the Year Ended December 31, 2019

	2018	2019
	Accumulated	Accumulated
	Surpluses(Deficits)	Surpluses(Deficits)
Balance at the Beginning of the year	164,645,938.47	229,790,745.90
Add (Deduct)		
Adjustment of PPE Recognized Directly in Equity	51,461,404.59	9,884,800.22
Prior Period Errors	31,413,128.15	989,681.51
Restated Balance	<u>247,520,471.21</u>	<u>240,665,227.63</u>
Add (Deduct)		
Changes in net assets/equity during the year	(37,444,592.12)	(28,859,660.33)
Surplus (Deficit) for the period	19,714,866.81	23,779,448.87
Balance at the End of the Year	<u>229,790,745.90</u>	<u>235,585,016.17</u>

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MUNICIPALITY OF DINALUPIHAN
Combined Statement of Financial Position
For the Year Ended December 31, 2019

	<i>Note</i>	2018	2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	117,294,945.98	159,002,673.70
Investments	5	20,879,488.68	21,064,232.65
Receivables	6	78,771,929.45	85,826,678.13
Inventories	7	2,182,958.02	1,366,663.89
Prepayments and Deferred Charges	8	-	1,722,607.62
Total Current Assets		<u>219,129,322.13</u>	<u>268,982,855.99</u>
Non-Current Assets			
Receivables	6	6,100,000.00	6,100,000.00
Property, Plant and Equipment	9	199,298,408.42	204,809,337.38
Intangible Asset	10		806,896.12
Total Non-Current Assets		<u>205,398,408.42</u>	<u>211,716,233.50</u>
Total Assets		<u><u>424,527,730.55</u></u>	<u><u>480,699,089.49</u></u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	11	62,777,860.05	86,461,714.35
Inter-Agency Payables		21,952,905.42	48,017,624.77
Intra-Agency Payables		3,600.00	600.00
Trust Liabilities		17,568,894.14	15,406,610.50
Deferred Credits/Unearned Income		46,352,059.24	52,970,771.24
Total Current Liabilities		<u>148,655,318.85</u>	<u>202,857,320.86</u>
Non-Current Liabilities			
Financial Liabilities	12	45,494,660.45	41,144,422.11
Other Payables		587,005.35	1,112,330.35
Total Non-Current Liabilities		<u>46,081,665.80</u>	<u>42,256,752.46</u>
Total Liabilities		194,736,984.65	245,114,073.32
NET ASSETS/EQUITY			
Government Equity		<u>229,790,745.90</u>	<u>235,585,016.17</u>
Total Liabilities and Net Assets/Equity		<u><u>424,527,730.55</u></u>	<u><u>480,699,089.49</u></u>

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	2018	2019
Total Cash Provided by Operating, Investing and Financing Activities	<u>1,681,976.91</u>	<u>41,707,727.72</u>
Add: Cash at the Beginning of the year	115,612,969.07	117,294,945.98
Cash Balance at the End of the Year	<u><u>117,294,945.98</u></u>	<u><u>159,002,673.70</u></u>

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MUNICIPALITY OF DINALUPIHAN
Statement of Financial Performance
General Fund
For the Year Ended December 31, 2019

	<i>Note</i>	2018	2019
Revenue			
Tax Revenue	12	34,239,284.14	39,543,595.94 ✓
Share from Internal Revenue Collections		202,352,305.00	222,268,285.00
Share from Economic Zones		36,643,733.50	52,894,296.71 ✓
Service and Business Income	13	26,091,479.95	26,418,892.05 ✓
Shares, Grants and Donations	15	1,546,617.44	613,081.58 ✓
Miscellaneous Income	16	1,486,345.46	751,073.25 ✓
Total Revenue		<u>302,359,765.49</u>	<u>342,489,224.53</u>
Less: Current Operating Expenses			
Personnel Services	17	73,593,041.51	92,165,927.10 ✓
Maintenance and Other Operating Expenses	18	197,729,962.86	205,792,642.63 ✓
Financial Expenses	19	1,648,963.00	1,262,182.32 ✓
Non-cash Expenses	20	13,436,258.95	16,243,841.18 ✓
Current Operating Expenses		<u>286,408,226.32</u>	<u>315,464,593.23</u>
Surplus (Deficit) from Current Operation		15,951,539.17	27,024,631.30
Add (Deduct):			
Transfers, Assistance and Subsidy From	14	820,000.00	975,000.00 ✓
Transfers, Assistance and Subsidy To	21	(1,589,551.56)	(10,266,222.57) ✓
Surplus(Deficit) for the period		<u><u>15,181,987.61</u></u>	<u><u>17,733,408.73</u></u>

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MUNICIPALITY OF DINALUPIHAN
Statement of Changes in Net Assets/Equity
General Fund
For the Year Ended December 31, 2019

	2018	2019
	Accumulated	Accumulated
	Surpluses/(Deficits)	Surpluses/(Deficits)
Balance at the Beginning of the Year	153,332,078.64	213,882,163.13
Add (Deduct)		
Adjustment of PPE Recognized Directly in Equity	51,461,404.59	9,884,800.22
Prior Period Errors	31,351,284.41	926,186.13
Restated Balance	236,144,767.64	224,693,149.48
Add (Deduct)		
Changes in net assets/equity during the year	(37,444,592.12)	(28,859,660.33)
Surplus (Deficit) for the period	15,181,987.61	17,733,408.73
Balance at the End of the Year	213,882,163.13	213,566,897.88

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MUNICIPALITY OF DINALUPIHAN
Statement of Financial Position
General Fund
As at December 31, 2019

	<i>Note</i>	<u>2018</u>	<u>2019</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	67,494,829.79	80,225,190.66 ✓
Investments	5	20,879,488.68	21,064,232.65 ✓
Receivables	6	60,249,311.15	64,239,431.07 ✓
Inventories	7	2,182,958.02	1,366,663.89 ✓
Total Current Assets		<u>150,806,587.64</u>	<u>166,895,518.27</u>
Non-Current Assets			
Receivables	6	6,100,000.00	6,100,000.00
Property, Plant and Equipment	8	193,581,838.14	197,900,400.35
Intangible Asset	9	-	806,896.12
Total Non-Current Assets		<u>199,681,838.14</u>	<u>204,807,296.47</u>
Total Assets		<u><u>350,488,425.78</u></u>	<u><u>371,702,814.74</u></u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	59,500,805.65	81,678,186.88 ✓
Inter-Agency Payables		4,534,171.61	4,226,603.84 ✓
Intra-Agency Payables		1,200.00	-
Trust Liabilities		535,801.07	526,996.80 ✓
Deferred Credits/Unearned Income		26,539,475.25	30,559,558.61 ✓
Total Current Liabilities		<u>91,111,453.58</u>	<u>116,991,346.13</u>
Non-Current Liabilities			
Financial Liabilities	11	45,494,660.45	41,144,422.11 ✓
Other Payables		148.62	148.62 ✓
Total Non-Current Liabilities		<u>45,494,809.07</u>	<u>41,144,570.73</u>
Total Liabilities		136,606,262.65	158,135,916.86
NET ASSETS/EQUITY			
Government Equity		<u>213,882,163.13</u>	<u>213,566,897.88</u>
Total Liabilities and Net Assets/Equity		<u><u>350,488,425.78</u></u>	<u><u>371,702,814.74</u></u>

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MUNICIPALITY OF DINALUPIHAN
Statement of Cash Flow
General Fund
For the Year Ended December 31, 2019

