



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

FINANCIAL AUDIT REPORT

on the

SANTA MARIA WATER DISTRICT Santa Maria, Bulacan

For the Year Ended December 31, 2021

SANTA MARIA WATER DISTRICT
CCC - 310
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REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

SANTA MARIA WATER DISTRICT
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June 16, 2022

Ms. TEODORA J. CATIIS
Chairperson of the Board of Directors
Santa Maria Water District
Santa Maria, Bulacan

Dear **Chairperson Catiis**:

We are pleased to transmit the Financial Audit Report on the audit of the Santa Maria Water District, Santa Maria, Bulacan for the Calendar Year 2021 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

We rendered an unmodified opinion on the fairness of presentation of the financial statements.


The audit report consists of Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations and Part III – Status of Implementation of Prior Year's Unimplemented Audit Recommendations.

The audit observations and recommendations were discussed with concerned officials of the District in the exit conference that was held on June 9, 2022. Management's comments were incorporated in the report, where appropriate.

We request that a status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 91 of the General Provisions of the General Appropriations Act for FY 2021.

We appreciate the invaluable support and cooperation extended by the officials and staff of the District during the audit engagement.

Very truly yours,



OMAR S. ROQUE
Regional Director

Om

SANTA MARIA WATER DISTRICT
Santa Maria, Bulacan

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2021
As at _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

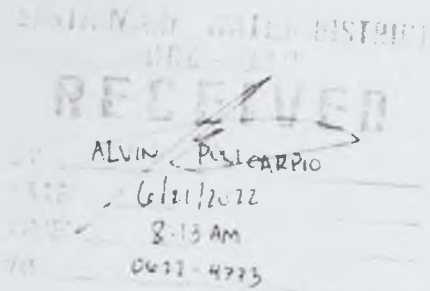
Name and Position of Agency Officer

Date

Note: Status of implementation may either be (a) Fully Implemented; (b) Ongoing; (c) Not implemented; (d) Partially Implemented; or (e) Delayed



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga



June 16, 2022

Engr. CARLOS N. SANTOS, JR.
General Manager
Santa Maria Water District
Santa Maria, Bulacan

Dear **Manager Santos**:

We are pleased to transmit the Financial Audit Report on the audit of the Santa Maria Water District, Santa Maria, Bulacan for the Calendar Year 2021 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

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We request that a status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 91 of the General Provisions of the General Appropriations Act for FY 2021.

We appreciate the invaluable support and cooperation extended by the officials and staff of the District during the audit engagement.

Very truly yours,

A handwritten signature in black ink, appearing to read 'OMAR S. ROQUE', with a stylized flourish at the end.

OMAR S. ROQUE
Regional Director

A small, handwritten mark or flourish located below the printed name and title.

SANTA MARIA WATER DISTRICT
 Santa Maria, Bulacan

**AGENCY ACTION PLAN and
 STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2021
As at _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Person Dept. Responsible	Target Implementation Date				
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Agency sign-off:

 Name and Position of Agency Officer

 Date

Note: Status of implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not implemented, (d) Partially Implemented; or (e) Delayed



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

June 14, 2022

Mr. OMAR S. ROQUE
Regional Director
COA Regional Office No. III
City of San Fernando, Pampanga

Dear Director Roque:

We are pleased to submit herewith the Financial Audit Report on the audit of the Santa Maria Water District, Santa Maria, Bulacan for the Calendar Year 2021 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

The audit report consists of Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations and Part III – Status of Implementation of Prior Year's Unimplemented Audit Recommendations. The Audit Observations and Recommendations were discussed with the officials concerned in the exit conference that was held on June 9, 2022.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit. We rendered an unmodified opinion on the fairness of presentation of the financial statements.

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,


OSCAR G. JACINTO, JR.
OIC-Supervising Auditor



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

June 9, 2022

Mr. OSCAR G. JACINTO, JR.
OIC-Supervising Auditor
Water Districts Audit Group
This Region

Sir:

We are pleased to submit herewith the Financial Audit Report on the audit of the Santa Maria Water District, Santa Maria, Bulacan for the Calendar Year 2021 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

The audit report consists of Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations and Part III – Status of Implementation of Prior Year's Unimplemented Audit Recommendations. The Audit Observations and Recommendations were discussed with the officials concerned in the exit conference that was held on June 9, 2022.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,

ARCEL T. DABU
OIC-Audit Team Leader



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

FINANCIAL AUDIT REPORT

on the

SANTA MARIA WATER DISTRICT Santa Maria, Bulacan

For the Year Ended December 31, 2021

EXECUTIVE SUMMARY

A. INTRODUCTION

The original water system of the Santa Maria Water District was constructed way back in 1931. It was then managed and operated by the defunct National Waterworks and Sewerage System (NAWASA). Upon the dissolution of NAWASA in 1971, the Management was turned over to the local government. Since then, however, the water system could not be maintained and operated efficiently for lack of funds. To address this predicament, the District was established in September 1986 thru Sangguniang Bayan Resolution No. 12.

The actual operation of the District began on September 23, 1987 with the issuance of a Conditional Certificate of Conformance, making it the 310th Water District in the Philippines, by the authority of the Local Water Utilities Administration (LWUA). The District is among the various agencies benefited by PD No. 198, known as the Local Water Utilities Act of 1973, creating LWUA to aid and assist provincial and urban water users through loans, technical assistance, training, and regulatory service.

Since 1992, by virtue of the Supreme Court En Banc decision, G.R. No. 95237 – 38 (Davao City Water District, et al.), water districts were declared Government Owned and/or Controlled Corporation with original charter, and as such they are placed under jurisdiction of the Civil Service Commission, the Department of Budget and Management, and the Commission on Audit.

The District was created for the following purposes:

1. To acquire, install, improve, maintain and operate water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of the District;
2. To provide, maintain and operate wastewater collection, treatment and disposal facilities; and
3. To conduct such other functions and operations incidental to water resource development, utilization, and disposal within the District, as are necessary or incident to said purposes.

The District belongs to Category “A” Water District headed by General Manager Engr. Carlos N. Santos Jr., with the support of two Department Managers, one Division Manager, 78 permanent, 32 casual, and 53 job order employees. It has 39,441 active service connections as of December 31, 2021.

The policy making body of the District is vested in its Board of Directors (BOD), composed of the following:

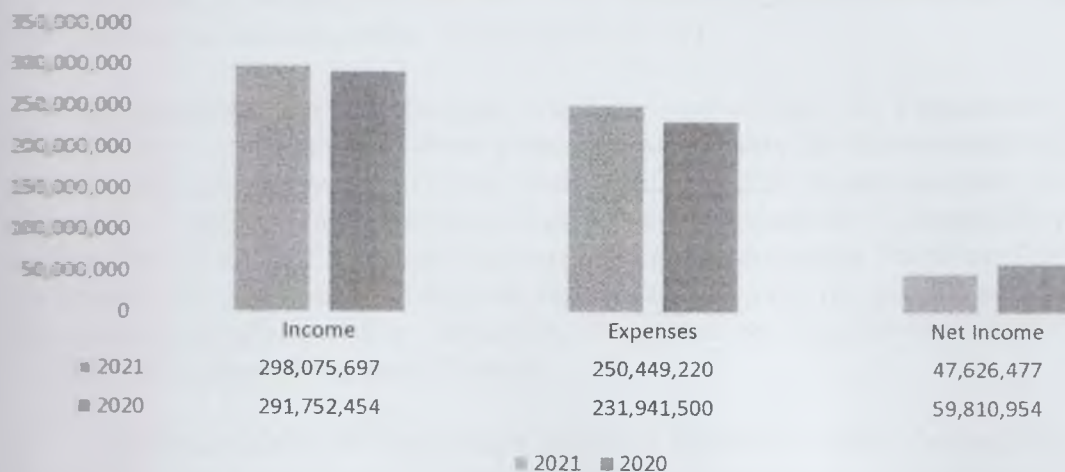
Name	Position	Sector
Ms. Teodora J. Catiis	Chairperson	Business Sector
Ms. Amelia S. De Jesus	Vice-Chairperson	Educational Institution
Engr. Brian Emerson D. Hernandez	Secretary	Professional Sector
Ms. Annaliza C. Ramirez	Auditor	Women's Organization
Ms. Carmelita T. Francisco	PRO	Civic - Oriented

B. FINANCIAL HIGHLIGHTS

Comparative Statement of Financial Position for CYs 2021 and 2020



Comparative Statement of Financial Performance for CYs 2021 and 2020



C. SCOPE OF AUDIT

We conducted an audit of the financial transactions and operations of the District for the year ended December 31, 2021, using risk-based audit approach in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated September 30, 2020 prescribing the General Audit Instructions for the conduct of CY 2021 Audit of Water Districts, and for other matters. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion. The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

D. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the District for the years ended December 31, 2021 and 2020.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The significant audit observations noted during the audit and the corresponding recommendations are presented below.

1. Unserviceable properties for CY 2021 under the Property, Plant and Equipment account with carrying value of ₱178,830 were not reclassified to Other Assets account contrary to Section 143 of the Manual on New Government Accounting System (NGAS), Volume III. Moreover, the unserviceable properties recognized as Other Assets with total carrying value of ₱821,172 as of December 31, 2021 remain undisposed contrary to Section 79 of Presidential Decree (PD) No. 1445, thus, exposing said items to further deterioration and reduction in economic value. (*Observation No. 1*)

We recommended that the General Manager instruct the (a) Department Manager Administrative and Finance to draw adjusting journal entry for the reclassification of the unserviceable properties of ₱178,830 from PPE to Other Assets account; (b) Property Custodian to facilitate the preparation of all necessary documents to dispose the properties listed in the Schedule of Inventory and Inspection of Unserviceable Properties (IIRUP); and (c) require the appraisal and disposal committee to cause the proper appraisal of all unserviceable properties that are beyond repair and can no longer be used as of December 31, 2021 to facilitate the disposal thereof.

2. The collectability of the inactive Accounts Receivable (AR)- Customers balance of ₱4,127,053 which constitutes 73.78% of total AR- Customers as at December 31, 2021 is remote due to lack of adequate and strict collection strategies as prescribed under Section

64 of the Government Accounting and Auditing Manual (GAAM), Volume I, thus, depriving the District of additional fund to finance its activities or settle its obligations. **(Observation No. 2)**

We reiterated our prior years' recommendations that the General Manager require the (a) Collectors to exert more efforts to collect past due accounts and direct the billing clerks to regularly send demand/collection letters together with the Statement of Account to all inactive concessionaires; and (b) Division Manager – Commercial to re-evaluate the status of the past due accounts and consider filing to the Commission on Audit request for write-off of the overdue and dormant accounts after all remedies for their collection had been exhausted.

3. The completeness, accuracy and existence of Property, Plant, and Equipment (PPE) account with carrying amount of ₱524,429,046 cannot be established due to non-reconciliation between balances per Financial Statements (FS) and Report on Physical Count of Property, Plant and Equipment (RPCPPE) contrary to Item 5.12 of the COA Circular No. 2020-006 dated January 31, 2020. Moreover, properties located at the pumping stations were not tagged with the District's property stickers contrary to Sections 123 and 124 of Presidential Decree (PD) No. 1445. **(Observation No. 3)**

We recommended that Management to require the personnel concerned to (a) reconcile the balances of the PPE account per Financial Statements (FS)/PPE Lapsing Schedule and Report on Physical Count of Property, Plant and Equipment (RPCPPE); and (b) place the proper tags on all the District's properties to establish accountability and to safeguard and monitor their usage.

4. The Transfer Certificate of Titles (TCT) for the two lots with aggregate area of 552 square meters acquired through donations totaling ₱4,396,200 were still not transferred under the name of the District, thus, absolute ownership thereof was not established, contrary to Section 39(2) of PD No. 1445 and Sections 51 and 52 of PD No. 1529. **(Observation No. 4)**

We recommended that the General Manager require the head of the General Services Division to facilitate the titling of the two donated lots in order to protect the District's interest over the property against third party claims.

7. The District was only able to utilize 718,181 cu. m. or 42.75% of the total contracted volume of 1,680,000 cu.m. bulk water billed by Luzon Clean Water Development Corporation (LCWDC) in CY 2021, thus the unutilized 961,819 cu.m. of water represents an opportunity loss of approximately ₱8,175,462 of the District, which is not aligned with the governing principles under Section 2 of Presidential Decree No. 1445. **(Observation No. 7)**

We recommended that Management (a) closely monitor the implementation of Bulakan Bulk Supply Improvement projects, such as network preparation and pipeline replacement; and (b) utilize fully the contracted volume of bulk water from Luzon Clean Development

Corporation to improve the quality of service and ensure the continuous availability of water for the benefit of the concessionaires.

8. Bulk water supply from Phil Hydro had registered high level of turbidity ranging from 5.35 to 11.82 in January 2021, exceeding the maximum limit of 5 Nephelometric Turbidity Units (NTU) as prescribed under the 1993 Philippine National Standard for Drinking-Water (PNSDW), Table 2.4 - Standard Values for Physical and Chemical Quality, which may cause harmful effects on the health of the concessionaires. *(Observation No. 8)*

We recommended that Management (a) fully utilize resources to finance projects that will increase water production to make available good quality water for the concessionaires; (b) require Phil Hydro to solve the problem on high turbidity of water; and (c) conduct/request for a separate Physical and Chemical Analysis to confirm the reliability of the test results submitted by Phil Hydro.

9. The District was unable to develop, more so implement a Septage Management Plan (SMP), thus, the objectives of Republic Act No. 9275 and Supreme Court Mandamus of 2008 to reduce pollution and ensure the safety of drinking water were not met. *(Observation No. 11)*

We recommended that Management (a) coordinate with Hagonoy Water District for the finalization of the Memorandum of Agreement in order to properly develop and implement its Septage Management Plan; and (b) initiate alternative courses of action to lessen the effect should the proposed MOA with Hagonoy Water District not prosper.

10. Franchise Taxes totaling ₱6,254,842 in CY 2021 were passed-on by the District to its concessionaires contrary to Section 119 of Title V of the National Internal Revenue Code (NIRC) of 1997, as amended by RA 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Act, as a result, the water charges imposed on the concessionaires during the year were higher than what they should have paid for. *(Observation No. 13)*

We reiterated our prior years' recommendation that Management (a) exclude the 2% Franchise Tax from the concessionaires' water bills; and (b) set aside 2% of its gross receipts and remit the same to the BIR in compliance with Section 119 of the NIRC, as amended by RA 10963.

F. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Audit disallowances amounting to ₱ 728,818 remained unsettled as of December 31, 2021.

**G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED
AUDIT RECOMMENDATIONS**

Of the 29 audit recommendations embodied in the CY 2020 Financial Audit Report, 13 were fully implemented, eight were partially implemented and eight were not implemented.

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PART I - AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Santa Maria Water District
Santa Maria, Bulacan

Unmodified Opinion

We have audited the financial statements of the Santa Maria Water District, Santa Maria, Bulacan, which comprise the Statement of Financial Position as at December 31, 2021 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Santa Maria Water District as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Unmodified Opinion

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the *Auditor's Responsibilities of the Audit of the Financial Statements* section of our report. We are independent of the District in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with the ethical requirements that are relevant to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:



OSCAR G. JACINTO, JR.
OIC-Supervising Auditor

June 9, 2022



Santa Maria

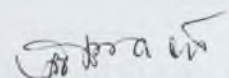
WATER DISTRICT

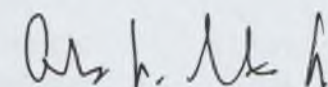
STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENT

The Management of the Santa Maria Water District is responsible for the preparation of the Financial Statement as of December 31, 2021, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility included designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material statement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approve the financial statements before such statements are issued to the regulators, creditors and other users.