	2018	2019
Cash Flows from Operating Activities		
<i>Cash Inflows</i>		
Collection from taxpayers	34,239,284.14	39,543,595.94
Share from Internal Revenue Allotment	202,352,305.00	222,268,285.00
Share from Economic Zones	36,643,733.50	52,894,296.71
Receipts from business/service income	25,804,707.50	26,131,419.10
Shares, Grants and Donations	2,366,617.44	1,588,081.58
Interest Income	286,772.45	287,472.95
Miscellaneous Income	1,486,345.46	751,073.25
Other Receipts	55,917,963.71	30,115,024.80
Total Cash Inflows	359,097,729.20	373,579,249.33
<i>Cash Outflows</i>		
Payments to suppliers and creditors	170,350,167.17	183,907,594.85
Payments to employees	73,593,041.51	92,165,927.10
Interest Expense	1,648,963.00	1,262,182.32
Subsidies and Donation	28,969,347.25	32,151,270.35
Other Expenses	31,600,225.43	6,653,689.28
Total Cash Outflows	306,161,744.36	316,140,663.90
Net Cash Flows from Operating Activities	52,935,984.84	57,438,585.43
 Cash Flows from Investing Activities		
<i>Cash Inflows</i>		
Proceeds from Sale/Disposal of Property, Plant and Equipment	-	-
Total Cash Inflows	-	-
<i>Cash Outflows</i>		
Purchase/Construction of Property, Plant and Equipment	26,385,243.46	39,551,090.10
Purchase of Intangible Asset	-	806,896.12
Total Cash Outflows	26,385,243.46	40,357,986.22
Net Cash Flows from Investing Activities	(26,385,243.46)	(40,357,986.22)
 Cash Flows from Financing Activities		
<i>Cash Outflows</i>		
Payment of loan amortization	6,543,857.54	4,350,238.34
Total Cash Outflows	6,543,857.54	4,350,238.34
Net Cash Flows from Financing Activities	(6,543,857.54)	(4,350,238.34)

	<u>2018</u>	<u>2019</u>
Total Cash Provided by Operating, Investing and Financing Activities	20,006,883.84	12,730,360.87
Add: Cash at the Beginning of the year	47,487,945.95	67,494,829.79
Cash Balance at the End of the Year	<u><u>67,494,829.79</u></u>	<u><u>80,225,190.66</u></u>

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 Municipal Accountant

Notes to Financial Statements
General Fund
(All amounts in Philippine Peso unless otherwise stated)

Note 1 - Profile

The town of Dinalupihan is located in the northern tip of Bataan peninsula, 21 kilometers from Balanga, which is the capital town. It has a total land area of 9,252.73 hectares, only 3.2% of the total land area of the province. Its population was reported at 106,371 as of August 2015.

The LGU's Vision, Mission and Values:

Vision - By 2022, Dinalupihan is the model Agropolis in Central Luzon.

Mission - To uplift the quality of life of Dinalupiheños by practicing good governance that would result to enhanced municipal services and sound policies that create a business and eco-friendly environment

Values

INTEGRITY - We adhere to the highest ethical standards, transparency and accountability thereby earning public trust.

RESPECT - We treat everybody important irrespective of their status in life.

COURAGE - We stand firm and persevere in doing what is right despite difficulties.

RESPONSIVENESS - We anticipate and act quickly on the needs of the people.

EXCELLENCE - We are committed to provide the highest quality of effective and efficient service.

Note 2 - The financial statements of the LGU have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS). The financial statements are presented in pesos, which is the functional and reporting currency of the LGU. The accounting policies have been applied starting the year 2015.

Note 3 - Summary of significant accounting policies

1. Basis of accounting

The financial statements are prepared on a modified accrual basis slowly shifting to full in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

2. Consolidation

The controlled entities (funds) are all those over which the controlling entity has the power to govern the financial and operating policies. Inter-group transaction, balances and unrealized gains and losses on transactions between entities and funds are eliminated in full. The LGU maintains special accounts under the General Fund for the following economic enterprises it operates:

- Market Administration
- Slaughterhouse

3. Revenue recognition

Revenue from non-exchange transactions

Taxes, fees and fines

The LGU recognizes revenues from taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, liability is recognized instead of revenue. Other non-exchange revenues are recognized when it is

improbable that the future economic benefit or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the LGU and can be measured reliably.

The LGU availed of the 5 – year transitional provision for the recognition of Tax Revenue- Real Property and Special Education Tax. For the first year, there will be no change in policy for the recognition of the aforementioned tax revenue.

Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

4. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the LGU recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset.

Depreciation is charged at rates calculated to allocate cost or valuation of the asset less any estimated residual value over its remaining useful life:

Public Infrastructures were not previously recognized in the books. The LGU availed of the 5-year transitional provision for the recognition of the Public Infrastructure. For the first year of implementation of the PPSAS, the LGU will not recognize the Public Infrastructure in the books of accounts.

5. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The LGU determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the LGU commits to purchase or sell the asset.

The LGU's financial assets include: cash and short-term deposits; trade and other receivables; loans and other receivables and quoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the LGU has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The LGU assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- a) The debtors or a group of debtors are experiencing significant financial difficulty;
- b) The debtors or group of debtors can no longer be identified or located;
- c) Default or delinquency in interest or principal payments;
- d) The probability that debtors will enter bankruptcy or other financial reorganization; and
- e) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the LGU first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the LGU determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The LGU determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value.

The LGU Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include liabilities designated upon initial recognition as at fair value through surplus or deficit.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of less than three months, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

7. Inventories

Inventory is measured at cost upon initial recognition.

After initial recognition and succeeding procurement, inventory is measured using the weighted average method.

Inventories are recognized as an expense when issued for utilization or consumption in the ordinary course of operations of the LGU.

8. Provisions

Provisions are recognized when the LGU has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the LGU expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

9. Changes in accounting policies and estimates

The LGU recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LGU recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

10. Related parties

The LGU regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LGU, or vice versa. Members of key management are regarded as related parties and comprise the Governor, Mayors, Vice-Governors and Vice-Mayors, Sanggunian Members, Committee Officials and Members, Accountants, Treasurers, Budget Officers, General Services and all Chiefs of Departments/Divisions.

11. Budget information

The annual budget is prepared on the modified cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the LGU. As a result of the adoption of the Modified cash basis for budgeting purposes, there are basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or under spending on line items.

12. Significant judgments and sources of estimation uncertainty

Judgments

In the process of applying the LGU's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The LGU based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the LGU. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the LGU;
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed; and
- d) Changes in the market in relation to the asset

Impairment of non-financial assets – non- cash generating assets

The LGU reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the LGU undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use estimates and assumptions.

Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

Held-to-maturity investments and loans and receivables

The LGU assesses its loans and receivables (including trade receivables) and its held-to-maturity investments at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the LGU evaluates the indicators present in the market to determine if those indicators are indicative of impairment in its loans and receivables or held-to-maturity investments.

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the LGU extends credit and also those parties with whom the LGU invests. As such, the credit quality assessed extends to the customers, investments and banks servicing the LGU.

For financial statement purposes, the investments and balances with banks are limited to the investments, loans receivable and cash and cash equivalents line items in the statement of financial position. The LGU follows Department Order No. 27-05 of the Department of Finance (DOF) in the maintenance of depository accounts.

The LGU, as a local government authority, is mandated under Republic Act No. 7160 or the local Government Code to provide basic services to all its constituents irrespective of their financial standing. As such, the LGU is required, by legislation, to extend services and extended payment terms to all customers irrespective of their financial standing. For the purpose of determining the credit quality of customers, the LGU applies its past experience with customers in determining the risk of default posed by customers. In line with the methodology applied, customers are classified into the following credit quality groups:

- a) High - Those customers who have no history of defaulting on payments to the Group and only includes customers who settle their accounts in full and within the prescribed minimum period;
- b) Medium - Those customers with a history of late payments only. These customers usually arrange ahead of time with the Group in settling balances in arrears and when payments are made, the outstanding amounts (including interest) are settled in full; and

- c) Low - Those customers with a significant history of defaults. The balances of these customers are rarely settled in full. The recovery of outstanding balances from these customers is problematic.

Investments

The LGU limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating (rated BB and above), which are within the specific guidelines set in accordance with the LGU Finance Committee and the Sanggunian approved investment policy. Consequently, the LGU does not consider there to be any significant exposure to credit risk.

Receivables

Receivables are amounts owed by consumers, and are presented net of impairment losses. The LGU has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The LGU is compelled, by its constitutional mandate, to provide all of its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.

The LGU's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The Group has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographic area.

The LGU establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables.

Cash and cash equivalents

The LGU limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with the Sanggunian's approved investment policy. Consequently, the LGU does not consider there to be any significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk of the LGU not being able to meet its obligations as they fall due. The LGU's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the LGU's reputation.

Note 4 – Cash and Cash Equivalents

	2018	2019
Cash on Hand		
Cash- Local Treasury	2,081,769.65	1,512,844.95
Cash in Bank – Local Currency		
Cash in Bank-Local Currency-Current Account	65,413,060.14	78,712,345.71
Total	67,494,829.79	80,225,190.66

Cash in banks earns interest based on the prevailing bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the LGU and earn interest at the respective short-term deposit rate.

Note 5 – Investment

	2018	2019
Investments in Time Deposits		
Cash in Bank – Local Currency, Time Deposits	20,879,488.68	21,064,232.65
Total	20,879,488.68	21,064,232.65

Note 6 – Receivables

Loans and Receivable Accounts	2018		2019	
Accounts Receivable	7,059,576.51	7,059,576.51	6,876,740.92	6,876,740.92
Real Property Tax Receivable	25,144,589.16	25,144,589.16	29,630,672.64	29,630,672.64
Loans Receivable - Others	40,840.03	-	35,840.03	-
<i>Allowance for Bad Debts</i>	<i>(40,840.03)</i>		<i>(35,840.03)</i>	
Total	<u>32,204,165.67</u>		<u>36,507,413.56</u>	

Intra-Agency Receivables	2018	2019
Due from Other Funds	<u>2,400.00</u>	<u>7,030.00</u>
Total	<u>2,400.00</u>	<u>7,030.00</u>

Advances	2018	2019
Advances for Operating Expenses	<u>36,120.00</u>	<u>-</u>
Total	<u>36,120.00</u>	<u>-</u>

Other Receivables	2018	2019
Receivables – Disallowances and Charges	<u>27,880,557.06</u>	<u>27,555,629.09</u>
Due from Officers and Employees	119,371.40	162,661.40
Other Receivables	<u>6,697.02</u>	<u>6,697.02</u>
Total	<u>28,006,625.48</u>	<u>27,724,987.51</u>

As of December 31, 2019, loans receivables of P 35,840.03 was impaired and fully provided for.

Note 7 – Inventories

<i>Inventory Held for Consumption</i>	2018	2019
Food Supplies for Distribution	185,815.51	207,575.51
Office Supplies Inventory	924,626.87	140,934.73
Accountable Forms, Plates and Stickers	70,370.64	118,758.61
Drugs and Medicines Inventory	979,375.00	887,550.04
Other Supplies and Materials Inventory	<u>22,770.00</u>	<u>11,845.00</u>
Total	<u>2,182,958.02</u>	<u>1,366,663.89</u>

At December 31, 2019, P 1,366,663.89 of total inventory was carried at cost.

Note 8 – Property, Plant and Equipment

(see attached sheet)

The transfer and adjustment column relates to reclassifications between the different classes of assets and also to other categories of assets including inventory and intangible assets.

The LGU measured the residual value of all items of property, plant and equipment, but does not expect a residual value of these assets, because these will be utilized for their entire economic lives and do not have a significant scrap value. During the current financial year, the LGU reviewed the estimated useful lives and residual values of property, plant and equipment, where appropriate.

Note 9 – Intangible Asset

(see attached sheet)

Note 10 – Current Liabilities

<i>Financial Liabilities</i>	<u>2018</u>	<u>2019</u>
Accounts Payable	58,128,539.55	80,517,602.58
Due to Officers and Employees	544,340.07	807,328.07
Leave Benefits Payables	827,926.03	353,256.23
Total	<u>59,500,805.65</u>	<u>81,678,186.88</u>

Trade payables are non-interest bearing and are normally settled on 60-days terms. Other payables are non-interest bearing and have an average term of six months. Interest payable is normally settled quarterly throughout the financial year.

<i>Inter-Agency Payables</i>	<u>2018</u>	<u>2019</u>
Due to BIR	2,724,031.33	1,362,710.79
Due to GSIS	-	35,070.35
Due to Pag-ibig	-	913,846.67
Due to PhilHealth	-	1,463.19
Due to NGAs	31,033.24	18,429.72
Due to GOCCs	6,472.85	6,472.85
Due to LGUs	1,772,634.19	1,888,610.27
Total	<u>4,534,171.61</u>	<u>4,226,603.84</u>

<i>Intra-Agency Payables</i>	<u>2018</u>	<u>2019</u>
Due to Other Funds	1,200.00	-
Total	<u>1,200.00</u>	<u>-</u>

<i>Trust Liabilities</i>	<u>2018</u>	<u>2019</u>
Trust Liabilities	370,000.00	355,000.00
Guarantee/Security/Deposits Payable	165,801.07	171,996.80
Total	<u>535,801.07</u>	<u>526,996.80</u>

While the remaining accounts represents balances of funds received by the LGU for specific purposes.

<i>Deferred Credits/Unearned Income</i>	<u>2018</u>	<u>2019</u>
Deferred Credits		
Deferred Real Property Tax	26,539,475.25	30,559,558.61
Total	<u>26,539,475.25</u>	<u>30,559,558.61</u>

Note 11 – Non-Current Liabilities

<i>Financial Liabilities</i>	<u>2018</u>	<u>2019</u>
Loans Payable - Domestic	45,494,660.45	41,144,422.11
Total	<u>45,494,660.45</u>	<u>41,144,422.11</u>

<i>Other Payables</i>	<u>2018</u>	<u>2019</u>
Other Payable - Domestic	148.62	148.62
Total	<u>148.62</u>	<u>148.62</u>

Note 12 – Tax Revenue

	<u>2018</u>	<u>2019</u>
<i>Tax Revenue – Individual and Corporation</i>		
Community Tax	1,545,858.82	1,682,961.57
<i>Tax Revenue-Property</i>		
Real Property Tax - Basic	9,221,939.74	11,442,442.49

<i>Discount on Real Property Tax -Basic</i>	(400,637.46)	(508,320.57)
<i>Tax Revenue-Goods and Services</i>		
Business Tax	22,372,003.99	25,193,124.46
Tax on Sand, Gravel and Other Quarry	10,488.00	12,000.00
Amusement Tax	323,625.50	401,156.25
Franchise Tax	120,000.00	120,000.00
<i>Tax Revenue – Fines and Penalties</i>		
Tax Revenue – Fines and Penalties-Property Taxes	1,046,005.55	1,200,231.74
Total	34,239,284.14	39,543,595.94

Note 13– Service and Business Income

	2018	2019
<i>Service Income</i>		
Permit Fees	7,956,489.28	7,612,122.51
Registration Fees	1,190,561.00	1,282,159.00
Clearance and Certificate Fees	2,734,933.50	3,058,377.34
Inspection Fees	1,699,900.00	1,833,550.00
Fees for Sealing and Licensing of Weights and Measures	5,930.00	14,660.00
Other Service Income	36,238.00	17,650.00
<i>Business Income</i>		
Rent/Lease Income	649,966.81	793,834.24
Parking Fees	755,945.00	1,290,965.00
Receipt from Market Operations	6,911,109.91	6,044,111.62
Receipt from Slaughterhouse Operation	1,268,620.00	1,441,530.00
Receipt from Cemetery Operations	627,343.00	531,584.39
Garbage Fees	1,967,671.00	2,210,875.00
Interest Income	286,772.45	287,472.95
Total	26,091,479.95	26,418,892.05

Note 14 – Transfers, Assistance and Subsidy

	2018	2019
<i>Assistance and Subsidy</i>		
Subsidy from Local Government Units	820,000.00	975,000.00
Total	820,000.00	975,000.00

Note 15 – Share, Grants and Donation

	2018	2019
<i>Share</i>		
Share from PCSO	1,546,617.44	613,081.58
Total	1,546,617.44	613,081.58

Note 16 – Miscellaneous Income

	2018	2019
<i>Miscellaneous Income</i>		
Miscellaneous Income	1,486,345.46	751,073.25
Total	1,486,345.46	751,073.25