TEODORA J. CATIIS
Chairman of the Board
2/17/22
Date Signed


JOVITA I. DALMACIO
Department Manager – Administrative,
Finance & General Services
2-17-22
Date Signed


ENGR. CARLOS N. SANTOS, JR.
General Manager
Date Signed 2/17/22

**SANTA MARIA WATER DISTRICT
STATEMENT OF FINANCIAL POSITION**

As at December 31, 2021

(With Comparative Figures for CY 2020)

(All amounts are rounded off to the nearest peso)

	Note	2021	2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	P121,602,183	P92,339,740
Receivables, Net	5, 19	8,590,097	21,097,859
Inventories	6	81,358,885	27,215,453
Other Assets	7	15,229,637	17,074,039
Total Current Assets		226,780,802	157,727,091
Non-Current Assets			
Investments	8	7,961,158	7,957,930
Property, Plant and Equipment, Net	9	524,429,046	459,625,544
Intangible Assets, Net		9,750	28,750
Other Assets	7	821,172	868,751
Total Non-Current Assets		533,221,126	468,480,975
TOTAL ASSETS		P760,001,928	P626,208,066
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	10, 19	P47,196,450	P52,126,583
Inter-Agency Payables	11	7,873,660	4,477,307
Trust Liabilities	12	22,080,466	16,572,311
Other Payables		485,668	464,062
Total Current Liabilities		77,636,244	73,640,263
Non-Current Liabilities			
Financial Liabilities	10, 19	194,778,992	114,554,414
Provisions	13	12,942,439	11,397,462
Deferred Credits/Unearned Income		1,567,992	1,274,163
Total Non-Current Liabilities		209,289,423	127,226,039
TOTAL LIABILITIES		286,925,667	200,866,302
EQUITY			
Government Equity		289,562	289,562
Retained Earnings		472,786,699	425,052,202
TOTAL EQUITY		473,076,261	425,341,764
TOTAL LIABILITIES AND EQUITY		P760,001,928	P626,208,066

The notes on pages 8 to 28 form part of these statements.

SANTA MARIA WATER DISTRICT
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2021
(With Comparative Figures for CY 2020)

(All amounts are rounded off to the nearest peso)

	Note	2021	2020
INCOME			
Service and Business Income	14	P294,879,204	P285,852,020
Shares, Grants and Donations		0	4,560,700
Other Non-Operating Income		3,196,493	1,339,734
Total Income		298,075,697	291,752,454
EXPENSES			
Personnel Services	15	61,539,353	53,772,414
Maintenance and Other Operating Expenses	16	159,993,729	148,742,829
Financial Expenses	17	9,260,054	10,537,705
Non-Cash Expenses	18	19,656,084	18,888,552
Total Expenses		250,449,220	231,941,500
NET INCOME		P47,626,477	P59,810,954

The notes on pages 8 to 28 form part of these statements.

**SANTA MARIA WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2021**

(All amounts are rounded off to the nearest peso)

	GOVERNMENT EQUITY	RETAINED EARNINGS	TOTAL
BALANCE AT DECEMBER 31, 2020	₱289,562	₱425,052,202	₱425,341,764
Add (Deduct):			
Net Income for the year	0	47,626,477	47,626,477
Other Adjustments	0	108,020	108,020
BALANCE AT DECEMBER 31, 2021	₱289,562	₱472,786,699	₱473,076,261

The notes on pages 8 to 28 form part of these statements.

SANTA MARIA WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021
(With Comparative Figures for CY 2020)

(All amounts are rounded off to the nearest peso)

	Note	2021	2020
Cash Flows from Operating Activities			
Cash Inflows			
Collection of Income/Revenues		₱325,446,632	₱277,491,178
Trust Receipts		1,375,425	697,688
Other Receipts		7,571,848	5,562,427
Adjustments		8,800,715	10,045,121
Total Cash Inflows		343,194,620	293,796,414
Cash Outflows			
Payment of Expenses		172,447,579	180,345,652
Purchase of Inventories		34,175,909	28,994,383
Grant of Cash Advances		5,439,992	5,439,992
Prepayments		988,451	988,451
Remittance of Personnel Benefits Contributions and Mandatory Deductions		35,120,141	28,403,485
Other Disbursements		0	249,188
Adjustments		7,634,378	2,213,861
Total Cash Outflows		255,806,450	246,635,012
Net Cash Provided by (Used in) Operating Activities		87,388,170	47,161,402
Cash Flows from Investing Activities			
Cash Outflows			
Purchase/Construction of PPE		126,141,112	28,732,871
Investments		0	700,000
Total Cash Outflows		126,141,112	29,432,871
Net Cash Provided by (Used in) Investing Activities		(126,141,112)	(29,432,871)
Cash Flows from Financing Activities			
Cash Inflows			
Proceeds from Domestic and Foreign Loans		93,641,270	14,953,860
Total Cash Inflows		93,641,270	14,953,860
Cash Outflows			
Payment of Long-Term Liabilities		16,094,021	14,572,305
Payment of Interest Expenses		9,531,864	10,710,276
Total Cash Outflows		25,625,885	25,282,581
Net Cash Provided by (Used in) Financing Activities		68,015,385	(10,328,721)
Increase (Decrease) in Cash and Cash Equivalents		29,262,443	7,399,810
Cash and Cash Equivalents, January 1		92,339,740	84,939,930
Cash and Cash Equivalents, December 31	4	121,602,183	₱92,339,740

The notes on pages 8 to 28 form part of these statements.

NOTES TO FINANCIAL STATEMENTS

(All amounts are rounded off to the nearest peso)

1. Agency Information and Authorization for Issue of the Financial Statements

1.1 Agency Background

The original water system of the Santa Maria Water District was constructed way back in 1931. It was then managed and operated by the defunct National Waterworks and Sewerage System (NAWASA). Upon the dissolution of NAWASA in 1971, the Management was turned over to the local government. Since then, however, the water system could not be maintained and operated efficiently for lack of funds. To address this predicament, the District was established in September 1986 thru Sangguniang Bayan Resolution No. 12.

The actual operation of the District began on September 23, 1987 with the issuance of a Conditional Certificate of Conformance, making it the 310th Water District in the Philippines, by the authority of the Local Water Utilities Administration (LWUA). The District is among the various agencies benefited by PD No. 198, known as the Local Water Utilities Act of 1973, creating LWUA to aid and assist provincial and urban water users through loans, technical assistance, training, and regulatory service.

Since 1992, by virtue of the Supreme Court En Banc decision, G.R. No. 95237 – 38 (Davao City Water District, et al.), water districts were declared Government Owned and/or Controlled Corporation with original charter, and as such they are placed under jurisdiction of the Civil Service Commission, the Department of Budget and Management, and the Commission on Audit.

The District was created for the following purposes:

1. To acquire, install, improve, maintain and operate water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of the District;
2. To provide, maintain and operate wastewater collection, treatment and disposal facilities; and
3. To conduct such other functions and operations incidental to water resource development, utilization, and disposal within the District, as are necessary or incident to said purposes.

The District belongs to Category “A” Water District headed by General Manager Engr. Carlos N. Santos Jr., with the support of two Department Managers, one Division Manager, 78 permanent, 32 casual, and 53 job order employees. It has 39,441 active service connections as of December 31, 2021.

The policy making body of the District is vested in its Board of Directors (BOD), composed of the following:

Name	Position	Sector
Ms. Teodora J. Catiis	Chairperson	Business Sector
Ms. Amelia S. De Jesus	Vice-Chairperson	Educational Institution
Engr. Brian Emerson D. Hernandez	Secretary	Professional Sector
Ms. Annaliza C. Ramirez	Auditor	Women's Organization
Ms. Carmelita T. Francisco	PRO	Civic - Oriented

1.2 Authorization for Issue of the 2021 Financial Statements

The financial statements of the District for the year ended December 31, 2021 were authorized for issue by the Board of Directors on February 17, 2022 as appearing in the Statement of Management's Responsibility for Financial Statements.

2. **Accounting Policies**

2.1 Basis of Financial Statements Presentation

The financial statements of the District have been prepared using historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the District's functional and presentation currency. All values are rounded off to the nearest peso, except when otherwise indicated.

For the year ended December 31, 2021, the District prepared its financial statements (FS) in accordance with generally accepted accounting principle in the Philippines and Philippine Financial Reporting Standards (PFRS).

2.2 Statement of Compliance

The financial statements were prepared in compliance with Philippine Financial Reporting Standards (PFRS), which includes statements named PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council and Revised Chart of Accounts (RCA) for Government Corporations prescribed in COA Circular Nos. 2015-010 and 2016-006 dated December 1, 2015 and December 29, 2016, respectively.

2.3 Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the District's financial statements are summarized on the next page.

2.3.1 Current versus Noncurrent Classification

The District presents assets and liabilities in the statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to sell or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to deter the settlement of the liability for at least twelve months after the reporting period

The District classifies all other liabilities as noncurrent.

2.3.2 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the District. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The District uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the District determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the District has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.3.3 Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

2.3.4 Financial Instrument

Date of recognition

The District recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of financial instruments

Financial instruments are initially recognized at fair value, which is the fair value of the consideration given (in case of a financial asset) or received (in case of a financial liability). Except for securities at Fair Value through Profit or Loss (FVPL), the initial measurement of financial instruments includes transaction costs.

The District classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, Available For Sale (AFS) financial assets and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

As at December 31, 2021 and 2020, the District does not have financial assets and financial liabilities at FVPL, HTM investments, and AFS.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in "Interest income" in profit or loss. The losses arising from impairment of such loans and receivables are recognized as "Provision for probable losses and doubtful accounts" in profit or loss.

As at December 31, 2021 and 2020, this category includes the District's Receivables account.

Other financial liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the District having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies to the District's long-term debt, accounts and other payables except statutory liabilities.

2.3.5 Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- The right to receive cash flows from the assets has expired;
- The District retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement;
- The District has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the District has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the District’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the District could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.3.6 Impairment of Financial Assets

The District assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only 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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter

bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with default. For the District's receivables from customers, evidence of impairment may also include non-collection of the District's trade receivables, which remain unpaid after thirty days from bill generation.

Loans and receivables

For loans and receivables carried at amortized cost, the District 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 District 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 assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for 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 the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

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 reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The District's Allowance for impairment of its Accounts Receivable was determined as the likely amount that will not be collected from delinquent customers.

2.3.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, **and only if**, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability **simultaneously**.

2.3.8 Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchanged financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the District; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the District does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

2.3.9 Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the moving average method.

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

2.3.10 Property and Equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE. The characteristics of PPE are as follows:

- Tangible items;
- Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to entity;
- The cost or fair value of the item can be measured reliably; and
- The cost is at least ₱15,000.00.

PPE, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of PPE comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the PPE to its working condition and location for its

intended use, including capitalized borrowing costs incurred during the construction period.

Expenditures incurred after the PPE have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of PPE beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related PPE.

Depreciation and amortization of PPE commences once the PPE are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the PPE as presented below:

<u>Category</u>	<u>Number of years</u>
Office furniture and equipment	5
Transportation equipment	7
Machinery and equipment	10
Other Structures	10-20
Utility Plant in Service	30

The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of PPE.

Fully depreciated PPE are retained in the accounts until they are no longer in use and no further depreciation are charged to current operations.

When PPE is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated impairment, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

2.3.11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful

life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

2.3.12 Impairment of Non-financial Assets

The District assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in

future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.3.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the District and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

2.3.14 Income from Waterworks System

Water revenue are recognized when the related water services are rendered. Water is billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month are estimated and accrued. These estimates are based on historical consumption of the customers.

2.3.15 Fines and Penalties not related to taxes

The District recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

The District charges fines and penalties to customers when there is a delay in the payment of water bill. A penalty of 10% of the water bill is automatically charged by the Billing and Collection System the day following the due date.

2.3.16 Other Business Income

Other customer related fees such as connection, reconnection and disconnection fees are recognized when these services have been rendered.

2.3.17 Interest Income

Interest income is recognized as it accrues, taking into account the effective yield of the assets.

2.3.18 Cost of Services and Operating Expenses

Cost of services and operating expenses are recognized as they are incurred. Cost and expenses are recognized in the profit and loss when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen other than distributions to equity participants that can be measured reliably. Cost and expenses are recognized in the profit and loss on the basis of systematic and rational allocation procedures when

economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the statement of financial position as an asset.

2.3.19 Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset shall be recognized for all deductible temporary differences and operating loss carryforward when it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. (PAS12.24)

Relative thereto, Section 14 of PD No. 198 and Department of Justice ruling under case No. OSJ-2005-03 provides that the Water Districts are exempted from imposition of Income tax and liable only to two percent (2%) Franchise Tax based on its gross receipts. Recognition of deferred tax is not applicable as stated above.

2.3.20 Provisions and Contingencies

Provisions

A provision is recognized when the District has (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the District expects a provision to be reimbursed, the reimbursement is not recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.3.21 Employee Benefits

The employees of the District are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. Employee entitlements to annual earned leave are recognized as a liability when they are accrued to the employees.

The District recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the District's financial statements in compliance with PFRS requires Management to make judgments, estimates and assumptions that affect the amounts reported and disclosure in the financial statements and the related notes. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results could differ from those estimates, and such, will be adjusted accordingly.

The District believes the following represent a summary of these significant judgments, estimates and assumptions, and the related impact and associated risks in the financial statements.

Judgments

In the process of applying the District's accounting policies, Management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

3.1 Determination of impairment of non-financial asset

The District assesses the impairment of non-financial assets (PPE, other current assets, and other noncurrent assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the District considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;

- Significant changes in the manner of usage of the acquired assets or the strategy for the District's overall business; and
- Significant negative industry or economic trends.

In 2021 and 2020, the District has not identified any impairment indicator, thus, no impairment was recognized.

3.2 *Estimates and Assumptions*

Key assumptions concerning the future and other 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 are discussed below.

Determination of impairment of receivables

The District reviews its receivables at each reporting date to assess whether provision for doubtful accounts should be recorded in profit or loss. The District maintains an allowance for impairment - accounts receivable based on the results of the individual and collective impairment assessments under PAS 39. Allowance for impairment - accounts receivable is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. These factors include, but not limited to, age and status of receivables, the concessionaire's payment behavior and known market factors. An evaluation of receivables, designed to identify potential charges to the allowance is performed on a continuous basis throughout the year.

The District computes the Allowance for Impairment-Accounts Receivable based on the aging of receivables.

Determination of estimated useful lives of PPE

The useful life of each of the District's item of PPE is estimated based on the period over which the asset is expected to provide economic benefits. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expense and decrease the carrying value of PPE.

There were no changes in the estimated useful lives of PPE in 2021 and 2020.

4. Cash and Cash Equivalents

This account pertains to cash collecting officers, petty cash fund, and cash in bank readily available in the payment of current obligations of the District and not subject to any restriction, contractual or otherwise. Details are as follows:

	2021	2020
Petty Cash Fund	₱ 40,000	₱ 40,000
Cash Collecting Officers	30,000	1,300,306
Cash in Bank-Local Currency, Current Account	104,555,636	75,278,904
Cash in Bank-Local Currency, Savings Account	16,976,547	15,720,530
Total Cash and Cash Equivalents	₱ 121,602,183	₱ 92,339,740

5. Receivables, Net

This account includes all amounts due arising from services rendered to customers/concessionaires, water sales, incidental services and allowance for impairment.

	2021	2020
Accounts Receivable	₱ 5,613,031	₱ 13,895,141
Less: Allowance for Impairment - Accounts Receivable	(157,940)	(238,130)
<i>Net Accounts Receivable</i>	5,455,091	13,657,011
Notes Receivable	3,033,006	7,312,114
Receivables-Disallowances/Charges	102,000	128,000
Other Receivables	0	734
Total Receivables, Net	₱ 8,590,097	₱ 21,097,859

5.1 Aging Analysis of Accounts Receivable (AR)

2021						
	1-60 days	61-180 days	181-365 days	Over 1 Year	Total	%
Active	₱1,462,715	₱ 2,695	₱ 3,413	₱ 0	₱1,468,823	26%
Inactive	302,225	325,040	2,087,101	1,429,842	4,144,208	74%
Total	₱1,764,940	₱ 327,735	₱2,090,514	₱ 1,429,842	₱5,613,031	100%
2020						
	1-60 days	61-180 days	181-365 days	Over 1 Year	Total	%
Active	₱5,818,371	₱ 403,305	₱ 125	₱ 0	₱6,221,801	45%
Inactive	2,297,215	3,806,030	102,543	1,467,552	7,673,340	55%
Total	₱8,115,586	₱ 4,209,335	₱102,668	₱ 1,467,552	₱13,895,141	100%

Account Receivable pertains to an open account arising from services rendered to the customers for water sales and incidental services.

Other Receivables pertain to the amounts collectible from collecting agents other than water sales.

6. Inventories

This account consists of unissued materials and supplies, which are kept in the stockroom and available for future use by the District in its operations.

	2021	2020
Office Supplies Inventory	P 352,855	P 464,393
Accountable Forms, Plates and Stickers Inventory	605,608	720,000
Non-Accountable Forms Inventory		
Medical, Dental and Laboratory Supplies Inventory	667,566	621,300
Construction Materials Inventory	79,732,856	25,409,760
Total Inventories	P81,358,885	P 27,215,453

7. Other Assets

This account consists of the following:

	2021	2020
<i>Other Assets - Current</i>		
Advances to Contractors	P 7,600,327	P 8,884,203
Prepaid Rent	189,000	189,000
Prepaid Insurance	53,377	66,219
Other Prepayments	971,374	0
Guaranty Deposits	197,223	945,070
Deferred Charges/Losses	6,218,336	6,989,547
Total Other Assets - Current	15,229,637	17,074,039
<i>Other Assets - Non-Current</i>		
Other Assets	821,172	868,751
Total Other Assets - Non-Current	821,172	868,751
Total Other Assets	P 16,050,809	P17,942,790

8. Investments

Non-current investments compose of reserves as evidenced by a subsisting LWUA-WD Joint Savings Account (JSA) amounting to P 7,961,158 as of December 31, 2021. This amount is a restricted asset of Santa Maria Water District that is set aside for payment of a long-term debt.

9. Property, Plant and Equipment (PPE), Net

This account includes properties of a relatively permanent character that are used in normal operations. The details of PPE are presented below:

CY 2021	Balance at Cost, January 1	Additions / Acquisitions	Disposals / Adjustments	Balance at Cost, December 31	Accumulated Depreciation, December 31	PPE, Net
Land	P36,873,097	P0	P0	P36,873,097	P0	P36,873,097
Infrastructure Assets	436,532,627	1,186,227	17,956,206	455,675,060	131,067,275	324,607,785
Buildings and Other Structures	19,272,647	518,141	(54,284)	19,736,504	7,069,042	12,667,462
Machinery and Equipment	14,208,098	1,728,378	0	15,936,476	11,169,572	4,766,904
Land Transportation Equipment	14,839,113	85,500	0	14,924,613	11,588,092	3,336,521
Furniture, Fixtures and Books	953,705	0	0	953,705	465,203	488,502
Other PPE	59,265,117	2,273,260	5,772,839	67,311,216	21,003,927	46,307,289
Construction in Progress	40,169,261	69,658,965	(14,446,740)	95,381,486	0	95,381,486
TOTAL	P622,113,665	P75,450,471	P9,228,021	P706,792,157	P182,363,111	P524,429,046

CY 2020	Balance at Cost, January 1	Additions / Acquisitions	Disposals / Adjustments	Balance at Cost, December 31	Accumulated Depreciation, December 31	PPE, Net
Land	P32,312,397	P4,560,700	P0	P36,873,097	P0	P36,873,097
Infrastructure Assets	408,698,610	27,834,017	0	436,532,627	116,455,899	320,076,728
Buildings and Other Structures	18,521,823	750,824	0	19,272,647	6,317,317	12,955,330
Machinery and Equipment	13,384,545	823,553	0	14,208,098	9,795,053	4,413,045
Land Transportation Equipment	12,693,113	2,146,000	0	14,839,113	10,613,939	4,225,174
Furniture, Fixtures and Books	953,705	0	0	953,705	371,728	581,977
Other PPE	55,127,032	4,138,085	0	59,265,117	18,934,185	40,330,932
Construction in Progress	23,738,039	45,922,073	(29,490,851)	40,169,261	0	40,169,261
TOTAL	P565,429,264	P86,175,252	P(29,490,851)	P622,113,665	P162,488,121	P459,625,544

The land account as of December 31, 2021 under the possession of SMWD pertained to the following:

TCT no.	Acquisition Date	Acquisition Cost	Location
TCT no. T-121059 (M)	May 30, 1990		PS 4, Molave St., Sta. Clara
TCT no. T-190180 (M)	May 18, 1994	P369,900	PS 4, Molave St., Sta. Clara
TCT no. T-4194311 (M)	June 25, 2003	300,000	Sitio Bato, Guvong
TCT no. T-468346 (M)	March 6, 2015	4,000,000	Farmacia Emilia, General Services Division's Office
TCT no. T-521158 (M)	July 11, 2008	1,500,000	Bernardo, Operation, Procurement and Finance Office
TCT no. T-557269 (M)	March 16, 2010	345,000	PS 15, Gulod, San Jose Patag
TCT no. 040-2014011862	May 21, 2014	954,800	PS 21, Manggahan
TCT no. 040-2014011863	May 21, 2014		Lot of SMWD's Future Building J.P. Rizal St.
TCT no. T-040-2014011864	May 21, 2014	20,544,000	Lot of SMWD's Future Building J.P. Rizal St.
TCT no. T-040-2014011865	May 21, 2014		Lot of SMWD's Future Building J.P. Rizal St.
T-17904-P (M)	November 14, 2019	4,297,600	Lot of SMWD's Future Septage Water Treatment Plant Catmon
T-17907-P (M)			
Turned over by the municipality		1,097	
		P32,312,397	

In addition, the District has three donated lots with a total of 587 square meters, as follows:

TCT no.	Date of Donation	Market Value	Location
TCT no. T-50.910 (M)	August 11, 2008	₱1,140,000	Garden Village. Pulong Buhangin. Santa Maria Bulacan
TCT no. T-297615 (M)	February 17, 2006	164,500	Labanos. Tuman. Santa Maria. Bulacan
TCT-T-1648430	August 11, 2008	3,256,200	Garden Village. Pulong Buhangin. Santa Maria Bulacan
		₱4,560,700	

10. Financial Liabilities (FL)

This account is composed of accounts payable to suppliers for purchases of materials, labor, and supplies for expansion projects, accounts due to officers and employees, current and non-current portion of long term loans payable and interest accrued in relations to loans payable.

	2021	2020
<i>Current FL</i>		
Accounts Payable	₱26,362,681	₱29,960,630
Due to Officers and Employees	3,376,909	1,609,385
Loans Payable- Domestic	17,456,860	20,556,568
Total Current FL	47,196,450	52,126,583
<i>Non-Current FL</i>		
Loans Payable- Domestic	194,778,992	114,554,414
Total Non-Current FL	194,778,992	114,554,414
Total FL	₱241,975,442	₱166,680,997

11. Inter-Agency Payables

This account consists of the following:

	2021	2020
Due to BIR	₱ 6,863,556	₱ 3,735,602
Due to GSIS	769,855	532,238
Due to Pag-IBIG	167,157	144,204
Due to PhilHealth	73,092	65,263
Total Inter-Agency Payables	₱ 7,873,660	₱ 4,477,307

12. Trust Liabilities

This account consists of the following:

	2021	2020
Performance/Bidders/Bail Bonds Payable	₱ 1,193,005	₱ 809,182
Guaranty/Security Deposits Payable	20,887,461	15,763,129
Total Trust Liabilities	₱22,080,466	₱16,572,311

13. Provisions

This is the balance of Leave Benefits Payable account which pertains to the monetary value of the accumulated leave credits of officials and employees of the District.

14. Service and Business Income

This account is composed of:

	2021	2020
Sales Revenue	₱288,252,673	₱280,060,082
Less: Sales Discount	(6,723,015)	(597,562)
<i>Net Sales</i>	281,529,658	279,462,520
Interest Income	53,179	62,485
Fines and Penalties- Business Income	5,746,089	2,240,552
Other Business Income	7,550,278	4,086,463
Total Service and Business Income	₱294,879,204	₱285,852,020

15. Personnel Services (PS)

This account is composed of:

	2021	2020
Salaries and Wages	₱37,856,176	₱32,636,856
Other Compensation	16,042,906	14,274,690
Personnel Benefits Contributions	4,422,548	3,673,111
Other Personnel Benefits	3,217,723	3,187,757
Total PS	₱61,539,353	₱53,772,414

16. Maintenance and Other Operating Expenses (MOOE)

This account is composed of:

	2021	2020
Traveling Expenses	P40,307	P125,086
Training Scholarship Expenses	180,164	216,711
Supplies and Materials Expenses	7,652,557	5,840,954
Utility Expenses	1,175,904	881,042
Communication Expenses	1,265,525	1,133,371
Generation, Transmission and Distribution Expenses	124,602,014	122,856,299
Extraordinary Expenses and Miscellaneous Expenses	135,600	135,600
Professional Services	892,965	675,434
General Services	3,579,370	2,921,499
Repairs and Maintenance	16,989,508	11,441,860
Taxes, Duties and Licenses	438,614	517,055
Other Maintenance and Operating Expenses	3,041,201	1,997,918
Total MOOE	P159,993,729	P148,742,829

17. Financial Expenses

This account is composed of:

	2021	2020
Interest Expenses	P9,062,544	P10,408,888
Bank Charges	197,510	128,817
Total Financial Expenses	P9,260,054	P10,537,705

18. Non- Cash Expenses

This account is composed of:

	2021	2020
Depreciation	P19,637,084	P18,745,144
Amortization	19,000	19,000
Impairment Loss	0	124,408
Total Non-Cash Expenses	P19,656,084	P18,888,552

19. Fair Value Measurement

The carrying amounts approximate fair values of the District's financial assets and liabilities are as follows:

	2021		2020	
	Carrying Amount	Fair Value Significant unobservable inputs (Level 3)	Carrying Amount	Fair Value Significant unobservable inputs (Level 3)
<i>Loans and Receivables</i>				
Accounts Receivable	₱5,613,031	₱5,613,031	₱13,895,141	₱13,895,141
<i>Financial Liabilities</i>				
Accounts Payable	26,362,681	26,362,681	29,960,630	29,960,630
Loans Payable	212,235,851	212,235,851	135,110,982	135,110,982
Total Financial Liabilities	₱238,598,532	₱238,598,532	₱165,071,612	₱165,071,612

Fair Value Hierarchy

There were no financial assets measured at fair value as of December 31, 2021 and 2020. During these periods, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS

- A. Audit Qualifications/Financial Audit Observation
- B. Other Audit Observations

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Audit Qualifications/Financial Audit Observation

There were no material audit observations that made an impact on the fairness of the Financial Statements of Santa Maria Water District for CY 2021.

B. Other Audit Observations

Non-reclassification of unserviceable properties to Other Assets and non-disposal

1. *Unserviceable properties for CY 2021 under Property, Plant and Equipment account with carrying value of ₱178,830 were not reclassified to Other Assets account contrary to Section 143 of the Manual on New Government Accounting System (NGAS), Volume III. Moreover, the unserviceable properties recognized as Other Assets with total carrying value of ₱821,172 as of December 31, 2021 remain undisposed contrary to Section 79 of Presidential Decree (PD) No. 1445, thus, exposing said items to further deterioration and reduction in economic value.*

1.1 Verification of the reported Other Assets account amounting to ₱821,172 as of December 31, 2021 revealed that the same is yet to include the 216 items of unserviceable properties with carrying value of ₱178,830 contrary to Section 143 of the Manual on New Government Accounting System (NGAS), Volume III which states that *Other Assets (251)*. *This account is used to record the value of obsolete and unserviceable assets awaiting final disposition as well as those assets still serviceable but are no longer being used. These items are not subject to depreciation.*

Debit this account for:

Cost of obsolete and unserviceable assets awaiting final disposition including property and equipment no longer used in the agency operation but still serviceable

Credit this account for:

Sale

Transfer to government agencies

Donation

1.2 Moreover, 68 items of unserviceable properties recognized as Other Assets with carrying value of ₱821,172 as of December 31, 2021 were not yet disposed of contrary to Section 79 of PD No. 1445 which provides that *when government property has become*

unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned, and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission.

1.3 Annex M of COA Memorandum No. 2005-027 dated February 28, 2005 provides the following documents/information needed to be submitted to COA Regional Office No. III for technical evaluation of unserviceable properties, to wit:

- a) Duly signed Inventory and Inspection Report of Unserviceable Property;
- b) In-house Appraisal Report with supporting computation on the appraised values;
- c) Complete technical description of the property indicating the capacity, type, model, brand, dimension, and other relevant description;
- d) The date when the properties were put into operation;
- e) Duly authenticated colored photographs of the property;
- f) Duly certified copies of equipment ledger/record of maintenance/repair of the equipment; and
- g) Lapsing Schedule of PPE

1.4 The failure to reclassify the unserviceable properties of ₱178,830 from the Property, Plant and Equipment (PPE) account to the Other Assets account resulted in the understatement of the Other Assets and overstatement of the PPE by the same amount. On the other hand, the delay in the disposal of the unserviceable assets that are already beyond repair exposed these properties to further deterioration as well as reduction in economic value. Also, storing these items requires considerable spaces, thus, negating use for other more important purposes.

1.5 We recommended and the General Manager agreed to require the (a) Department Manager Administrative and Finance to draw adjusting journal entry for the reclassification of the unserviceable properties of ₱178,830 from PPE to Other Assets account; (b) Property Custodian to facilitate the preparation of all necessary documents to dispose the properties listed in the Schedule of Inventory and Inspection of Unserviceable Properties (IIRUP); and (c) appraisal and disposal committee to cause the proper appraisal of all unserviceable properties that are beyond repair and can no longer be used as of December 31, 2021 to facilitate the disposal thereof.

Remote collectability of inactive Accounts Receivable (AR) – Customers balance of ₱4,127,053

2. *The collectability of the inactive Accounts Receivable (AR)- Customers balance of ₱4,127,053 which constitutes 73.78% of total AR- Customers as at December 31, 2021 is remote due to lack of adequate and strict collection strategies as prescribed under Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I, thus, depriving the District of additional fund to finance its activities or settle its obligations.*

2.1 As shown in the Detailed Statement of Financial Position, the balance of Accounts Receivable (AR) - Customers as at December 31, 2021 amounted to ₱5,593,511. This ending balance was reconciled with the balance per AR aging schedule. Details of the AR aging schedule is as follows:

Table 1: Aging of Accounts Receivable- Customers as at December 31, 2021

Days/Years	CY 2021		
	Active Accounts Receivable	Inactive Accounts Receivable	Total
1 – 60 days	₱ 1,461,161	₱ 297,815	₱ 1,758,976
61 – 180 days	2,140	322,925	325,065
181 days – one year	3,158	2,077,286	2,080,444
Over 1 year to 2 years		46,640	46,640
Over 2 years to 3 years		234,996	234,996
Over 3 years to 4 years	0	89,647	89,647
Over 4 years to 5 years	0	192,862	192,862
Over 5 to over 10 years	0	864,882	864,882
Total	₱ 1,466,458	₱ 4,127,053	₱ 5,593,511
Percentage to total Accounts Receivables	26.22%	73.78%	

2.2 Based on Table 1 above, 73.78% of the District's AR as of December 31, 2021 represents inactive accounts which have been outstanding from one day to over 10 years.

2.3 The Commercial Division was able to send demand letters to some of the District's inactive concessionaires. It was noted however, that most of the inactive concessionaires cannot be located. Moreover, their arrears have been outstanding for more than ten years but the District has not requested authority from COA to write-off these AR as stated under COA Circular No. 2016-005 dated December 19, 2016 which states that *Dormant Receivable Accounts which remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement collectability could no longer be ascertained can be written off.* Item 5.4 of the said COA Circular further provides that *receivables are said to be dormant if the balances of which have remained inactive or non-moving in the books of accounts for ten years or more and where settlement/collectability could no longer*

be ascertained. The procedures on how to request for write-off enumerated in Items 8.2 and 8.3 of the same Circular are as follows:

8.2 The Head of the government entity shall file the request for authority to write off dormant receivable accounts, xxx No filing fee is required;

8.3 The request shall be supported by the following documents:

a. Schedule of dormant accounts by accountable officer/debtor government entity and by account, certified by the accountant and approved by the Head of the government entity;

b. Certified relevant documents validating the existence of the conditions, as applicable, such as:

b.1 Death Certificate issued by Philippine Statistics Authority

b.2 Proof of Insolvency

b.3 Certification from the Department of Trade and Industry that the debtor has no registered business

b.4 Certification from the Securities and Exchange Commission that the Corporation is no longer active

b.5 Certificate of no residence in the barangay of the municipality/city of last known address

b.6 Proof of exhaustion of all remedies to collect the receivables and demand to liquidate the cash advances and fund transfers, such as but not limited to copies of served or returned demand letters

b.7 Certification by Legal Officer of the entity of no pending case relative to the account

b.8 Certification by the responsible officials of the entity to the effect that there are no records/documents available to validate claim

xxx

2.4 It was also noted that although the District is preparing the Aging Schedule of AR, it was nonetheless unable to regularly institute actions for their collection thru regular sending of demand letters to all inactive concessionaires as required under Section 64 of the Government Accounting and Auditing Manual which states that *Quarterly, each agency accounting unit shall prepare a statement scheduling overdue accounts receivable. The agency head, or his authorized representative, shall review and sign this statement as an indication that he has examined the list of overdue accounts and has instituted, or will institute action for their collection.*

2.5 Due to lack of stricter and effective collection strategies, the collectability of inactive accounts was remote, thus, the District was deprived of the funds that could have been used to finance its projects.