Note 17 – Employee Costs

	2018	2019
<i>Personnel Services</i>		
Salaries and Wages – Regular	42,492,845.52	51,535,327.42
<i>Other Compensation</i>		
Personal Economic Relief allowance	3,940,000.00	4,663,272.74
Representation Allowance	2,161,725.00	2,229,225.00
Transportation Allowance	2,161,725.00	2,229,225.00
Clothing/Uniform Allowance	990,000.00	1,182,000.00
Subsistence Allowance	597,632.93	843,813.88

Laundry Allowance	58,950.00	88,650.00
Productivity Incentive Allowance	805,000.00	-
Hazard Pay	1,363,876.59	2,241,027.87
Overtime and Night Pay	62,178.54	1,250,457.23
Year-End Bonus	3,568,840.50	4,702,119.50
Cash Gift	826,500.00	985,250.00
Other Bonuses and Allowances	3,449,133.00	6,848,449.00
<i>Personnel Benefit Contribution</i>		
Retirement and Life Insurance Premiums	5,018,771.85	6,155,539.91
Pag-IBIG Contribution	841,074.11	1,025,146.43
PhilHealth Contribution	529,316.18	616,196.78
Employees Compensation Insurance Premiums	192,921.38	231,365.62
<i>Other Personnel Benefit</i>		
Terminal Leave Benefits	4,532,550.91	5,338,860.72
Total	73,593,041.51	92,165,927.10

Note 18 – Maintenance and Other Operating expenses

	<u>2018</u>	<u>2019</u>
<i>Traveling Expenses</i>		
Traveling Expenses - Local	2,137,009.38	2,322,171.67
<i>Training and Scholarship Expenses</i>		
Training Expenses	2,094,195.59	1,704,906.00
Scholarship/Grants/Expenses	9,820,280.96	15,880,481.20
<i>Supplies and Material Expenses</i>		
Office Supplies Expense	734,341.88	2,221,844.17
Accountable Forms Expense	194,044.09	198,348.28
Non-Accountable Forms Expenses	62,000.00	127,300.00
Drugs and Medicines Expenses	3,418,416.70	4,626,965.84
Medical, dental and Laboratory Supplies Expenses	1,289,738.50	1,155,620.40
Fuel, Oil and Lubricant Expenses	3,495,810.28	3,605,986.51
Agriculture and Marine Supplies Expenses	350,000.00	428,021.00
Other Supplies and Material Expenses	3,847,884.54	2,796,662.05
<i>Utility Expenses</i>		
Water Expenses	1,025,783.35	981,474.40
Electricity Expenses	6,950,101.59	8,041,533.23
<i>Communication Expenses</i>		
Postage and Courier Services	18,822.00	33,467.75
Telephone Expenses	1,913,142.55	1,943,910.83
Internet subscription Expenses	270,430.00	268,360.00
Cable, Satellite, Telegraph and Radio Expenses	4,000.00	6,500.00
<i>Awards/Rewards and Prizes</i>		
Awards/Rewards Expenses	82,000.00	-
Prizes	1,121,738.00	2,107,324.65
<i>Survey, Research, Exploration and Development Expenses</i>		
Survey Expenses	35,400.00	15,000.00
<i>Demolition/Relocation and Desilting/Dredging Expenses</i>		
Desilting and Dredging Expenses	704,789.00	-
Demolition and Relocation Expenses	497,384.09	1,927,332.02
<i>Confidential, Intelligence and Extraordinary Expenses</i>		
Confidential Expenses	5,100,000.00	-
Extraordinary and Miscellaneous Expenses	12,639,218.96	10,890,340.86
<i>Professional Services</i>		
Consultancy Services	1,226,700.00	-
Other Professional Services	1,045,405.10	2,086,980.00
<i>General Services</i>		
Environmental /Sanitary Services	19,549,110.00	21,398,403.54

Janitorial Services	6,261,840.51	7,322,013.69
Security services	12,246,831.48	14,510,869.98
Other General Services	23,681,623.71	26,658,297.09
Repairs and Maintenance		
Repairs and Maintenance -Infrastructure Assets	1,886,142.55	8,359,495.29
Repairs and Maintenance -Buildings and Other Structure	2,755,580.41	4,739,545.04
Repairs and Maintenance -Machinery and Equipment	828,539.50	423,961.75
Repairs and Maintenance -Transportation Equipment	3,296,547.02	2,710,279.41
Repairs and Maintenance - Furniture, Fixtures	8,635.00	264,873.00
Repairs and Maintenance – Other Property, Plant and Equipment	-	21,231.34
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	28,624.70	30,664.06
Fidelity Bond Premiums	223,500.00	225,000.00
Insurance Expenses	1,148,055.63	1,280,711.35
Other Maintenance and Operating Expenses		
Advertising Expenses	504,694.00	140,841.00
Printing and Publication Expenses	227,981.50	500,526.00
Representation Expenses	23,092,288.04	23,409,960.60
Transportation and Delivery Expenses	-	1,373.10
Rent/Lease Expenses	2,941,911.32	3,407,487.12
Membership Dues and Contributions to Organizations	154,000.00	200,700.00
Donations	27,379,795.69	21,885,047.78
Other Maintenance and Operating Expenses	10,539,586.30	4,930,830.63
Total	196,833,923.92	205,792,642.63

Note 19 – Financial Expenses

	2018	2019
Interest Expenses	1,648,963.00	1,262,182.32
Total	1,648,963.00	1,262,182.32

Note 20 – Non-Cash Expenses

	2018	2019
Depreciation and Amortization		
Depreciation-Buildings and Other Structure	7,690,957.88	8,212,931.19
Depreciation-Machinery and Equipment	4,667,158.89	6,873,383.64
Depreciation-Transportation Equipment	618,046.53	801,608.65
Depreciation-Furniture, Fixtures and Book	260,640.17	344,783.74
Depreciation - Other Property, Plant and Equipment	10,589.28	11,133.96
Losses		
Loss on Sale of Assets	-	-
Loss on Sale of Property, Plant and Equipment	65,554.06	-
Other Losses	123,312.14	-
Total	13,436,258.95	16,243,841.18

Other Losses pertains to losses incurred in demolishing slaughterhouse and senior citizen building in Barangay Sta. Isabel and New San Jose, respectively.

Note 21 – Transfers/Assistance/Subsidy to

	2018	2019
Subsidy to		
Subsidy to Local Government Units	1,589,551.56	2,337,782.50
Transfers		
Transfers of Unspent Current Year DRRM Funds to the Trust Funds	896,038.94	7,728,440.07
Transfers for Project Equity Share /LGU Counterpart	-	200,000.00
Total	2,485,590.50	10,266,222.57


Note 21 – Reconciliation of Net Cash Flows from Operating Activities to Surplus/ (Deficit)

	<u>2018</u>	<u>2019</u>
Surplus/(Deficit)	15,181,987.61	17,733,408.73
Non-cash transactions		
Depreciation	13,436,258.95	16,243,841.18
Increase(Decrease) in payables	21,359,914.72	25,879,892.55
Increase in Cash Due to Prior Period Adjustment	31,918,348.46	935,012.73
(Increase) Decrease in other current assets	(1,502,698.76)	816,294.13
(Increase) Decrease in receivables	(27,457,826.14)	(4,169,863.89)
Net Cash from Operating Activities	<u>52,935,984.84</u>	<u>57,438,585.43</u>


MUNICIPALITY OF DINALUPIHAN
Statement of Financial Performance
SPECIAL EDUCATION FUND
For the Year Ended December 31, 2019

	<i>Note</i>	2018	2019
Revenue			
Tax Revenue	8	12,334,134.82	15,167,942.08
Service and Business Income	9	12,124.14	17,451.43
Miscellaneous Income	10	-	0.11
Total Revenue		<u>12,346,258.96</u>	<u>15,185,393.62</u>
 Less: Current Operating Expenses			
Maintenance and Other Operating Expenses	11	6,128,841.34	7,225,653.27
Non-cash Expenses	12	1,684,538.42	1,913,700.21
Current Operating Expenses		<u>7,813,379.76</u>	<u>9,139,353.48</u>
 Surplus (Deficit) from Current Operation		4,532,879.20	6,046,040.14
Add (Deduct):			
Transfers, Assistance and Subsidy To		-	-
Surplus(Deficit) for the period		<u><u>4,532,879.20</u></u>	<u><u>6,046,040.14</u></u>