2.6 We reiterated our prior years' recommendations and the General Manager agreed to require the (a) Collectors to exert more efforts to collect past due accounts and direct the billing clerks to regularly send demand/collection letters together with the Statement of Account to all inactive concessionaires; and (b) Division Manager – Commercial to re-evaluate the status of the past due accounts and consider filing to the Commission on Audit request for write-off of the overdue and dormant accounts after all remedies for their collection had been exhausted.

Non-reconciliation of PPE balances per Financial Statements and physical count and failure to put property stickers on properties located at pumping stations

3. *The completeness, accuracy and existence of Property, Plant, and Equipment (PPE) account with carrying amount of ₱524,429,046 cannot be established due to non-reconciliation between balances per Financial Statements (FS) and Report on Physical Count of Property, Plant and Equipment (RPCPPE) contrary to Item 5.12 of the COA Circular No. 2020-006 dated January 31, 2020. Moreover, properties located at the pumping stations were not tagged with the District's property stickers contrary to Sections 123 and 124 of Presidential Decree (PD) No. 1445.*

3.1 The District's Inventory Committee was able to conduct physical inventory of its properties on a semi-annual basis. Inspection of District's properties was conducted by the Audit Team on May 26, 2022 and June 1, 2022 located at the following pumping stations:

1.	Pumping Station (PS) No. 8 – Villa Rica	6.	PS No. 20 Pulang Lupa
2.	PS No. 15 San Jose Patag	7.	PS No. 10 Garden Village
3.	PS No. 18 Kamatis, Tumana	8.	PS No. 09 Green Valley
4.	PS No. 12 Mahabang Parang	9.	PS No. 07 Sitio Bato
5.	PS No. 13 Kalsadang Munti	10.	PS No. 03 Celeste

3.2 We noted that the balance of each Property, Plant and Equipment (PPE) account per Financial Statements (FS) as of December 31, 2021 reconciled with the balance per PPE Lapsing Schedule. However, no reconciliation was made between the balance per PPE Lapsing Schedule and Report of Physical Count of Property, Plant and Equipment (RPCPPE) and properties are not tagged with the property stickers which explained the difficulty by the audit team in determining which among of the property items listed in the PPE Lapsing Schedule actually are on site during inspection/validation.

3.3 This is contrary to Item 5.12 of the COA Circular No. 2020-006 dated January 31, 2020 which provides that *Property records shall be updated based on the results of the physical inventory and reconciled with the accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPEs.*

3.4 COA Circular No. 2020-006 item 6.2.5 declares that *All PPE items shall be tagged with new property stickers.* Item 5.7 also provides that:

For easy identification, the Property Number shall be prominently shown in the property sticker, in addition to the following vital information on the PPE item:

- a. Description of the property*
- b. Model Number*
- c. Serial Number*
- d. Acquisition Date/ Cost*
- e. Person Accountable*
- f. Space for the validation signature of the Inventory Committee*

3.5 Also, Sections 123 and 124 of PD No. 1445 provides that:

Section 123. Definition of internal control. Internal control is the plan of organization and all the coordinate methods and measures adopted within an organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.

Section 124. Installation. It shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control.

3.6 Tagging of the District's properties is an indispensable internal control measure to safeguard its assets. Furthermore, this aims to properly identify the properties, monitor their usage, and establish the accountability of the agency and personnel concerned.

3.7 Due to non-reconciliation of balances between the Financial Statements (FS) and Report on Physical Count of Property, Plant and Equipment (RPCPPE), the balance of the PPE account as of December 31, 2021 with carrying amount of ₱524,429,046 cannot be established.

3.8 We recommended and Management agreed to require the personnel concerned to (a) reconcile the balances of the PPE account per Financial Statements

(FS)/PPE Lapsing Schedule and Report on Physical Count of Property, Plant and Equipment (RPCPPE); and (b) place the proper tags on all the District's properties to establish accountability and to safeguard and monitor their usage.

Untitled Lots

4. The Transfer Certificate of Titles (TCT) for the two lots with aggregate area of 552 square meters acquired through donations totaling ₱4,396,200 were still not transferred under the name of the District, thus, absolute ownership thereof was not established, contrary to Section 39(2) of PD No. 1445 and Sections 51 and 52 of PD No. 1529.

4.1 Audit of the District's Land account for CY 2021 disclosed that the TCTs for the two lots acquired through donations amounting to ₱4,396,200 were still not transferred under the name of the District as of December 31, 2021. Details are as follows:

Table 3: Schedule of Untitled lots as of December 31, 2021

TCT No.	Location	Date of Donation	Lot area (sq. m.)	Land usage	Amount
T-168430	Lot 15 Block 15 Sampaguita Street, Garden Village Phase 1, Brgy Pulong Buhangin, Municipality of Sta. Maria, Bulacan	August 11, 2008	402	Pumping Station (PS) 10, Garden Village, Phase I, Pulong Buhangin, Santa Maria, Bulacan	₱3,256,200
T-50.910 (M)	Lot 4 Block 4 Molave Street, Garden Village Phase 4, Brgy Pulong Buhangin, Municipality of Sta. Maria, Bulacan	August 11, 2008	150	PS 10, Garden Village, Phase IV, Pulong Buhangin, Santa Maria, Bulacan	1,140,000
Total			552		₱4,396,200

4.2 Management expressed that they are continuously coordinating with the developer of the Garden Village to have a copy of the original TCT which is one of the requirements for the transfer.

4.3 Section 39(2) of PD No. 1445 states that *In the case of deeds to property purchased by any government agency, the Commission shall require a certificate of title entered in favor of the government or other evidence satisfactory to it that the title is in the government.*

4.4 Moreover, Sections 51 and 52 of PD No. 1529 provide, among others, that:

Section 51. Conveyance and other dealings by registered owner. An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, leases or other voluntary instruments as are sufficient in

law. But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies.

Section 52. Constructive notice upon registration. Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering.

4.5 Management's failure to transfer the TCTs of the two donated lots under the name of the District may pose problems on absolute ownership thereof in the future.

4.6 We recommended and the General Manager agreed to require the head of the General Services Division to facilitate the titling of the two donated lots in order to protect the District's interest over the property against third party claims.

Unreconciled balance of CIP account amounting to ₱11,703,496 and failure to update the CIP Ledger Cards

5. *The existence, completeness and valuation of the reported balance of Construction in Progress (CIP) – Infrastructure Assets account amounting to ₱95,381,486 as of December 31, 2021 cannot be ascertained due to absence of details to support the previous years' transactions amounting to ₱11,703,496 and failure to update CIP Ledger Cards (CIPLC) contrary to Section 111 (1) and (2) of PD No. 1445 and Section 12 of the Manual on NGAS, Volume II.*

5.1 Verification revealed that the Finance Division was able to prepare a schedule, which primarily consists of the District's ongoing projects as of December 31, 2021 amounting to ₱83,677,990. The details of the CIP account are as follows:

Date Started	Project Description	Amount
	Unreconciled Amount (Project Prior 2017)	₱11,703,496
02/07/2021	Bulacan Bulk Supply Improvement Project (Section 1)	2,467,233

Table 4: Schedule of CIP account as of December 31, 2021

Date Started	Project Description	Amount
05/07/2021	Philhydro Bulk Supply Improvement Project (Section 4)	6,932,546
06/06/2019	Supply of Labor and Materials for the Construction of the Santa Maria Water District's New Office Building, 4-Storey with Roof Deck.	66,258,651
11/02/2021	Supply of Labor and Materials for Fire Protection System of the Santa Maria Water District's New Office Building, 4-Storey with Roof Deck.	2,358,659
12/21/2020	Supply of Labor and Materials for the Electrical-Auxiliary System of the Santa Maria Water District's New Office Building, 4-Storey with Roof Deck.	1,924,139
02/08/2021	Brgy. Parada Sidestreet Extension Project (Caybanban Street - Sto. Nino Parish Church to Basketball Court)	3,196,130
08/31/2021	Brgy. Tumana Sidestreet Extension Project (Papaya Street)	540,631
Subtotal - Ongoing Projects		83,677,990
Total CIP balance		₱95,381,486

5.2 However, as can be gleaned from Table 4, the schedule does not include the details of the previous years' transactions amounting to ₱11,703,496. The incomplete schedule is contrary to Section 111 (1) and (2) of PD No. 1445 which prescribes the following:

Keeping of accounts.

(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

5.3 Furthermore, Section 12 of the Manual on NGAS, Volume II states that *The totals of the SL balances shall be reconciled with their respective control account regularly or at the end of each month. Schedules shall be prepared periodically to support the corresponding controlling GL accounts.*

5.4 On the other hand, although the Finance Division was also able to prepare CIP Ledger Cards in compliance with previous year's audit recommendations, the same still included various projects that were already completed in 2021 and reclassified to Property, Plant and Equipment account thereby defeating the purpose of the preparation and usage of the ledger cards.

5.5 The Finance Division together with the Engineering Division are currently in the process of determining the details and whereabouts of the unreconciled CIP amounting to ₱11,703,496.

5.6 The existence, completeness and valuation of the reported balance of the CIP – Infrastructure Assets account as of December 31, 2021 cannot be ascertained due to failure of the Finance Division and Engineering Division to identify the details of the unreconciled amount of ₱11,703,496 and failure of the Finance Division to update the status of the projects in the CIPLCs.

5.7 We recommended and the General Manager agreed to require the Finance Division to (a) (i) trace the unreconciled amount of ₱11,703,496 in CIP – Infrastructure Assets account in coordination with the Engineering Division; (ii) draw adjusting entries to reflect the correct balance of CIP, if necessary; and (iii) prepare a complete supporting schedule for the CIP account; (b) coordinate with the Engineering Division on a regular basis to reconcile CIP balances in the ledger cards; and (c) update and maintain the Construction in Progress Ledger Card for each project in compliance with Section 12 of the Manual on NGAS, Volume II.

Non-insurance of properties

6. *Insurable properties with carrying value of ₱144,751,326 as of December 31, 2021 were uninsured contrary to COA Circular No. 92-390 dated November 17, 1992 implementing the Property Insurance Law (Republic Act No. 656), which may result in non-indemnification of damages and losses brought about by natural or man-made calamities.*

6.1 Audit of disbursements for CY 2021 showed remittances to the GSIS amounting to ₱91,538 for the insurance premiums of motor vehicles, airman air compressor and generator set pursuant to COA Circular No. 92-390 dated November 17, 1992 implementing the Property Insurance Law (Republic Act No. 656). The details of the payments of premiums are as follows:

Table 5: Payments of Insurance Premiums for CY 2021

Check		DV	GSIS OR No.	Nature of Payment	Amount
Date	Number	No.			
01/13/2021	771059	21-01-0044	8900003022	Payment for the annual insurance of service vehicle with plate no. SJM 192, SG 1252, SM 2632, SGR 613 and SG 8613 per DR#GS-2021-01-054.	₱10,825
02/03/2021	771132	21-02-0113	8940008345	Payment for the annual insurance of service vehicle with plate no. MV 49, MV 49 and MV 50 per DR#GS-2021-01-055.	4,672
02/24/2021	809931	21-02-0201	8900003145	Payment for the annual insurance of service vehicle with plate no. SGR 924, SKR 924, SG 8614 and SH 4184 per DR#GS-2021-02-057.	10,087

Table 5: Payments of Insurance Premiums for CY 2021

Check		DV	GSIS OR No.	Nature of Payment	Amount
Date	Number	No.			
03/19/2021	810026	21-03-0310	8940008462	Payment for annual insurance of service vehicle with plate no. SG 2675, SGR 935, SG 8615, SH 4185, SK9105 and AAN 4555 per DR#GS-2021-03-058.	12,784
05/27/2021	810226	21-05-0510	8900003194	Payment for the annual insurance of service vehicle with plate no. SG 8616, AAN 4506, SL 9636, SG 8617, SG 2617, SL 9637 and MV 34 per DR#GS-2021-05-060.	12,877
06/25/2021	810327	21-06-0623	8940008609	Payment for the annual insurance of service vehicle Toyota Fortuner TXI 261 per DR#GS-2021-06-061 (Term Period: June 22, 2021 to June 22, 2022)	6,407
08/18/2021	834426	21-08-0870	8940008740	Annual insurance coverage (Sept. 30, 2021 to Sept. 30, 2022) of SMWD service vehicles with plate nos. SL 8979 and SG 8489.	3,341
09/17/2021	834470	21-09-0909	8940008819	Annual insurance coverage of SMWD service vehicles MV 40, SJM 190 and ALA 1080 per DR# GS-2021-08-066 dtd. 08/31/2021.	11,971
11/18/2021	834815	21-11-1324	8900003383	To pay for the annual insurance of airman air compressor and FG Wilson Generator Set.	18,574
Total					₱91,538

6.2 However, further validation and review of the PPE lapsing schedule as of December 31, 2021 disclosed that properties of the District with carrying value of ₱144,751,326 were not insured with the GSIS, breakdown is shown below:

Table 6: List of Uninsured Properties as of December 31, 2021

Account Code/Name	Carrying Value as of 12/31/2021
(10604010-001) - Buildings	₱ 1,605,658
(10604990-001) - Other Structures	11,061,805
(10605020-001) - Office Equipment	612,997
(10607010-001) - Furniture and Fixtures	127,283
(10605030-001) - Information and Communications Technology Equipment	2,676,261
(10605070-001) - Communication Equipment	377,339
(10605080-001) - Construction and Heavy Equipment	926,644
(10603110-013) - Plant-Utility Plant in Service – Hydrants	675,792
(10603110-004) - Plant-Utility Plant in Service – Wells	44,313,255
(10698990-002) - Other Property, Plant and Equipment - Power Production Equipment	7,402,180
(10698990-003) - Other Property, Plant and Equipment - Pumping Equipment	37,885,581
(10698990-004) - Other Property, Plant and Equipment - Water Treatment Equipment	564,426
(10603110-008) - Plant-Utility Plant in Service - Reservoirs and Tanks	36,522,106
Total	₱144,751,326

6.3 COA Circular No. 92-390 dated November 17, 1992 which quoted the provisions of Republic Act No. 656, otherwise known as Property Insurance Law, as amended, requires all properties of the government, including government-owned and/or controlled corporations to be insured with the General Insurance Fund administered by the GSIS.

6.4 Moreover, COA Circular No. 2018-002 dated May 31, 2018 prescribes the Guidelines for the submission of the Property Inventory Form (PIF) as basis for the assessment of general insurance coverage over all insurable assets, properties and interests of the government with the General Insurance Fund of the GSIS. Item 4.1 of this Circular gives a clear definition of insurable assets/properties. It includes *vessels and craft, motor vehicles, machineries, permanent buildings, properties stored therein (i.e. furniture, fixtures, equipment, supplies and materials, etc.) or in buildings rented by the government, or properties in transit, the ownership of which had already passed to the government.*

6.5 Management was able to send a letter to GSIS dated January 15, 2021 requesting for the insurance assessment and computation of the aforementioned uninsured properties. However, no response was received from the latter as of date. Thus, Management plans to resubmit its application for insurance before the end of CY 2022.

6.6 The non-insurance of these properties exposed the District to risk of non-indemnification in case of damage or loss caused by man-made or natural calamities.

6.7 We recommended and the General Manager agreed to require the Department Manager B – Administrative, Finance and General Services to ensure that all insurable properties are adequately insured to protect the District’s interest from damages and losses brought by natural or man-made calamities.

Unutilized contracted volume of 961,819 cu.m. bulk water paid to Luzon Clean Water Development Corporation

7. *The District was only able to utilize 718,181 cu. m. or 42.75% of the total contracted volume of 1,680,000 cu.m. bulk water billed by Luzon Clean Water Development Corporation (LCWDC) in CY 2021, thus the unutilized 961,819 cu.m. of water represents an opportunity loss of approximately ₱8,175,462 of the District, which is not aligned with the governing principles under Section 2 of Presidential Decree No. 1445.*

7.1 On January 28, 2016, a Memorandum of Agreement (MOA) was made and entered into by and among LCWDC, Metropolitan Waterworks and Sewerage System (MWSS) and the District for the project known as the Bulacan Bulk Water Supply Project (BBWSP). The project has the immediate purpose of supplying treated bulk water and alleviating water shortage in the Province of Bulacan. MWSS through LCWDC will supply and deliver to the District the contracted volume of 5.0 MLD or equivalent to 5,000 cubic meters daily as stated in Section 3.1a of the MOA. As defined in the MOA, Contracted Volume means *the daily volume of treated bulk water that the District has agreed to purchase and take, or pay for if not taken from the MWSS through LCWDC, as such volume may be increased from time to time by mutual agreement of the Parties xxx.*

7.2 In addition, Section 3.2b of the MOA provides that:

If, in any given month, the Contracted Volume, or portion thereof that meets the quality and output specifications prescribed in Schedule 2 (Minimum Performance Standards and Specifications) of the Concession Agreement is made available by the Concessionaire for delivery but was not taken fully by the Water District, then the Water District shall, in any case, be obliged to pay the Monthly Charge corresponding to the full Contracted Volume unless the failure to accept the full Contracted Volume is due to a Water District Planned Downtime, a Water District Unplanned Downtime or a Force Majeure Event, in which case, Section 13.2a(Water District Planned Downtime), Section 13.2.b(Water District Unplanned Downtime) or Section 14 (Force Majeure Event) shall apply as the case may be.

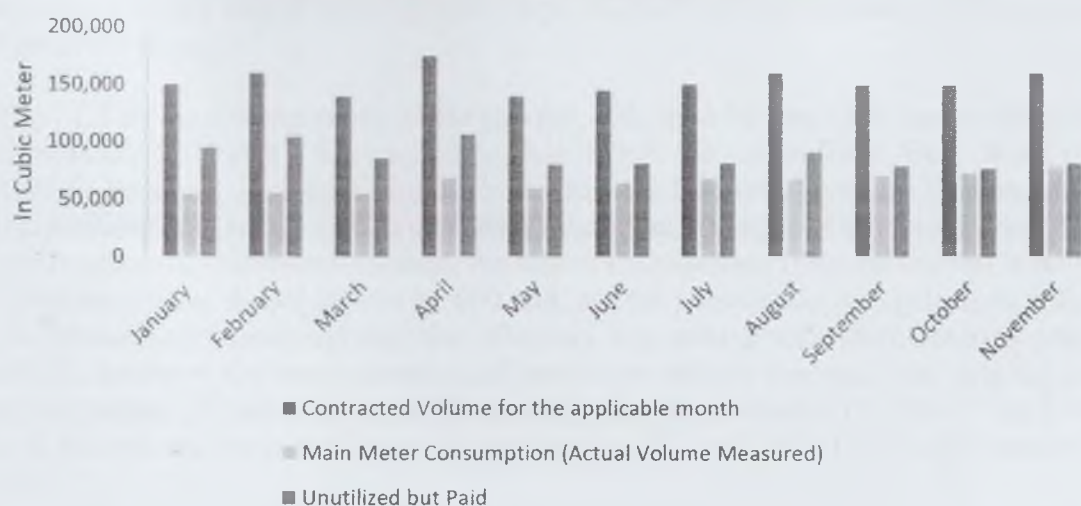
7.3 LCWDC started to supply bulk water to Santa Maria WD in February 2019. Verification of records revealed that the total payments made by the District to LCWDC for CY 2021 amounted to ₱15,279,600. Details are shown below.

Table 7: Schedule of Payments to LCWDC for CY 2021

Check date	Check No.	DV	Particulars	Amount
1/13/2021	771062	21-01-0048	Payment of bulk water charges for the month of: December 2020	₱ 1,364,250
2/11/2021	771172	21-02-0154	January 2021	1,455,200
3/10/2021	809961	21-03-0248	February 2021	1,273,300
4/20/2021	810077	21-04-0373	March 2021	1,591,625
5/12/2021	810169	21-05-0452	April 2021	1,273,300
6/8/2021	810274	21-06-0560	May 2021	1,318,775
7/8/2021	810372	21-07-0676	June 2021	1,364,250
8/6/2021	810484	21-08-0805	July 2021	1,455,200
9/10/2021	834495	21-09-0942	August 2021	1,364,250
10/9/2021	834614	21-10-1072	September 2021	1,364,250
11/12/2021	834745	21-11-1233	October 2021	1,455,200
Total				₱15,279,600

7.4 The actual main meter consumption of the District in comparison with the corresponding contracted volume was reflected in the monthly Statement of Accounts from LCWDC. We noted that out of the total contracted volume of 1,680,000 cu.m, only 718,181 cu.m. or 42.75% of the billed bulk water was actually consumed by the District, while the remaining 961,819 cu.m was not utilized but paid by the District as shown in the graphical presentation on the next page.

**Payments to Luzon Clean Water Development Corporation
for bulk water supply per monthly contacted volume vs
utilized and unutilized for CY 2021**



7.5 Due to the “take or pay” arrangement, the District paid the total amount of ₱15,279,600 for 718,181 cu. m of water delivered, in which 961,819 cubic meters or 2.67 MLD equivalent to approximately ₱ 8,175,462 were not utilized. Details are as follows:

Table 8: Schedule of Payments and Utilization of Bulk Water from LCWDC for CY 2021

Date	Net amount paid per DV	Contracted Volume for the applicable month (in cu. m.)	Period covered	# of days	Main Meter Consumption (Actual Volume Measured) in cu. m.	Unutilized but Paid (in cu. m.)	% of unutilized over contracted volume	Amount of Unutilized (computed at ₱8.50 per cu.m.)
1/13/2021	₱1,364,250	150,000	12/2-31/2020	30	54,992	95,008	63.34%	₱807,568
2/11/2021	1,455,200	160,000	1/1-2/1/2021	32	55,913	104,087	65.05%	884,740
3/10/2021	1,273,300	140,000	2/2-3/1/2021	28	54,780	85,220	60.87%	724,370
4/20/2021	1,591,625	175,000	3/2-4/5/2021	35	68,649	106,351	60.77%	903,984
5/12/2021	1,273,300	140,000	4/6-5/3/2021	28	60,131	79,869	57.05%	678,887
6/8/2021	1,318,775	145,000	5/4-6/1/2021	29	64,330	80,670	55.63%	685,695
7/8/2021	1,364,250	150,000	6/2-7/1/2021	30	68,327	81,673	54.45%	694,221
8/6/2021	1,455,200	160,000	7/2-8/2/2021	32	68,483	91,517	57.20%	777,895
9/10/2021	1,364,250	150,000	8/3-9/1/2021	30	71,131	78,869	52.58%	670,387
10/9/2021	1,364,250	150,000	9/2-10/1/2021	30	73,204	76,796	51.20%	652,766
11/12/2021	1,455,200	160,000	10/2-11/2/2021	32	78,241	81,759	51.10%	694,952
Total	₱15,279,600	1,680,000			718,181	961,819	57.25%	₱8,175,462
Average						80,152		
Divide by 30 days						2,672 or 2.67 MLD		

7.6 This is contrary to Section 2 of Presidential Decree No. 1445 or the Government Auditing Code of the Philippines which states that *It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government.* xxx.

7.7 Of all the water sources of the District, only 6.31 % was from Luzon Clean Bulk Water in CY 2021 and it has one tapping point from the Luzon Clean Bulk Water to the District's mainline. The major sources were from the District's Pumping Stations and Phil Hydro treated bulk water. Inquiry with the Department Manager – Operations revealed that to fully utilize the contracted volume, the size of the pipelines from the District's mainline to concessionaires should at least be 600 mm, but the present size of pipelines is only 150 mm. Management disclosed that this dilemma was considered before entering into the contract, however, the implementation of projects to address this issue was delayed due to the late release of loan from Local Water Utilities Administration (LWUA). The LWUA made the first release of the District's loan totaling ₱67,948,124.84 only on December 24, 2021.

7.8 Management's failure to fully utilize the contracted volume of water from Luzon Clean Water Development Corporation resulted in the opportunity loss of ₱8,175,462 on the part of the District.

7.9 **We recommended and Management agreed to (a) closely monitor the implementation of Bulakan Bulk Supply Improvement projects, such as network preparation and pipeline replacement; and (b) utilize fully the contracted volume of bulk water from Luzon Clean Development Corporation to improve the quality of service and ensure the continuous availability of water for the benefit of the concessionaires.**

7.10 Management also commented that as of June 9, 2022, the Bulakan Bulk Supply Improvement projects was 100% completed as to pipelaying section and 40% completed as to the entire sections of the project which includes restoration and interconnection of points from the District's existing pipelines to the Bulakan Bulk Supply.

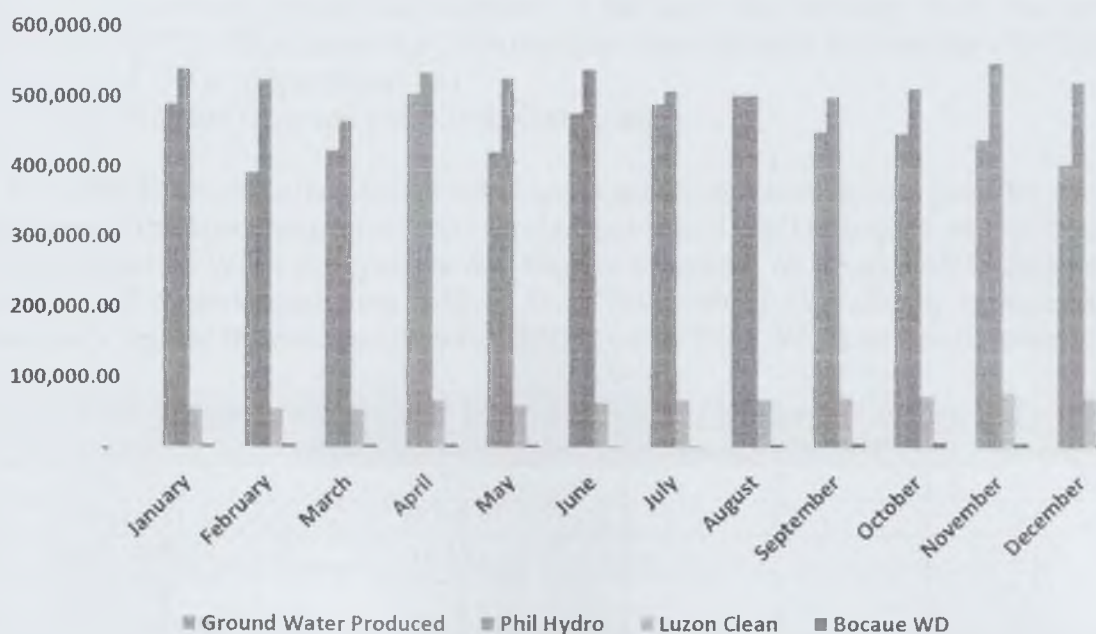
High turbidity level of bulk water supply from Phil Hydro

8. Bulk water supply from Phil Hydro had registered high level of turbidity ranging from 5.35 to 11.82 in January 2021 exceeding the maximum limit of 5 Nephelometric Turbidity Units (NTU) as prescribed under the 1993 Philippine National Standard for Drinking-Water (PNSDW), Table 2.4 - Standard Values for Physical and Chemical Quality, which may cause harmful effects on the health of the concessionaires.

8.1 The District has four water sources for the production and distribution of water supply to its concessionaires namely; ground water source, bulk water from Phil Hydro, bulk water from Luzon Clean Water Development Corporation and Bocaue Water District. The total water production for CY 2021 from these water sources and their monthly graphical presentation are shown below.

Water Source	Total Production in cubic meter for CY 2021	Percentage
Ground Water Produced	5,437,239	43.49%
Phil Hydro – Bulk water	6,218,528	49.73%
Luzon Clean – Bulk water	789,051	6.31%
Bocaue WD	58,272	0.47%
Total	12,503,090	100%

Monthly Water Production Source in cubic meter of Santa Maria Water District for CY 2021



8.2 As shown in the preceding table and graphical presentation, 49.73% of the water being distributed by the District was from the bulk water supply from Phil Hydro that commenced in 2010 with a term of 25 years. The single and sole point of water source of Phil Hydro is the Norzagaray-Angat River. It has four tapping points which serve as an interconnecting point from Phil Hydro to the District’s mainline for distribution to its

concessionaires. The four tapping points are located at (1) Perez City Land Road, (2) Partida Bulk Meter, (3) Tigbe Interconnection, (4) Tigbe Balasing New, Santa Maria, Bulacan.

8.3 Verification of Disbursement Vouchers (DVs) revealed that the District had paid a total of ₱66,877,072.82 to Phil Hydro for the supply of treated bulk water from November 3, 2020 to November 2, 2021. Aside from the Budget Utilization Requests, duplicate check stubs, Official Receipts, Delivery Receipts and Sales Invoices from Phil Hydro, the following supporting documents were attached to the DVs:

- a. Certificates of Joint Readings signed by the officials of the District and the Phil Hydro with data on the previous and present readings to reflect the monthly actual consumption;
- b. Daily Production Report SMWD with Phil Hydro Heading prepared by the Finance Assistant and Plant Supervisor of Phil Hydro with data on the date, time, meter registry, daily production, average turbidity and residual chlorine;
- c. Report of Water Analysis from Maynilad WaterLab on which Phil Hydro is the requesting party;
- d. Letter from the General Manager of Phil Hydro granting discount on the District's volume consumption on the days that turbidity level was above 1NTU; 5% discount and 20% discount when turbidity level exceeds 1 NTU and 5 NTU, respectively; and
- e. Volume Discount and Billing Computation

8.4 Phil Hydro bills the District based on its actual consumption and provides volume discount on the days when the turbidity level ranges from 1-5 NTU. Inquiry and verification of the Report on Water Analysis showed that for the month of January 2021, the level of turbidity of water ranged from 5.35 to 11.82 NTU which may already be considered extremely beyond the maximum limit of 5 NTU set by PNSDW. Details as follows:

Table 10: Average Turbidity of Water Supply from Phil Hydro in January 2021

Date	Average Turbidity (NTU)	Maximum limit (NTU)	Excess
01/01/2021	9.75	5	4.75
02/01/2021	11.9	5	6.9
03/01/2021	10.12	5	5.12
04/01/2021	9.33	5	4.33
05/01/2021	8.15	5	3.15
06/01/2021	7.21	5	2.21
07/01/2021	9.75	5	4.75
08/01/2021	11.82	5	6.82
09/01/2021	9.47	5	4.47
10/01/2021	6.26	5	1.26
11/01/2021	6.74	5	1.74
12/01/2021	7.61	5	2.61

Table 10: Average Turbidity of Water Supply from Phil Hydro in January 2021

Date	Average Turbidity (NTU)	Maximum limit (NTU)	Excess
13/01/2021	7.94	5	2.94
14/01/2021	7.32	5	2.32
15/01/2021	5.35	5	0.35
16/01/2021	5.51	5	0.51
17/01/2021	5.47	5	0.47
18/01/2021	5.68	5	0.68
19/01/2021	6.79	5	1.79
20/01/2021	7.06	5	2.06
21/01/2021	5.27	5	0.27
22/01/2021	5.79	5	0.79
23/01/2021	5.95	5	0.95
24/01/2021	5.59	5	0.59

8.5 The materials that may cause the water to be turbid include clay, silt, very tiny inorganic and organic matters, algae, dissolved colored organic compounds, planktons and other microscopic organisms among others. Turbidity makes water cloudy or opaque which can affect the taste and odor of drinking water. According to the World Health Organization, water for human consumption should have turbidity levels below 1 NTU, though in some regions, up to 5 NTU is allowed if it were proven to be disinfected. Most of the days, the turbidity level of bulk water coming from the Phil Hydro is more than 1 NTU.

8.6 Management admitted that the quality of the water from Phil Hydro was not good that is why they have an on-going project with Luzon Clean Bulk Water Supply Improvement to increase water production. Meantime, Management cannot stop procuring bulk water from Phil Hydro because they have no other water source.

8.7 The less turbidity water has, the more healthful it is. In fact, too much turbidity can lead to gastrointestinal diseases. Thus, high turbidity of water from Phil Hydro may cause harmful effects on the health of its concessionaires.

8.8 We recommended and Management agreed to (a) fully utilize resources to finance projects that will increase water production to make available good quality water for the concessionaires; and (b) require Phil Hydro to solve the problem on high turbidity of water.