Prepared By:


JHONALYN D. ARELLANO
Administrative Assistant II


Certified Correct:


SEVILLA O. BISLIG
Municipal Accountant


Municipality of Dinalupihan
Statement of Changes in Net Assets/Equity
SPECIAL EDUCATION FUND
For the Year Ended December 31, 2019

	2018 Accumulated Surpluses(Deficits)	2019 Accumulated Surpluses(Deficits)
Balance at the Beginning of the Year	11,313,859.83	15,908,582.77
Add (Deduct)		
Prior Period Errors	61,843.74	63,495.38
Restated Balance	11,375,703.57	15,972,078.15
Add (Deduct)		
Surplus (Deficit) for the period	4,532,879.20	6,046,040.14
Balance at the End of the Year	15,908,582.77	22,018,118.29

Prepared By:


JHONALYN D. ARELLANO
Administrative Assistant II


Certified Correct:


SEVILLA O. BISLIG
Municipal Accountant


MUNICIPALITY OF DINALUPIHAN
Statement of Financial Position
SPECIAL EDUCATION FUND
As at December 31, 2019

	<i>Note</i>	2018	2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	15,395,776.17	21,439,111.12
Receivables	5	<u>18,522,618.30</u>	<u>21,587,247.06</u>
Total Current Assets		<u>33,918,394.47</u>	<u>43,026,358.18</u>
Non-Current Assets			
Property, Plant and Equipment	6	<u>5,716,570.28</u>	<u>6,908,937.03</u>
Total Non-Current Assets		<u>5,716,570.28</u>	<u>6,908,937.03</u>
Total Assets		<u><u>39,634,964.75</u></u>	<u><u>49,935,295.21</u></u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	7	3,271,333.56	4,777,806.63
Inter-Agency Payables		599,734.93	687,228.16
Intra-Agency Payables		2,400.00	600.00
Trust Liabilities		40,329.50	40,329.50
Deferred Credits/Unearned Income		<u>19,812,583.99</u>	<u>22,411,212.63</u>
Total Current Liabilities		<u>23,726,381.98</u>	<u>27,917,176.92</u>
Total Liabilities		23,726,381.98	27,917,176.92
NET ASSETS/EQUITY			
Government Equity		<u>15,908,582.77</u>	<u>22,018,118.29</u>
Total Liabilities and Net Assets/Equity		<u><u>39,634,964.75</u></u>	<u><u>49,935,295.21</u></u>

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SEVILLA O. BISLIG
Municipal Accountant

Municipality of Dinalupihan
Statement of Cash Flows
SPECIAL EDUCATION FUND
For the Year Ended December 31, 2019

	2018	2019
Cash Flows from Operating Activities		
Cash Inflows		
Collection from taxpayers	12,334,134.82	15,167,942.08
Interest Income	12,124.14	17,451.43
Miscellaneous Income	-	0.11
Other Receipts	6,970,298.03	1,660,822.62
Total Cash Inflows	19,316,556.99	16,846,216.24
Cash Outflows		
Payment of expenses		
Payments to suppliers and creditors	6,128,841.34	7,225,653.27
Other Expenses	3,655,179.78	468,130.12
Total Cash Outflows	9,784,021.12	7,693,783.39
Net Cash Flows from Operating Activities	9,532,535.87	9,152,432.85
 Cash Flows from Investing Activities		
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	2,643,494.03	3,109,097.90
Net Cash Flows from Investing Activities	(2,643,494.03)	(3,109,097.90)
 Total Cash Provided by Operating, Investing and Financing Activities	6,889,041.84	6,043,334.95
Add: Cash at the Beginning of the year	8,506,734.33	15,395,776.17
Cash Balance at the End of the Year	15,395,776.17	21,439,111.12

Prepared By:


JHONALYN D. ARELLANO
Administrative Assistant II

Certified Correct:


SEVILLA O. BISLIG
Municipal Accountant

Notes to Financial Statements
Special Education Fund
(All amounts in Philippine Peso unless otherwise stated)

Note 1 - Profile

The town of Dinalupihan is located in the northern tip of Bataan peninsula, 21 kilometers from Balanga, which is the capital town. It has a total land area of 9,252.73 hectares, only 3.2% of the total land area of the province. Its population was reported at 76,145 at the end of 2000.

The LGU's Vision, Mission and Values:

Vision – By 2022, Dinalupihan is the model Agropolis in Central Luzon.

Mission – To uplift the quality of life of Dinalupiños by practicing good governance that would result to enhanced municipal services and sound policies that create a business and eco-friendly environment

Values

INTEGRITY - We adhere to the highest ethical standards, transparency and accountability thereby earning public trust.

RESPECT - We treat everybody important irrespective of their status in life.

COURAGE - We stand firm and persevere in doing what is right despite difficulties.

RESPONSIVENESS - We anticipate and act quickly on the needs of the people.

EXCELLENCE - We are committed to provide the highest quality of effective and efficient service.

Note 2 - The financial statements of the LGU have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS). The financial statements are presented in pesos, which is the functional and reporting currency of the LGU. The accounting policies have been applied starting the year 2015.

Note 3 - Summary of significant accounting policies

1. Basis of accounting

The financial statements are prepared on a modified accrual basis slowly shifting to full in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

2. Consolidation

The controlled entities (funds) are all those over which the controlling entity has the power to govern the financial and operating policies. Inter-group transaction, balances and unrealized gains and losses on transactions between entities and funds are eliminated in full. The LGU maintains special accounts under the General Fund for the following economic enterprises it operates:

- Market Administration
- Slaughterhouse

3. Revenue recognition

Revenue from non-exchange transactions

Taxes, fees and fines

The LGU recognizes revenues from taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, liability is recognized instead of revenue. Other non-exchange revenues are recognized when it is

improbable that the future economic benefit or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the LGU and can be measured reliably.

The LGU availed of the 5 – year transitional provision for the recognition of Tax Revenue- Real Property and Special Education Tax. For the first year, there will be no change in policy for the recognition of the aforementioned tax revenue.

Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

4. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the LGU recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset.

Depreciation is charged at rates calculated to allocate cost or valuation of the asset less any estimated residual value over its remaining useful life:

Public Infrastructures were not previously recognized in the books. The LGU availed of the 5-year transitional provision for the recognition of the Public Infrastructure. For the first year of implementation of the PPSAS, the LGU will not recognize the Public Infrastructure in the books of accounts.

5. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The LGU determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the LGU commits to purchase or sell the asset.

The LGU's financial assets include: cash and short-term deposits; trade and other receivables; loans and other receivables and quoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the LGU has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The LGU assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- a) The debtors or a group of debtors are experiencing significant financial difficulty;
- b) The debtors or group of debtors can no longer be identified or located;
- c) Default or delinquency in interest or principal payments;
- d) The probability that debtors will enter bankruptcy or other financial reorganization; and
- e) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the LGU first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the LGU determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The LGU determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value.

The LGU Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include liabilities designated upon initial recognition as at fair value through surplus or deficit.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of less than three months, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

7. Inventories

Inventory is measured at cost upon initial recognition.

After initial recognition and succeeding procurement, inventory is measured using the weighted average method.

Inventories are recognized as an expense when issued for utilization or consumption in the ordinary course of operations of the LGU.

8. Provisions

Provisions are recognized when the LGU has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the LGU expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

9. Changes in accounting policies and estimates

The LGU recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LGU recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

10. Related parties

The LGU regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LGU, or vice versa. Members of key management are regarded as related parties and comprise the Governor, Mayors, Vice-Governors and Vice-Mayors, Sanggunian Members, Committee Officials and Members, Accountants, Treasurers, Budget Officers, General Services and all Chiefs of Departments/Divisions.