Failure to renew Certificate of Water Safety Plan Acceptance

9. The District failed to renew its Certificate of Water Safety Plan (WSP) Acceptance in violation of Department of Health (DOH) Administrative Order (AO) No. 2014-0027 and Local Water Utilities Administration (LWUA) Memorandum Circular (MC) No.

010.14, which may result in its inability to continuously provide clean and safe drinking water to the concessionaires.

9.1 The Water Safety Plan (WSP) is the use of a comprehensive risk assessment and risk management approach that encompasses all steps in water supply from catchment to consumer to consistently ensure the safety of drinking water. Its objectives are to prevent or minimize contamination of water source, remove contamination thru treatment and prevent re-contamination during storage, distribution and handling of drinking-water. It can also be a guide to prevent and to mitigate future risks, to ensure the safety of water provided to concessionaires.

9.2 The LWUA through its MC No. 010.14 has directed all Water Districts to develop and implement WSP and comply with the provisions of DOH AO No. 2014-0027. The DOH AO cited that submission for review; assessment and approval of WSP are included in the procedures for WSP processes. The LWUA is responsible for reviewing and recommending approval of draft WSP of water districts, as well as monitoring and evaluating WSP implementation.

9.3 The District was able to receive its Certificate of Water Safety Plan Acceptance with control number 2018-0028 from DOH. However, it was only valid for a period of three years which was from September 10, 2018 to September 10, 2021 as shown in the photograph below.



9.4 In relation to this, Management was able to send the revised WSP to LWUA on April 27, 2022. It was acknowledged as received by the latter on May 2, 2022. However, a valid certificate, which signifies the approval of the revised WSP, is yet to be received by the District as of date.

9.5 On the other hand, verification of the Summary Results of the monthly Microbiological test and annual Physical and Chemical Analysis conducted for CY 2021 disclosed that test results made on the samples were noted as "PASSED" and within the benchmark of the Philippine National Standards for Drinking Water (PNSDW). Hence, the quality of the drinking water supplied by the District to its concessionaires was generally declared safe.

9.6 Though sampled water results were within the PNSDW, it is still important that WSP be renewed in compliance with the abovementioned provisions. Failure of the District to renew its WSP may negatively affect the safety and quality of water being produced/provided to its concessionaires.

9.7 We recommended and Management agreed to follow up the status of the approval of its revised WSP in order to ensure the safety of the drinking water being produced by the District.

Non-Revenue Water within the maximum acceptable level set by LWUA

10. The District registered an average rate of 14.07% of Non-Revenue Water (NRW) in CY 2021, which was well within the acceptable NRW of 20% set under Local Water Utilities Administration (LWUA) Memorandum Circular Nos. 004-10 and 014-10.

10.1 In order to accelerate further improvement in the efficiency level of Water Districts (WDs) and pursuant to Board of Trustees (BOT) Resolution No. 444 dated September 15, 2009, LWUA issued MC No. 004-10 dated February 23, 2010 which approved the reduction of the maximum acceptable non-revenue water from the existing 25% to 20%, applicable to all WDs.

10.2 Further, under LWUA Memorandum Circular No. 014-10 dated December 2, 2010, WDs are enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy. Depending on the condition of operations, the water meters should be tested for accuracy after five years utilization. Water meters showing errors of more than the following tolerance levels should be calibrated or replaced as follows:

From Maximum Flow to Transitional Flow : $\pm 2\%$
From Minimum Flow to Transitional Flow : $\pm 5\%$

10.3 In order to meet this requirement, all WDs were encouraged to allocate funds to establish their own meter testing facility.

10.4 Review of the operations of the District showed that of the total 12,503,089 cubic meters of water produced and available for distribution, 10,743,409 cubic meters or 85.93% was billed to concessionaires resulting in a difference of 1,759,680 cubic meters or 14.07% which was significantly less than the 20% acceptable NRW set by LWUA.

10.5 The District's monthly water billed over its water production and its NRW in CY 2021 showed that the reported highest NRW for CY 2021 was for the month of February with NRW of 19.57% while the lowest reported NRW was in April with only 8.72%. The monthly details of water production and billed to concessionaires for CY 2021 are shown below.

Table 11: Monthly NRW for CY 2021

Month	Water Produced (in cu. m.) A	Water Billed (in cu.m.) B	Difference (in cu.m.) (A)-(B)=C	% of Non- Revenue Water /Loss (C)/(A)	Peso equivalent of Non- Revenue Water/Loss (C/10)*P195 rate/10 cu. m.
CY 2021					
January	1,087,746	948,094	139,652	12.84%	₱ 2,723,214
February	975,555	784,623	190,932	19.57%	3,723,174
March	947,702	843,641	104,061	10.98%	2,029,190
April	1,113,145	1,016,078	97,067	8.72%	1,892,807
May	1,011,271	838,131	173,140	17.12%	3,376,230
June	1,080,792	926,531	154,261	14.27%	3,008,090
July	1,066,847	919,043	147,804	13.85%	2,882,178
August	1,076,998	979,984	97,014	9.01%	1,891,773
September	1,028,254	901,278	126,976	12.35%	2,476,032
October	1,040,803	863,511	177,292	17.03%	3,457,194
November	1,072,115	890,895	181,220	16.90%	3,533,790
December	1,001,861	831,600	170,261	16.99%	3,320,090
Total	12,503,089	10,743,409	1,759,680	14.07%	₱34,313,760

10.6 Effective management and close monitoring of operations enabled the District to keep its NRW at the minimum level contributing to its overall efficiency.

10.7 We commended Management for registering an average rate of 14.07% of Non-Revenue Water (NRW) in CY 2021 which was within the acceptable NRW level set by LWUA. Nonetheless, we still encouraged Management to keep up the good work and to maintain the NRW to acceptable levels at all times.

Failure to develop and implement Septage Management Plan

11. The District was unable to develop, moreso implement a Septage Management Plan (SMP), thus, the objectives of Republic Act No. 9275 and Supreme Court Mandamus of 2008 to reduce pollution and ensure the safety of drinking water were not met.

11.1 Pursuant to RA No. 9275 otherwise known as the Clean Water Act of 2004 and Supreme Court (SC) mandamus of 2008, the Local Water Utilities Administration (LWUA), through the Local Water Districts (LWDs) in coordination with the Department of Environment and Natural Resources (DENR), is ordered to *provide, install, and maintain sewerage and sanitation facilities and the efficient and safe collection, treatment and disposal of sewerage* in the provinces of Laguna, Cavite, Bulacan, Pampanga, and Bataan at the earliest possible time. Furthermore, the LWUA ordered the LWDs through MC No. 008.16 to *submit a 5-year plan (2016-2020) to comply with the said mandamus* and that *sanitation programs and facilities should be fully operational by December 31, 2020* to monitor the compliance with the SC Mandamus.

11.2 Relative thereto, Municipal Ordinance No. 505, “An Ordinance Establishing a Proper Septage Management System in the Municipality of Santa Maria, Bulacan, Prescribing Penalties for Violation Thereof and for other Purposes”, was approved by the Sangguniang Bayan and signed by the Municipal Mayor during their regular session on November 12, 2018. It was noted, however that no SMP was developed and implemented by the District since then and until the close of CY 2021.

11.3 Verification of records revealed that the District, through the General Manager only submitted the proposed Memorandum of Agreement (MOA) on SMP for review to the Municipal Mayor and Municipal Administrator of the Municipality of Santa Maria, Bulacan on March 4, 2022. The MOA pertains to the development and implementation of the District’s Septage Management Program. On March 28, 2022, the District re-submitted the copy of MOA to the Municipal Mayor and Municipal Administrator of the Municipality of Santa Maria, Bulacan with revision. The MOA was signed on May 30, 2022, however, according to Management, they have an available lot for the septage but does not have available funds to finance the septage facilities. That is why Management is in the process of entering into a Memorandum of Agreement (MOA) with Hagonoy Water District to engage its services in treating the septage.

11.4 Failure to implement the SMP may result in the waste water being discharged by the different households and commercial establishments to continue to leak and flow to our river systems and contaminate the water. Moreover, officials of the different agencies with water management function may be subjected to criminal liability if they continuously fail to comply with the SC mandamus.

11.5 We recommended and Management agreed to (a) coordinate with Hagonoy Water District for the finalization of the Memorandum of Agreement in order to properly develop and implement its Septage Management Plan; and (b) initiate alternative courses of action to lessen the effect should the proposed MOA with Hagonoy Water District not prosper.

Failure to develop a plan and allocate a budget for Disaster Risk and Reduction Management

12. *The District was unable to prepare a plan and provide budgetary allocations on Disaster Risk Reduction and Management (DRRM) which is not in consonance with the provisions of Republic Act (RA) No. 10121 and Section 37 of the General Provisions of the FY 2021 General Appropriations Act (GAA), thus, the purpose of the program was not accomplished, leaving the District incapable of being ready prior to, during and after every disaster.*

12.1 Section 4, Rule 1 of the Implementing Rules and Regulations (IRR) of RA No. 10121 or the Philippine Disaster Risk Reduction and Management Act provides for the development of policies and plans and the implementation of actions and measures pertaining to all aspects of disaster risk reduction and management, including good governance, risk assessment, early warning, knowledge building and awareness raising, reducing underlying risk factors, preparedness for effective response and early recovery. These shall apply to all levels of government, civil societies, private sectors and all other DRMM stakeholders.

12.2 Section 5, Rule 19 of the same IRR states that all departments, bureaus, offices and agencies of the government are authorized to use a portion of their appropriation to implement projects designated to address DRRM activities in accordance with the guidelines to be issued by the NDRRMC in coordination with the Department of Budget and Management (DBM).

12.3 In addition, Section 37 of the FY 2021 GAA on Disaster Risk Reduction and Climate Change Adaptation and Mitigation Measures incorporated in All Agencies Projects provides that *All agencies of the government should implement projects incorporating risk reduction, climate change adaptation and where feasible, climate change mitigation.*

12.4 Management was able to post different news articles and reading materials on disaster risk reduction to inform concessionaires and employees on related issues. However, due to Management's limited knowledge, the plan and budget for DRRM were not prepared and allocated for CY 2021. The Department Manager – Admin and Finance mentioned that they are in the process of creating their DRRM team.

12.5 We recommended and Management agreed to develop a plan, allocate a budget and implement programs and activities for the DRRM to increase awareness and preparedness of its personnel and concessionaires in times of disasters and calamities.

Passed-on Franchise Taxes to concessionaires

13. Franchise Taxes totaling ₱6,254,842 in CY 2021 were passed-on by the District to its concessionaires contrary to Section 119 of Title V of the National Internal Revenue Code (NIRC) of 1997, as amended by RA 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Act, as a result, the water charges imposed on the concessionaires during the year were higher than what they should have paid for.

13.1 Post audit of official receipts pertaining to collection of water bills revealed that the 2% Franchise Tax for CY 2021 totaling ₱6,254,842 was passed-on by the District to its concessionaires. This observation was also noted in our prior years' audit reports.

13.2 Inquiry and verification revealed that the present minimum charge on water consumption for every 0-10 cu. m. for Residential Type was ₱195.00 plus the 2% franchise tax imposed starting August 2009 billing. The current rate was actually lower than the approved water rates per letter dated November 8, 2007 of the then LWUA Acting Senior Deputy Administrator Daniel I. Landingin and LWUA Board of Trustees Board Resolution No. 150 series of 2007 dated November 7, 2007, to wit:

Effectivity	Minimum Charge for Residential (0-10 cu. m.)
November 2007 and after the lapse of seven calendar day posting as required by law	₱175
June 2009 and after lapse of seven calendar day posting as required by law	210
June 2011 and after lapse of seven calendar day posting as required by law	240

13.3 Based on the District's BOD Resolution No. 2009-26 dated May 7, 2009, the District opted not to implement the increase in water tariff of ₱210 effective June 2009, as approved by LWUA, due to current economic situation of the country and taking into consideration of the socio-economic impact of this increase to its concessionaires. Audit of collections, however, revealed that the 2% franchise tax was added to the concessionaires' tariff rate since then. Copy of the sampled Official Receipt for the payment of water bill in which franchise tax became an additional burden to the concessionaires, is shown on the next page.

Santa Maria
 WATER SUPPLY DISTRICT
 OFFICE OF THE DISTRICT ENGINEER
 1000 P. Rodriguez, Santa Maria, Bulacan
 NON-VAT Reg. TIN: 004-447-749-000

OFFICIAL RECEIPT No. 200310-04981

Received from: Cruz, Domingo Jr. C. - (8)
 Address: J.P. Rizal St. Brgy. Poblacion
 Account No: POB100-51-108 Meter No. ITRON-306330

PARTICULARS OF PAYMENT	AMOUNT
Water Maint. Fee	10.00
Water Bill	2,691.00
ARREARS - Current	50.00
Franchise Tax	100.00
Reconnection Fee	100.00
Bill No: 2202POB100408 Penalty	
Period Covered: 1/15/2022 - 12/31 - 2/15/2022 - 12/31	
Prev. 1018 Pres. 1000 Use. Jk	
TOTAL	2,952.00
CASH RECEIVED	
CHECK	0.00
CHANGE	0.00

Received by: Melle Ruzelis R. Gavenia
 Bill Collector

Date: 3/3/2022 10:16:00 AM

Nº 3746724
 03746724

13.4 Passing on the 2% franchise tax to the concessionaires is contrary to Section 119 of Title V of the NIRC of 1997 or RA No. 8424, as amended by RA 10963, which enumerates Other Percentage Taxes to be imposed such as (a) tax on persons exempt from Value Added Tax (VAT); (b) percentage tax on Domestic Carriers and Keepers of Garages, (c) percentage tax on International Carriers; and (d) tax on Franchises which were fully discussed on Sections 116 to 119 of this Code.

13.5 The pertinent portion of Section 119 is as follows:

Tax on Franchises. – Any provision of general or special law to the contrary notwithstanding, there shall be levied, assessed and collected in respect to all franchises on radio and/or television broadcasting companies whose annual gross receipts of the preceding year does not exceed Ten million pesos (P10,000,000.00), subject to Section 236 of this Code, a tax of three percent (3%) and on gas and water utilities, a tax of two percent (2%) on

the gross receipts derived from the business covered by the law granting the franchise: xxx

13.6 The Santa Maria Water District (SMWD) which is a water utility, is subject to 2% franchise tax based on gross receipts and this is a kind of Percentage Tax as provided under Section 119 of the NIRC. By passing-on the Franchise Tax as an add-on charge, the burden of paying such tax was transferred to its concessionaires.

13.7 We reiterated our prior years' recommendation and Management agreed to (a) exclude the 2% Franchise Tax from the concessionaires' water bills; and (b) set aside 2% of its gross receipts and remit the same to the BIR in compliance with Section 119 of the NIRC, as amended by RA 10963.

13.8 Management also commented that they will increase the tariff rate to ₱210 per cubic meter in CY 2023, which was the LWUA approved water rate since 2009, in order to finance its operations and to afford the remittance of 2% Franchise Taxes from District's funds.

Monthly withholding and remittance of taxes

14. The District complied with the provisions of Revenue Memorandum Circular No. 23-2007 dated March 20, 2007 of the Bureau of Internal Revenue (BIR) on the withholding of taxes from salaries of officials and employees, payments to suppliers and dealers and the remittance thereof within ten days of the ensuing month, as well as the provisions of Section 128 of the National Internal Revenue Code (NIRC) of 1997 as amended by Republic Act (R.A.) 10963 on the withholding and quarterly remittance of percentage taxes.

14.1 Audit of the Due to BIR account on the amount of taxes withheld and remitted for CY 2021 revealed that the District complied with Revenue Memorandum Circular No. 23-2007 dated March 20, 2007, which requires that all government agencies as tax withholding agents remit all taxes withheld by them on or before the 10th day of the succeeding month. In addition, Section 128 of the NIRC of 1997 as amended by R.A. 10963 was also complied with by withholding franchise taxes based on gross receipts and the remittance thereof within 25 days after the end of each taxable quarter.

(a) Compensation and Other Withholding Taxes

14.2 The details of the withholding of applicable taxes for each month from the employees' compensation, honoraria and payments of goods and services with their respective monthly remittances are shown on the next page.