11. Budget information

The annual budget is prepared on the modified cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the LGU. As a result of the adoption of the Modified cash basis for budgeting purposes, there are basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or under spending on line items.

12. Significant judgments and sources of estimation uncertainty

Judgments

In the process of applying the LGU's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The LGU based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the LGU. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the LGU;
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed; and
- d) Changes in the market in relation to the asset

Impairment of non-financial assets – non- cash generating assets

The LGU reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the LGU undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use estimates and assumptions.

Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

Held-to-maturity investments and loans and receivables

The LGU assesses its loans and receivables (including trade receivables) and its held-to-maturity investments at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the LGU evaluates the indicators present in the market to determine if those indicators are indicative of impairment in its loans and receivables or held-to-maturity investments.

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the LGU extends credit and also those parties with whom the LGU invests. As such, the credit quality assessed extends to the customers, investments and banks servicing the LGU.

For financial statement purposes, the investments and balances with banks are limited to the investments, loans receivable and cash and cash equivalents line items in the statement of financial position. The LGU follows Department Order No. 27-05 of the Department of Finance (DOF) in the maintenance of depository accounts.

The LGU, as a local government authority, is mandated under Republic Act No. 7160 or the local Government Code to provide basic services to all its constituents irrespective of their financial standing. As such, the LGU is required, by legislation, to extend services and extended payment terms to all customers irrespective of their financial standing. For the purpose of determining the credit quality of customers, the LGU applies its past experience with customers in determining the risk of default posed by customers. In line with the methodology applied, customers are classified into the following credit quality groups:

- a) High - Those customers who have no history of defaulting on payments to the Group and only includes customers who settle their accounts in full and within the prescribed minimum period;
- b) Medium - Those customers with a history of late payments only. These customers usually arrange ahead of time with the Group in settling balances in arrears and when payments are made, the outstanding amounts (including interest) are settled in full; and

- c) Low - Those customers with a significant history of defaults. The balances of these customers are rarely settled in full. The recovery of outstanding balances from these customers is problematic.

Investments

The LGU limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating (rated BB and above), which are within the specific guidelines set in accordance with the LGU Finance Committee and the Sanggunian approved investment policy. Consequently, the LGU does not consider there to be any significant exposure to credit risk.

Receivables

Receivables are amounts owed by consumers, and are presented net of impairment losses. The LGU has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The LGU is compelled, by its constitutional mandate, to provide all of its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.

The LGU's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The Group has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographic area.

The LGU establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables.

Cash and cash equivalents

The LGU limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with the Sanggunian's approved investment policy. Consequently, the LGU does not consider there to be any significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk of the LGU not being able to meet its obligations as they fall due. The LGU's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the LGU's reputation.

Note 4 – Cash and Cash Equivalents

	<u>2018</u>	<u>2019</u>
Cash on Hand		
Cash- Local Treasury	331,287.36	223,516.25
Cash in Bank – Local Currency		
Cash in Bank-Local Currency-Current Account	<u>15,064,488.81</u>	<u>21,215,594.87</u>
Total Cash and Cash Equivalent	<u>15,395,776.17</u>	<u>21,439,111.12</u>

Cash in banks earns interest based on the prevailing bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the LGU and earn interest at the respective short-term deposit rate.

Note 5 – Receivables

	<u>2018</u>	<u>2019</u>
Loans and Receivable Accounts		
Special Education Tax Receivable	<u>18,417,697.90</u>	<u>21,482,326.66</u>
Total	<u>18,417,697.90</u>	<u>21,482,326.66</u>

Other Receivables	2018	2019
Due from Officers and Employees	104,920.40	104,920.40
Total	104,920.40	104,920.40

Note 6 – Property, Plant and Equipment

(see attached sheet)

The transfer and adjustment column relates to reclassifications between the different classes of assets and also to other categories of assets including inventory and intangible assets.

The LGU measured the residual value of all items of property, plant and equipment, but does not expect a residual value of these assets, because these will be utilized for their entire economic lives and do not have a significant scrap value. During the current financial year, the LGU reviewed the estimated useful lives and residual values of property, plant and equipment, where appropriate.

Note 7 – Liabilities

Trade payables are non-interest bearing and are normally settled on 60-days terms. Other payables are non-interest bearing and have an average term of six months. Interest payable is normally settled quarterly throughout the financial year.

<i>Financial Liabilities</i>	2018	2019
Accounts Payable	3,271,133.56	4,777,606.63
Due to Officers and Employees	200.00	200.00
Total	3,271,333.56	4,777,806.63

<i>Inter-Agency Payables</i>	2018	2019
Due to GOCCs	330.00	
Due to LGUs	599,404.93	687,228.16
Total	599,734.93	687,228.16

<i>Intra-Agency Payables</i>	2018	2019
Due to Other Funds	2,400.00	600.00
Total	2,400.00	600.00

<i>Trust Liabilities</i>	2018	2019
Guarantee/Security/Deposits Payable	40,329.50	40,329.50
Total	40,329.50	40,329.50

The Inter-Agency Payables represents share of SEF - Provincial Government in Real Property Tax received by the LGU.

<i>Deferred Credits/Unearned Income</i>	2018	2019
Deferred Special Education Tax	19,812,583.99	22,411,212.63
Total	19,812,583.99	22,411,212.63

Note 8 – Tax Revenue

	2018	2019
<i>Tax Revenue-Property</i>		
Special Education Tax	11,464,497.27	14,416,021.11
Discount on Real Property Tax -Basic	(437,869.41)	(748,368.74)
<i>Tax Revenue – Fines and Penalties</i>		
Tax Revenue – Fines and Penalties-Property Taxes	1,307,506.96	1,500,289.71
Total	12,334,134.82	15,167,942.08

Note 9– Service and Business Income

	<u>2018</u>	<u>2019</u>
<i>Business Income</i>		
Interest Income	12,124.14	17,451.43
Total	12,124.14	17,451.43

Note 10– Miscellaneous Income

	<u>2018</u>	<u>2019</u>
<i>Miscellaneous Income</i>		
Miscellaneous Income	-	0.11
Total	-	0.11

Note 11 – Maintenance and Other Operating expenses

	<u>2018</u>	<u>2019</u>
<i>Traveling Expenses</i>		
Traveling Expenses - Local	11,580.00	-
<i>Training and Scholarship Expenses</i>		
Training Expenses	1,469,730.00	1,711,260.00
<i>Supplies and Material Expenses</i>		
Office Supplies Expense	149,469.65	488,701.73
Other Supplies and Material Expenses	553,845.88	1,173,706.00
<i>Utility Expenses</i>		
Water Expenses	17,957.45	73,722.60
Electricity Expenses	258,538.83	477,958.11
<i>Communication Expenses</i>		
Telephone Expenses	-	11,659.37
Internet subscription Expenses	39,262.12	70,892.18
<i>Confidential, Intelligence and Extraordinary Expenses</i>		
Extraordinary and Miscellaneous Expenses	451,445.00	550,208.00
<i>Professional Services</i>		
Other Professional Services	-	12,000.00
<i>General Services</i>		
Other General services	381,573.54	472,000.00
<i>Repairs and Maintenance</i>		
Repairs and Maintenance -Land Improvements	466,691.37	344,675.00
Repair and Maintenance - Buildings and Other Structure	1,779,899.50	1,680,870.28
<i>Other Maintenance and Operating Expenses</i>		
Representation Expenses	220,608.00	-
Rent Expenses	282,000.00	158,000.00
Donations	46,240.00	-
Total	6,128,841.34	7,225,653.27

Note 12 – Non-Cash Expenses

	<u>2018</u>	<u>2019</u>
<i>Depreciation and Amortization</i>		
Depreciation-Land Improvements	48,565.08	48,565.08
Depreciation-Machinery and Equipment	1,181,737.27	1,339,922.60
Depreciation-Furniture, Fixtures and Book	454,236.07	525,212.53
Total	<u>1,684,538.42</u>	<u>1,913,700.21</u>

Note 13 – Reconciliation of Net Cash Flows from Operating Activities to Surplus/ (Deficit)