Table 13: Monthly Withholding and Remittances of Taxes on Compensation for CY 2021

	Beginning Balance	Taxes withheld	Remittances	Ending Balance	Under/(Over)
January	₱ 92,509	₱ 107,339	₱ 92,509	₱ 107,339	₱ 0
February	107,339	109,927	107,339	109,927	0
March	109,927	108,944	109,927	108,944	0
April	108,944	108,944	108,944	108,944	0
May	108,944	109,265	108,944	109,265	0
June	109,265	116,796	109,265	116,796	0
July	116,796	109,215	116,796	109,215	0
August	109,215	109,257	109,215	109,257	0
September	109,257	109,487	109,257	109,487	0
October	109,487	109,551	109,487	109,551	0
November	109,551	109,551	109,551	109,551	0
December	₱ 109,551	₱ 103,360	₱ 109,551	₱ 103,360	₱ 0

Table 14: Expanded Withholding Tax for CY 2021

	Beginning Balance	Taxes Withheld	Remittances	Ending Balance	Under/(Over)
January	₱626,185	₱103,680	₱626,185	₱103,680	₱ 0
February	103,680	395,700	103,680	395,700	0
March	395,700	386,157	395,700	386,157	0
April	386,157	99,829	386,157	99,829	0
May	99,829	392,548	99,829	392,548	0
June	392,548	479,404	392,548	479,404	0
July	479,404	368,996	479,404	368,996	0
August	368,996	224,254	368,996	224,254	0
September	224,254	284,775	224,254	284,775	0
October	284,775	122,110	284,775	122,110	0
November	122,110	377,503	122,110	377,503	0
December	₱377,503	₱1,011,991	₱377,503	₱1,011,991	₱ 0

Table 15: Value-Added Tax (VAT) and Other Percentage Tax for CY 2021

CY 2021	Beginning Balance	Taxes Withheld	Remittances	Ending Balance	Under/(Over)
January	₱1,628,572	₱381,543	₱1,628,572	₱381,543	₱0
February	381,543	1,066,749	381,543	1,066,749	0
March	1,066,749	1,015,411	1,066,749	1,015,411	0
April	1,015,411	322,872	1,015,411	322,872	0
May	322,872	1,101,205	322,872	1,101,205	0
June	1,101,205	1,253,748	1,101,205	1,253,748	0

Table 15: Value-Added Tax (VAT) and Other Percentage Tax for CY 2021

CY 2021	Beginning Balance	Taxes Withheld	Remittances	Ending Balance	Under/(Over)
July	1,253,748	1,173,185	1,253,748	1,173,185	0
August	1,173,185	599,565	1,173,185	599,565	0
September	599,565	754,489	599,565	754,489	0
October	754,489	381,471	754,489	381,471	0
November	381,471	1,127,640	381,471	1,127,640	0
December	₱1,127,640	₱4,026,253	₱1,127,640	₱4,026,253	₱0

14.3 The ending balances of individual income tax and expanded withholding tax amounting to ₱103,360 and ₱1,011,991, respectively, were fully remitted on January 14, 2022. On the other hand, VAT and other percentage taxes amounting to ₱4,026,253 was remitted on January 10, 2022.

(b) Franchise Taxes

14.4 The details of the franchise taxes due and their remittances are shown below:

Table 16: Franchise taxes due and remittances for CY 2021

CY 2021	Beginning Balance	Taxes Withheld	Remittances	Ending Balance	Under/(Over)
January	₱1,388,336	₱569,373	₱1,388,336	₱569,373	₱0
February	569,373	477,761		1,047,134	
March	1,047,134	367,463		1,414,597	
April	1,414,597	501,429	1,414,597	501,429	0
May	501,429	494,973		996,402	
June	996,402	501,630		1,498,032	
July	1,498,032	492,635	1,498,032	492,635	0
August	492,635	381,700		874,335	
September	874,335	558,827		1,433,162	
October	1,433,162	480,514	1,433,162	480,514	0
November	480,514	499,597		980,110	
December	₱980,110	₱741,842		₱1,721,953	

14.5 The fourth quarter franchise taxes of ₱1,721,953 was fully remitted on January 25, 2022.

14.6 We commended Management for the proper withholding and the timely remittance of taxes. However, we still recommended and Management agreed to invariably comply with the BIR regulations on the withholding and remittance of appropriate taxes within the prescribed period pursuant to Revenue Memorandum Circular No. 23-2007 dated March 20, 2007 and Section 128 of the NIRC of 1997 as amended by R.A. 10963.

Monthly withholding of GSIS contributions and remittances

15. The District complied with the monthly withholding of employees' contributions and their remittances together with the employer's share to the Government Service Insurance System (GSIS) within the first ten days of the calendar month following the month to which contributions apply pursuant to Section 6(b) of RA No. 8291, the GSIS Act of 1997.

15.1 The District diligently followed the provisions set forth under Section 5 of RA No. 8291, the Government Service Insurance System (GSIS) Act of 1997 which states that the mandatory monthly contribution of each employee and employer is 9% and 12%, respectively, of the basic monthly compensation.

15.2 The contributions were remitted directly to the GSIS within the first ten days of the calendar month following the month pursuant to Section 6(b) of the same Act states that Each employer shall remit directly to the GSIS the employees' and employer's contributions within the first ten (10) days of the calendar month following the month to which the contributions apply. The remittance by the employer of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.

15.3 The details of the monthly contributions and remittances to the GSIS are shown below.

Table 17: GSIS Contributions and Remittances for CY 2021

CY 2021	Beginning Balance	Contributions	Remittances	Adjustments	Ending Balance
January	₱532,238	₱751,362	₱591,398		₱692,201
February	692,201	743,875	751,362	13,743	698,458
March	698,458	736,803	743,875	45,417	736,803
April	736,803	766,925	736,803		766,925
May	766,925	771,249	766,925		771,249
June	771,249	768,018	771,249		768,018
July	768,018	757,241	768,018		757,241
August	757,241	730,243	761,830		725,655
September	725,655	749,571	725,655		749,571
October	749,571	746,668	749,571		746,668
November	746,668	756,600	762,483		740,785
December	₱740,785	₱769,855	₱740,785		₱769,855

15.4 The adjustments column included those journal entries to correct the unreconciled balances from the previous year. The ₱13,743 in February pertains to the adjustment of premium contributions for October 2020. On the other hand, ₱45,417 consists of ₱563 representing an adjustment for October 2020 premium contributions

and ₱44,854 which was an adjustment for the unrecorded GSIS loan payment of an employee.

15.5 The ending balance of ₱769,855 as of December 31, 2021 was fully remitted on January 7, 2022.

15.6 We commended Management for remitting on time the GSIS contributions in compliance with the provisions of Sections 5 and 6 of RA No. 8291. However, we also recommended and Management agreed to constantly comply with the aforementioned GSIS rules and regulations.

PhilHealth contributions and remittances

16. The District complied with the provisions of Section 44 of Republic Act No. 7875 also known as the Philippine National Health Insurance Act of 1995 and PhilHealth Circular No. 0001 S. 2014 on the proper withholding of employees' contributions and remittances of employees' and employer's share within the prescribed period.

16.1 Audit of the account relative to the amount of contributions and remittances to the Philippine Health Insurance Corporation for CY 2021 revealed that the District complied with Section 44 of Republic Act No. 7875 also known as the Philippine National Health Insurance Act of 1995, which requires that *Any employer or any officer authorized to collect contributions under this Act who, after collecting or deducting the monthly contributions from his employee's compensation, fails to remit the said contributions to the Corporation within (30) days from the date they become due shall be presumed to have misappropriated such contributions and shall suffer the penalties provided for in Article 315 of the Revised Penal Code.*

16.2 The District also complied with PhilHealth Circular No. 0001 S. 2014 which prescribes the new payment schedule for premium contributions to provide a longer payment window and set new payment schedules for the Formal Sector, particularly the private and government employers.

16.3 The recorded monthly remittance of the employees' contributions and employer's share for CY 2021 are shown below.

Table 18: Monthly PhilHealth Contributions and Remittances for CY 2021

CY 2021	Beginning Balance	Contributions	Remittances	Adjustments	Ending Balance
January	₱65,263	₱80,506	₱9,000		₱136,768
February	136,768	82,070	82,906	1,650	137,583
March	137,583	82,135	82,370	(66,913)	70,435
April	70,435	85,901	81,235		75,101

Table 18: Monthly PhilHealth Contributions and Remittances for CY 2021

CY 2021	Beginning Balance	Contributions	Remittances	Adjustments	Ending Balance
May	75,101	87,490	87,101		75,490
June	75,490	89,641	89,590		75,541
July	75,541	90,251	90,241		75,551
August	75,551	88,053	90,551		73,053
September	73,053	87,192	88,053		72,192
October	72,192	86,030	87,192		71,030
November	71,030	86,913	86,030		71,913
December	₱71,913	₱88,692	₱87,513		₱73,092

16.4 Under the adjustments column, the ₱1,650 pertains to the correction of previous year's contributions. On the other hand, the negative ₱66,913 consists of ₱450 adjustment to also correct the previous years' contributions and the ₱67,363 pertains to the January remittance that was inadvertently recorded under the Accounts Payable in the same month and was only reclassified to Due to PhilHealth in March.

16.5 The balance as of December 31, 2021 amounting to ₱73,092 was remitted on January 15, 2022.

16.6 We commended Management for the proper withholding of monthly PhilHealth contributions and the timely remittances thereof. However, we still recommended and Management agreed to invariably comply with Section 44 of Republic Act No. 7875 also known as the Philippine National Health Insurance Act of 1995 and PhilHealth Circular No. 0001 S. 2014 on the proper withholding of contributions and remittances of employees' and employer's share within the prescribed period.

HDMF Contributions and Remittances

17. *The District complied with its obligation to deduct from the compensation of its officers and employees the mandatory employees' contributions and remit the same and the corresponding employer's share for CY 2021 to the Home Development and Mutual Fund (HDMF)/Pag-IBIG Fund pursuant to Rule VI, Section 1 and Rule VII Sections 2 and 3 of Republic Act No. 9679, the Home Development Mutual Fund Law of 2009.*

17.1 Section 1 of Republic Act (RA) No. 9679, the Home Development Mutual Fund Law of 2009 states that:

Covered employees and employers shall contribute to the Fund based on the monthly compensation of covered employees as follows:

a. Employees earning not more than One thousand five hundred pesos (P1,500.00) per month – one percent (1 %).

b. Employees earning more than One thousand five hundred pesos (P1,500.00) per month -two percent (2%).

c. All employers – two percent (2%) of the monthly compensation of all covered employees.

17.2 In addition, Rule VII, Sections 2 and 3 of the same RA state that *Monthly contributions of members to the Fund shall be collected through payroll deductions by their respective employers, who for this purpose shall act as agent both of the Fund and the member. xxx. All employers shall remit to the Fund their contributions and the contributions of their covered employees as well as the latter's loan amortizations or payments to the Fund, as provided for under Section 2 of this Rule, when applicable, within fifteen (15) days from the date the same were collected unless another period is previously agreed upon between the employer and the Fund, or within such periods as the Fund may prescribe otherwise. xxx*

17.3 The details of the monthly contributions and remittance to HDMF are shown below.

Table 19: Monthly Contributions and Remittances to HDMF for CY 2021

	Beginning Balance	Contributions	Remittances	Adjustments	Ending Balance
January	₱144,204	₱148,816	₱47,229		₱245,791
February	245,791	154,165	148,816	500	251,640
March	251,640	158,097	154,665	(97,475)	157,597
April	157,597	165,706	157,597		165,706
May	165,706	172,815	165,706		172,815
June	172,815	166,747	172,815		166,747
July	166,747	168,616	166,747		168,616
August	168,616	172,612	168,616		172,612
September	172,612	166,471	172,612		166,471
October	166,471	163,631	166,471		163,631
November	163,631	162,598	163,631		162,598
December	₱162,598	₱167,157	₱162,598		₱167,157

17.4 The adjustment of ₱500 for the month of February pertains to the correction of premium contributions for the month of October 2020 while the net adjustment of negative ₱97,475 includes remittance in January amounting to ₱97,644 which was erroneously recorded under Accounts Payable account in the same month and was only reclassified to Due to Pag-IBIG account in March, ₱(50) correction for CY 2020 contributions, and

reclassification of ₱219 from Due to Officers and Employees account to Due to Pag-IBIG account.

17.5 The balance of ₱167,157 as of December 31, 2021 was remitted on January 12, 2022.

17.6 We recommended and Management agreed to invariably comply with the withholding and monthly remittances of mandatory employees' and employer's contributions and loans amortizations to the Pag-IBIG Fund pursuant to RA No. 9679.

Gender and Development

18. *The District failed to perform gender analysis using Harmonized Gender and Development Analysis Guidelines (HG DG) to determine the gender responsiveness and amount of budget to be attributed for the identified GAD programs, activities and projects (PAPs) contrary to Joint Circular No. 2012-01 of the Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA) and the Department of Budget and Management (DBM).*

18.1 The Audit Team noted that the GPB and AR for CY 2021 were prepared by the District's GAD Focal Point System and submitted the same for review to LWUA on January 31, 2020 and January 31, 2022, respectively. Information on the provision of budget and actual expenditures related to GAD for CY 2021 are presented below.

Table 20: GAD Budget and Actual Expenditures

Agency's Total Corporate Operating Budget (COB)	5% of Agency's Total COB	Actual GAD Budget	% of Actual GAD Budget to Agency's Total COB	GAD Related Activities (Amount)	% to Actual GAD Budget
₱588,051,578	₱29,402,579	₱33,325,233	6%	₱30,382,157	91%

18.2 As shown in the preceding table, the District was able to allocate 6% of its total corporate operating budget to GAD programs, activities and projects (PAPs). The GAD Plan and Budget and the corresponding Accomplishment Report (AR) for CY 2021 were submitted for review to LWUA as required under Item 4 of PCW Memorandum Circular No. 2016-06 dated October 10, 2016. Audit also disclosed that the District was able to utilize ₱30,382,157 or 91% of its GAD budget while the remaining 9% was not utilized due to COVID pandemic. Details of the District's GPB and AR are shown on the next page.

Table 21: District's GPB and Accomplishment Report

	Gender Issue and/or GAD Mandate	Cause of the Gender Issue	GAD Activity	Performance Indicators and Target	Actual Result (Outputs/Outcomes)	GAD Budget	Actual Cost/ Expenditure	Variance/ Remarks
Organization -- Focused								
1	Lack of opportunity to formulate and improve GAD policies	Limited time to formulate and improve GAD policies due to workloads	Conduct regular GFPS Meetings	Awareness of GFPS Members of SMWD on addressing the gender issues in the workplace		₱24,000		₱24,000
		Lack for gender consciousness and knowledge	Attendance to GAD seminars, VAW law and Sexual Harassment in the workplace		Attendance of 2 Female and 1 Male employee to Ladderized Gender and Development conducted by LWUA last June 1-3, 2021 and July 12-14, 2021.	10,000	₱9,000	1,000
		Lack of data on sex-disaggregated data in the workplace	Collection and use of quantitative and qualitative data by sex		Determining the data of per barangay's concessionaire by sex	5,000	2,940	2,060
2	Male and Female employees lack of proper education on Basic life support and safety procedures	Employees do not have the capability to perform basic life support and first aid application	Conducting training and seminars on basic life support skills, first aid application and safety precautions	Members of SMWD Emergency Response Team		16,000		16,000
	- GAA Sec. 30 and RA No. 10121 Disaster Risk Reduction & Climate Change Mitigation Project	Lack of training in conducting fire and earthquake drill	Conducting fire and earthquake training and drill	No. of Male and Female SMWD employees		34,400		34,400
3	Male and Female employees lack of knowledge on the power-rights of female employees - March week 1: Women's Week (Proclamation No. 224 s. 1988)	Lack of awareness program for Women's Rights in the workplace	Conducting of SMWD Activity to empower Women in its workplace	No. of Female SMWD employees including Permanent, Casual and Job Order	<ul style="list-style-type: none"> All employees wore purple shirt and facemask mask during working hours on March 08, 2021 Announcement to the employees to like and share the PCW's social media accounts to support the 2021 #JuanSays series. Hanging of the Official 2021 NWMC Banner in front of SMWD offices. 	150,000	380	147,838
							1,782	
4	Male and Female employees lack of knowledge on self-care, managing stress and healthy routines - National Wellness Month	Lack of awareness program on physical and wellness programs for government personnel	Conducting of activity to promote a good and healthy lifestyle in the workplace	No. of Male and Female SMWD employees who will participate to activities in promoting good and healthy lifestyle in the workplace	Pneumonia vaccine was given to 40 Male and 13 Female employees of SMWD on September 10, 2021	400,000	393,880	6,120
Client -- Focused								
1	Lack of awareness especially among women and children on water conservation and proper hygiene within the coverage services - WASH/Sustainable Development Goals No. 6	Limited awareness of Women and Children on proper hygiene and how to conserve and properly utilize water at home and in schools	Orientation for 2,610 new concessionaires	No. of Female and Male Concessionaires attended the Orientation per week	Informed on the SMWD Policies and the importance of water conservations and provided hygiene kits the 963 Male and 1517 Female New Concessionaires	130,500	71,437	59,063
			Water Conservation Awareness Campaign Film Viewing	No. of Female and Male Grade 5 and 6 students of 30 (public and		210,000	-	210,000