	<u>2018</u>	<u>2019</u>
Surplus/(Deficit)	4,532,879.20	6,046,040.14
Non-cash transactions		
Depreciation	1,684,538.42	1,913,700.21
Loss on Sale of Investment Property	-	-
Increase in payables	6,335,578.95	4,190,794.94
Increase in cash due to Prior Period Adjustment	61,069.50	66,526.32
(Increase) in receivables	(3,081,530.20)	(3,064,628.76)
Net Cash from Operating Activities	<u>9,532,535.87</u>	<u>9,152,432.85</u>

Note 6 – Property, Plant and Equipment

Other Land Improvements	1-07-02-990	255,605.62
Accumulated Depreciation - Other Land Improvements	1-07-02-991	(194,260.32)
Office Equipment	1-07-05-020	1,587,465.56
Accumulated Depreciation - Office Equipment	1-07-05-021	(724,040.71)
Information and Communication Technology Equipment	1-07-05-030	4,784,351.56
Accumulated Depreciation - Information and Communication Technology Equipment	1-07-05-031	(2,473,947.06)
Sports Equipment	1-07-05-130	40,000.00
Accumulated Depreciation - Sports Equipment	1-07-05-131	(12,983.06)
Technical and Scientific Equipment	1-07-05-140	88,500.00
Accumulated Depreciation - Technical and Scientific Equipment	1-07-05-141	(12,798.60)
Other Machinery and Equipment	1-07-05-990	627,979.00
Accumulated Depreciation - Other Machinery and Equipment	1-07-05-991	(382,830.05)
Furniture and Fixtures	1-07-07-010	2,781,912.68
Accumulated Depreciation - Furniture and Fixtures	1-07-07-011	(593,196.79)
Books	1-07-07-020	1,466,260.00
Accumulated Depreciation - Books	1-07-07-021	(522,569.76)
Other Property, Plant and Equipment	1-07-99-990	295,069.09
Accumulated Depreciation - Other Property, Plant and Equipment	1-07-99-991	<u>(101,580.13)</u>
TOTAL		<u><u>6,908,937.03</u></u>

Dinalupihan, Bataan
Statement of Financial Performance
Trust Fund
For the Year Ended December 31, 2019

	2018	2019
Revenue		
Grants, Donations and Income	50,873,129.68	41,255,481.64
Total Revenue	50,873,129.68	41,255,481.64
 Less: Current Operating Expenses		
Maintenance and Other Operating Expenses	39,454,523.36	8,442,462.10
Current Operating Expenses	39,454,523.36	8,442,462.10
 Capital Outlay		
Property, Plant and Equipment	27,567,285.51	9,884,800.22
Current Capital Outlay	27,567,285.51	9,884,800.22
 Total Disbursements	67,021,808.87	18,327,262.32
Surplus (Deficit) from Current Operation	(16,148,679.19)	22,928,219.32

Prepared by:


MICHIKO M. SIBUG
Accountant III


Certified Correct:


SEVILA O. BISLIG
Municipal Accountant

Dinalupihan, Bataan
Statement of Financial Position
Trust Fund
As at December 31, 2019

	<i>Note</i>	2018	2019
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	4	34,404,340.02	57,338,371.92
Receivables	5	-	-
Prepayments and Deferred Charges	6	-	1,722,607.62
Total Current Assets		<u>34,404,340.02</u>	<u>59,060,979.54</u>
<i>Non-Current Assets</i>			
Property, Plant and Equipment	7	-	-
Total Non-Current Assets		-	-
Total Assets		<u>34,404,340.02</u>	<u>59,060,979.54</u>
LIABILITIES			
<i>Current Liabilities</i>			
Financial Liabilities	8	5,720.84	5,720.84
Inter-Agency Payables		16,818,998.88	43,103,792.77
Trust Liabilities		16,992,763.57	14,839,284.20
Total Current Liabilities		<u>33,817,483.29</u>	<u>57,948,797.81</u>
<i>Non-Current Liabilities</i>			
Financial Liabilities	9		
Other Payables		586,856.73	1,112,181.73
Total Non-Current Liabilities		<u>586,856.73</u>	<u>1,112,181.73</u>
Total Liabilities		<u>34,404,340.02</u>	<u>59,060,979.54</u>
NET ASSETS/EQUITY			
Government Equity		-	-
Total Liabilities and Net Assets/Equity		<u>34,404,340.02</u>	<u>59,060,979.54</u>

Prepared by:


NEIL ALLEN S. LAPID
Accountant II

Certified Correct:


SEVILLA O. BISLIG
Municipal Accountant

Dinalupihan, Bataan
Statement of Cash Flow
Trust Fund
For the Year Ended December 31, 2019

	2018	2019
Cash Flows from Operating Activities :		
Cash Inflows :		
Other Receipts	2,189,346.50	26,804,312.31
Total Cash Inflows	<u>2,189,346.50</u>	<u>26,804,312.31</u>
Cash Outflows :		
Other Disbursements	27,403,295.27	3,870,280.41
Total Cash Outflows	<u>27,403,295.27</u>	<u>3,870,280.41</u>
Net Cash Flows from Operating Activities	<u>(25,213,948.77)</u>	<u>22,934,031.90</u>
 Cash Flows from Investing Activities :		
Cash Inflows :		
From Grants of NGAs	-	-
Total Cash Inflows	<u>-</u>	<u>-</u>
Cash Outflows :		
Purchase of Property, Plant and Equipment and Construction of Public Infrastructures	-	-
Total Cash Outflows	<u>-</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>-</u>	<u>-</u>
 Net Increase in Cash	(25,213,948.77)	22,934,031.90
Add : Cash, Beginning of the Year	59,618,288.79	34,404,340.02
Cash as of December 31, 2019	<u>34,404,340.02</u>	<u>57,338,371.92</u>

Prepared by:

NEIL ALLEN S. LAPID
Accountant II

Certified Correct :

SEVILLA O. BISLIG
Municipal Accountant

Notes to Condensed Financial Statements
Trust Fund
(All amounts in Philippine Peso unless otherwise stated)

Note I - Profile

The town of Dinalupihan is located in the northern tip of Bataan peninsula, 21 kilometers from Balanga, which is the capital town. It has a total land area of 9,252.73 hectares, only 3.2% of the total land area of the province. Its population was reported at 106,371 as of August 2015.

The LGU's Vision, Mission and Values:

Vision - By 2022, Dinalupihan is the model Agropolis in Central Luzon.

Mission - To uplift the quality of life of Dinalupihēños by practicing good governance that would result to enhanced municipal services and sound policies that create a business and eco-friendly environment

Values

INTEGRITY - We adhere to the highest ethical standards, transparency and accountability thereby earning public trust.

RESPECT - We treat everybody important irrespective of their status in life.

COURAGE - We stand firm and persevere in doing what is right despite difficulties.

RESPONSIVENESS - We anticipate and act quickly on the needs of the people.

EXCELLENCE - We are committed to provide the highest quality of effective and efficient service.

Note 2 - The financial statements of the LGU have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS). The financial statements are presented in pesos, which is the functional and reporting currency of the LGU. The accounting policies have been applied starting the year 2015.

Note 3 - Summary of significant accounting policies

1. Basis of accounting

The financial statements are prepared on a modified accrual basis slowly shifting to full in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

2. Consolidation

The controlled entities (funds) are all those over which the controlling entity has the power to govern the financial and operating policies. Inter-group transaction, balances and unrealized gains and losses on transactions between entities and funds are eliminated in full. The LGU maintains special accounts under the General Fund for the following economic enterprises it operates:

- Market Administration
- Slaughterhouse

3. Revenue recognition

Revenue from non-exchange transactions

Taxes, fees and fines

The LGU recognizes revenues from taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, liability is recognized instead of revenue. Other non-exchange revenues are recognized when it is

improbable that the future economic benefit or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the LGU and can be measured reliably.

The LGU availed of the 5 – year transitional provision for the recognition of Tax Revenue- Real Property and Special Education Tax. For the first year, there will be no change in policy for the recognition of the aforementioned tax revenue.

Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

4. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the LGU recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset.

Depreciation is charged at rates calculated to allocate cost or valuation of the asset less any estimated residual value over its remaining useful life:

Leased assets may consist of vehicles and machinery. The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount. The LGU derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

Public Infrastructures were not previously recognized in the books. The LGU availed of the 5-year transitional provision for the recognition of the Public Infrastructure. For the first year of implementation of the PPSAS, the LGU will not recognize the Public Infrastructure in the books of accounts.

5. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The LGU determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the LGU commits to purchase or sell the asset.

The LGU's financial assets include: cash and short-term deposits; trade and other receivables; loans and other receivables and quoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the LGU has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The LGU assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- a) The debtors or a group of debtors are experiencing significant financial difficulty;
- b) The debtors or group of debtors can no longer be identified or located;
- c) Default or delinquency in interest or principal payments;
- d) The probability that debtors will enter bankruptcy or other financial reorganization; and
- e) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the LGU first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for

financial assets that are not individually significant. If the LGU determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The LGU determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value.

The LGU Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include liabilities designated upon initial recognition as at fair value through surplus or deficit.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of less than three months, which are readily convertible to known

amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

7. Inventories

Inventory is measured at cost upon initial recognition.

After initial recognition and succeeding procurement, inventory is measured using the weighted average method.

Inventories are recognized as an expense when issued for utilization or consumption in the ordinary course of operations of the LGU.

8. Provisions

Provisions are recognized when the LGU has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the LGU expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

9. Changes in accounting policies and estimates

The LGU recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LGU recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

10. Related parties

The LGU regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LGU, or vice versa. Members of key management are regarded as related parties and comprise the Governor, Mayors, Vice-Governors and Vice-Mayors, Sanggunian Members, Committee Officials and Members, Accountants, Treasurers, Budget Officers, General Services and all Chiefs of Departments/Divisions.

11. Budget information

The annual budget is prepared on the modified cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the LGU. As a result of the adoption of the Modified cash basis for budgeting purposes, there are basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

12. Significant judgments and sources of estimation uncertainty

Judgments

In the process of applying the LGU's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The LGU based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the LGU. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the LGU;
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed; and
- d) Changes in the market in relation to the asset

Impairment of non-financial assets – non-cash generating assets

The LGU reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the LGU undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use estimates and assumptions.

Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

Held-to-maturity investments and loans and receivables

The LGU assesses its loans and receivables (including trade receivables) and its held-to-maturity investments at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the LGU evaluates the indicators present in the market to determine if those indicators are indicative of impairment in its loans and receivables or held-to-maturity investments.

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the LGU extends credit and also those parties with whom the LGU invests. As such, the credit quality assessed extends to the customers, investments and banks servicing the LGU.

For financial statement purposes, the investments and balances with banks are limited to the investments, loans receivable and cash and cash equivalents line items in the statement of financial position. The LGU follows Department Order No. 27-05 of the Department of Finance (DOF) in the maintenance of depository accounts.

The LGU, as a local government authority, is mandated under Republic Act No. 7160 or the local Government Code to provide basic services to all its constituents irrespective of their financial standing. As such, the LGU is required, by legislation, to extend services and extended payment terms to all customers irrespective of their financial standing. For the purpose of determining the credit quality of customers, the LGU applies its past experience with customers in determining the risk of default posed by customers. In line with the methodology applied, customers are classified into the following credit quality groups:

- a) High - Those customers who have no history of defaulting on payments to the Group and only includes customers who settle their accounts in full and within the prescribed minimum period;
- b) Medium - Those customers with a history of late payments only. These customers usually arrange ahead of time with the Group in settling balances in arrears and when payments are made, the outstanding amounts (including interest) are settled in full; and
- c) Low - Those customers with a significant history of defaults. The balances of these customers are rarely settled in full. The recovery of outstanding balances from these customers is problematic.

Investments

The LGU limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating (rated BB and above), which are within the specific guidelines set in accordance with the LGU Finance Committee and the Sanggunian approved investment policy. Consequently, the LGU does not consider there to be any significant exposure to credit risk.

Receivables

Receivables are amounts owed by consumers, and are presented net of impairment losses. The LGU has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The LGU is compelled, by its constitutional mandate, to provide all of its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.

The LGU's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The Group has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographic area.

The LGU establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables.

Cash and cash equivalents

The LGU limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with the Sanggunian's approved investment policy. Consequently, the LGU does not consider there to be any significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk of the LGU not being able to meet its obligations as they fall due. The LGU's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the LGU's reputation.

Note 4 – Cash and Cash Equivalents

	<u>2018</u>	<u>2019</u>
Cash on Hand		
Cash- Local Treasury	935,888.66	8,017,957.62
Cash in Bank – Local Currency		
Cash in Bank-Local Currency-Current Account	33,468,451.36	49,320,414.30
Total Cash and Cash Equivalent	<u>34,404,340.02</u>	<u>57,338,371.92</u>

Cash in banks earns interest based on the prevailing bank deposit rates.

Note 5 – Receivables

	<u>2018</u>	<u>2019</u>
Loans and Receivable Accounts		
Loans Receivable - Others	94,450.00	94,450.00
Allowance for Bad Debts	(94,450.00) -	(94,450.00) -
Total	<u>-</u>	<u>-</u>

As of December 31, 2018, loans receivables of P 94,450.00 was impaired and fully provided for.

Note 6 – Prepayments and Deferred Charges

	<u>2018</u>	<u>2019</u>
Prepayments		
Advances to Contractors	-	1,722,607.62
Total Cash and Cash Equivalent	<u>-</u>	<u>1,722,607.62</u>

Note 7 – Property, Plant and Equipment

(see attached sheet)

The transfer and adjustment column relates to reclassifications between the different classes of assets and also to other categories of assets including inventory and intangible assets.

The LGU measured the residual value of all items of property, plant and equipment, but does not expect a residual value of these assets, because these will be utilized for their entire economic lives and do not have a significant scrap value. During the current financial year, the LGU reviewed the estimated useful lives and residual values of property, plant and equipment, where appropriate.

Note 8 – Liabilities

<i>Financial Liabilities</i>	<u>2018</u>	<u>2019</u>
Due to Officers and Employees	5,720.84	5,720.84
Total	<u>5,720.84</u>	<u>5,720.84</u>
<i>Inter-Agency Payables</i>	<u>2018</u>	<u>2019</u>
Due to Philhealth	26,225.00	32,031.58
Due to NGAs	10,214,050.41	20,016,751.04
Due to LGUs	6,578,723.47	23,055,010.15
Total	<u>16,818,998.88</u>	<u>43,103,792.77</u>
<i>Trust Liabilities</i>	<u>2018</u>	<u>2019</u>
Trust Liabilities- DRRM Fund	14,251,069.44	13,238,619.07
Trust Liabilities	1,924,836.29	675,158.49
Guarantee/Security/Deposits Payable	816,857.84	925,506.64
Total	<u>16,992,763.57</u>	<u>14,839,284.20</u>

Trust Liabilities – Disaster Risk Reduction Management (DRRM) Fund

The Trust Liabilities- DRRM Fund represents the amount set aside by the LGU to support its disaster risk management activities pursuant to RA no. 10121, otherwise known as the “Philippine Disaster Risk Reduction and Management Act of 2010”. The amount available and utilized during the year totaled P31,123,812.33 and P17,885,193.26, respectively.

Particulars	Available	Utilized	Balance
Current Year Appropriations:			
Quick Response	5,061,822.87	-	5,061,822.87
Mitigation Fund	11,810,920.02	9,144,302.82	2,666,617.20
Prior Year Appropriations:			
Quick Response	3,902,824.26	-	3,902,824.26
Mitigation Fund	10,348,245.18	8,740,890.44	1,607,354.74
Total	31,123,812.33	17,885,193.26	13,238,619.07

Note 9 – Other Payables

	2018	2019
Other Payables	586,856.73	1,112,181.73
Total	586,856.73	1,112,181.73

While the remaining accounts represents balances of funds received by the LGU for specific purposes.