Table 21: District's GPB and Accomplishment Report

	Gender Issue and/or GAD Mandate	Cause of the Gender Issue	GAD Activity	Performance Indicators and Target	Actual Result (Outputs/Outcomes)	GAD Budget	Actual Cost/ Expenditure	Variance/ Remarks
	(Clean Water and Sanitation)		and demonstration on proper hand-washing to Grade 5 and 6 Students	private schools in covered areas				
2	Lack of awareness on proper waste segregation	Awareness of Students on proper disposal and Segregation of waste	Purposive information dissemination on proper disposal and segregation of waste	No. of Female and Male students in covered areas		48,000	-	25,232
	- Zero Waste Month Proc. No. 760 s. 2014		Donation of empty chlorine drums for proper waste segregation	at least 100 empty chlorine drums distributed	Donated 10 chlorine drums per Barangay to 24 Barangays of Santa Maria Bulacan to be used as biodegradable and non-biodegradable bins		22,768	
3	Absence of desired pressure of the water supply	Unable to supply enough pressure for the satisfaction of the concessionaires.	Well Rehabilitation and installation of Treatment Facilities at Policarpio at Brgy. Parada Pump Station	Well Rehabilitation of old wells and installation of new pump and motors at Policarpio at Brgy. Parada Pump Station to maintain well efficiency	Well Rehabilitation and Camera Logging in PS-22 Policarpio at Brgy. Parada and re-sleeving of production well casing PS-18 Kamatus (Tumana) Pump Station to maintain well efficiency	1,485,000	910,401	574,599
4	Absence of sustainable water supply WASH/Sustainable Development Goals No. 6 (Clean Water and Sanitation)	Low pressure of water supply at some areas	Pipelaying project at Brgy. Poblacion, Tumana, Parada, Pulong Buhangin, Guyong and Sto. Tomas	4,000LM pipelines laid to benefit # of total Billed Connections at Brgy. Poblacion, Tumana, Parada, Pulong Buhangin, Guyong and Sto. Tomas	2949.5 LM pipelines laid to benefit 14,033 of total Billed Connections at Brgy. Poblacion, Tumana, Parada, Pulong Buhangin, Guyong and Sto. Tomas	10,812,333	8,921,370	1,890,963
	Absence of sustainable water supply WASH/Sustainable Development Goals No. 6 (Clean Water and Sanitation)	Low pressure of water supply at some areas	Bulk water supply to 2 Barangays	Additional 756LM of bulk water supply to provide potable water to residences of Barangay Sto. Tomas, Patag and Poblacion	Bulk water supply to benefit existing and additional concessionaires of Barangay Sto. Tomas, Patag and Poblacion	20,000,000	20,048,199	(48,199)
TOTAL:						₱33,325,233	₱30,382,157	₱2,943,076

18.3 Based on the foregoing aside from being able to spend at least 5% of the total Corporate Operating Budget to GAD PAPs, the District also identified gender issues and activities and gathered sex-disaggregated data, however, the HGDG checklists were not accomplished to assess the gender-responsiveness and to determine the actual budget and expenses to be attributed to the GAD PAPs, instead the whole amount of the projects was attributed to GAD.

18.4 PCW-NEDA-DBM Joint Circular No. 2012-01 states that:

3.4 xxx To aid gender mainstreaming, agencies shall perform gender analysis using existing tools, such as the Harmonized Gender and

Development Guidelines (HGDG), to ensure that the different concerns of women and men are addressed equally and equitably in their PAPs. Activities to address these differential concerns through capacity development on GAD or GAD-focused activities shall be included in agency GPBs. xxx

xxx 6.4.1 If an agency intends to attribute a portion or the whole budget of major programs during the GAD planning and budgeting phase, it may subject the program to gender analysis using the HGDG tool. If the agency is not yet trained on the use of the tool, it may include said training in its GPB and may seek the assistance of an expert on gender analysis using the HGDG. xxx

xxx 6.4.4 During the preparation of its GAD AR, the agency will again administer the HGDG test to determine the extent that the targeted HGDG score is attained. This score will be the basis in determining actual expenditure that can be attributed to the GAD budget. xxx

18.5 Furthermore, the Philippine Commission on Women (PCW) issued Memorandum Circular 2020-03 dated April 27, 2020 which provides the guidelines on the revision, adjustment and/or implementation of the FY 2020 GAD Plan and Budget in view of the Coronavirus Disease 2019 situation states that “To ensure the gender-responsiveness of PAPs and comply with the minimum 5% GAD budget provision, agencies, are highly encouraged to use the Harmonized Gender and Development Guidelines (HGDG) tool. The score of the program/project in the HGDG Project Implementation and Management, and Monitoring and Evaluation (PIMME) checklist (HGDG Boxes 16 & 17) or the Facility Implementation, Management, and Monitoring and Evaluation checklist (HGDG Box F2) shall be the basis for attributing a portion of or the whole expense of the program/project in the GAD AR following the table below.

HGDG Score	Description	Corresponding percentage of the program/project expenditure that may be attributed to GAD in the Accomplishment Report
Below 4.0	GAD is invisible	0%
4.0-7.9	Promising GAD prospect	Percentage score in HGDG
8.0-14.9	Gender-sensitive	Percentage score in HGDG
15.0-20	Gender-responsive	Percentage score in HGDG

18.6 The implemented GAD PAPs for CY 2021 may not be gender responsive due to the failure of the GAD Focal Point Person to analyze the same using the HGDG tool thus, the propriety of the attributed GAD PAPs was doubtful. Management disclosed that they are willing to attend and undergo further training to perform gender analysis using HGDG checklist once schedules for seminars become available.

18.7 We recommended and Management agreed thru the GAD Focal Point Person to (a) perform gender analysis using existing tools, such as the HGDG in the preparation of GPB and the GAD AR as mandated by PCW-NEDA- DBM Joint Circular No. 2012-01; and (b) increase awareness on the new rules and regulations about GAD by attending trainings and seminars promulgated by government agencies like PCW, NEDA and DBM.

Enforcement of Audit Suspensions, Disallowances and Charges

19. There was no audit disallowance issued for the transactions of CY 2021. Unsettled audit disallowances amounting to ₱728,818 as of December 31, 2021 pertained to transactions for CYs 2012 to 2014.

19.1 The District had unsettled audit disallowances amounting to ₱728,818 as of December 31, 2021 for transactions for CYs 2012 to 2014. The status of audit suspensions, disallowances and charges as of December 31, 2021 are shown below.

Table 23: Balance of Notice of Disallowances as of December 31, 2021

	Beginning Balance (December 31, 2020)	Issued this period January 1 to December 31, 2021		Ending Balance (December 31, 2021)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	1,232,242	0.00	503,424	728,818
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱ 1,232,242	₱ 0.00	₱ 503,424	₱ 728,818

19.2 Section 5.4 of the Rules and Regulations on the Settlement of Accounts (RRSA) provides that *An audit suspension, disallowance/charge shall be settled by the persons responsible or liable therefor through compliance with the requirements or payment restitution or by any of the modes of extinguishment of obligation provided by law, respectively.*

19.3 The details of the disallowances are shown below.

Table 24: Details of Disallowances

ND No./date	Amount of ND	NSSDCs amount	Balance of ND as of December 31, 2021	Remarks
2013-001- SMWD(2012)	₱899,424	₱773,424	₱126,000	Partial settlements
2013-002- SMWD(2012)	341,931	341,931	0	Fully settled as of December 31, 2019

Table 24: Details of Disallowances

ND No./date	Amount of ND	NSSDCs amount	Balance of ND -as of December 31, 2021	Remarks
2015-11-001 SMWD(2013-2014) dated 11/13/2015	602,818	0	602,818	Appealed at COA Regional Office No. III on June 1, 2016.
Total	₱1,844,173	₱1,115,355	₱728,818	

19.4 We recommended and Management agreed to continue to abide by laws, rules and regulations to avoid audit suspensions, disallowances and charges.

**PART III – STATUS OF IMPLEMENTATION OF
PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS**

**PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S
UNIMPLEMENTED AUDIT RECOMMENDATIONS**

Of the 30 audit recommendations embodied in the CY 2020 Financial Audit Report, 14 were fully implemented, eight were partially implemented and eight were not implemented, as detailed below:

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>1. The District's collection efficiency averaged at 58.59 and 48.38 percent for current and overdue Accounts Receivable, respectively, while the collectability of the inactive accounts receivable amounting to ₱7,673,339.17 or 55.22 per cent of the outstanding balance is remote due to inadequate collection strategies contrary to Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I.</i></p> <p>We reiterated our prior years' recommendations that the General Manager –</p> <p>a) require the Commercial Division collectors to exert more efforts to collect past due accounts and direct the billing clerks to regularly send demand/collection letters together with the Statement of Account to all inactive concessionaires; and</p> <p>b) instruct the Division Manager – Commercial to re-evaluate the status of the past due accounts and consider filing to the Commission on Audit request for write-off of the overdue and dormant accounts after</p>	<p>FAR 2020 Obs. No. 1</p>	<p>.</p>	<p>Partially Implemented</p> <p>Reiterated in Observation No. 2 of the CY 2021 FAR.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No.</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
all remedies for their collection had been exhausted.			2 of the CY 2021 FAR.
<p>2. <i>The Transfer Certificate of Title (TCT) of two lots with aggregate area of 552 square meter acquired through donations totaling ₱4,396,200.00 were still not transferred under the name of the District, therefore, absolute ownership thereon is uncertain contrary to Section 39(2) of PD No. 1445 and Sections 51 and 52 of PD No. 1529.</i></p> <p>We recommended that the General Manager require the head of the General Services Division to continuously facilitate the titling of the lots in order to protect the District's interest over the property for possibility of any third party claims.</p>	FAR 2020 Obs. No. 2		Partially Implemented Reiterated in Observation No. 4 of the CY 2021 FAR.
<p>3. <i>Two motor vehicles with carrying value of ₱279,006.80 were insured with private insurance company and not with GIF of GSIS contrary to COA Circular No. 2018-002 dated May 31, 2018. In addition, insurable properties with carrying value of ₱143,177,673.41 as of December 31, 2020 were still uninsured contrary to COA Circular No. 92-390 dated November 17, 1992 implementing the Property Insurance Law (Republic Act No. 656), thus exposing the District to</i></p>	FAR 2020 Obs. No. 3		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>risk of non-indemnification in case of natural and man-made calamity.</i></p> <p>We recommended that the General Manager require the Division Manager for General Services to -</p> <p>a) apply for the insurance of two motor vehicles with GIF of GSIS;</p> <p>b) submit Property Inventory Form of all insurable properties showing their latest appraised values/valuation to the GIF of the GSIS as basis for the assessment of general insurance coverage; and</p> <p>c) ensure that all insurable properties are adequately insured to protect the interest of the District in case of natural or man-made calamity.</p>			<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Not Implemented</p> <p>Reiterated in Observation No. ____ of the CY 2021 FAR.</p>
<p>4. <i>The accuracy of the balance of Construction in Progress (CIP) – Infrastructure Assets account amounting to P40,169,261.18 as of December 31, 2020 was doubtful due to absence of schedule and non-maintenance of CIP Ledger Card contrary to Section 111 (1) and (2) of PD No. 1445 and Section 12 of the Manual on NGAS, Volume II.</i></p> <p>We recommended that Management require the Department Manager –</p>	<p>FAR 2020 Obs. No. 4</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>Administrative and Finance to instruct the personnel concerned to</p> <p>a) maintain the Construction in Progress Ledger Card for each project in compliance with Section 12 of the Manual on NGAS, Volume II; and</p> <p>b) make a detailed analysis of the CIP account in coordination with the Engineering Division in order to determine the proper balance of the account and prepare necessary adjusting entries, as warranted.</p>			<p>Fully Implemented</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 5 of the CY 2021 FAR.</p>
<p>5. <i>The District still failed to dispose of unserviceable properties with carrying amount of P868,750.70 contrary to Section 79 of PD No. 1445 which may expose the items to further deterioration and reduction in economic value.</i></p> <p>We recommended that the General Manager instruct the Division Manager for General Services to complete the required documents and eventually dispose of the property in accordance with the Manual on Disposal of Unserviceable Properties.</p>	<p>FAR 2020 Obs. No. 5</p>		<p>Partially Implemented</p> <p>Reiterated in Observation No. 1 of the CY 2021 FAR.</p>
<p>6. <i>The District was able to utilize only 640,714 cu. m. out of the total contracted volume of 1,825,000 cu.m. or 35.11% of bulk water billed by Luzon Clean</i></p>	<p>FAR 2020 Obs. No. 6</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>Water Development Corporation (LCWDC) in CY 2020, thus the unutilized volume of 1,184,286 cu.m. or 64.89% represents opportunity loss of approximately P11,258,388.50 of the District which is not aligned with governing principles stated under Section 2 of Presidential Decree No. 1445.</i></p> <p>We recommended that Management continuously coordinate with ADB for the release of their loan that will be used for the implementation of Bulakan Bulk Supply Improvement projects such as network preparation and pipeline replacement to utilize and maximize fully the contracted volume of bulk water, improve the quality, and ensure continuous availability of water for the benefit of the concessionaires.</p>			<p>Partially Implemented</p> <p>Reiterated in Observation No. 7 of the CY 2021 FAR.</p>
<p>7. <i>Bulk water supply from Phil Hydro had registered high level of turbidity ranging from 7.62 to 35.08 in the month of December 2020 exceeding maximum limit of 5 Nephelometric Turbidity Units (NTU) as provided by the 1993 Philippine National Standard for Drinking-Water (PNSDW), Table 2.4 - Standard Values for Physical and Chemical Quality, which may cause harmful effects on the health of its concessionaires.</i></p>	<p>FAR 2020 Obs. No. 7</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>We recommended that Management</p> <p>a) fully utilize its available resources to finance projects that will increase its water production with good quality of water;</p> <p>b) continuously (i) coordinate with Phil Hydro to discuss how the problem on high turbidity of water can be addressed; and</p> <p>ii) monitor the complaints from all concessionaires and make appropriate action to resolve their complaints.</p>			<p>Not Implemented</p> <p>Reiterated in Observation No. 8 of the CY 2021 FAR.</p> <p>Fully Implemented</p> <p>Fully Implemented</p>
<p>8. <i>Franchise Taxes in CY 2020 was still passed-on by the District to its concessionaires instead of filing and paying the same to the BIR using District's funds contrary to Section 119 of Title V of the National Internal Revenue Code (NIRC) of 1997, as amended by RA 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Act, as a result, the water charges imposed to the concessionaires are more than what they should pay for.</i></p> <p>We reiterated our prior years' recommendation that Management exclude the 2% Franchise Tax in the water bill and stop from</p>	<p>FAR 2020 Obs. No. 8</p>		<p>Not Implemented</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
imposing the tax to its concessionaires but instead charge the same to District's operations.			Reiterated in Observation No. 13 of the CY 2021 FAR.
<p>9. <i>The District registered an average rate of 12.32% of Non-Revenue Water (NRW) in CY 2020, which was below the maximum acceptable NRW of 20 per cent set under Local Water Utilities Administration (LWUA) Memorandum Circular Nos. 004-10 and 014-10.</i></p> <p>We recommended that Management further reduce its NRW by continuously –</p> <p>a) conducting regular inspection to trace leakages; and</p> <p>b) apply immediate preventive measures, such as: conduct of regular calibration of the flow meters, regular maintenance of the distribution lines and establish its water meter testing facility as required under LWUA Memorandum Circular No. 014-10 dated December 2, 2010.</p>	FAR 2020 Obs. No. 9		<p>Partially Implemented</p> <p>Reiterated in Observation No. 10 of the CY 2021 FAR.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 10 of the CY 2021 FAR.</p>
10. <i>The District was able to formulate and submit to Local Water Utilities Administration</i>	FAR 2020		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>(LWUA) and Department of Health (DOH) its Water Safety Plan (WSP) in compliance with DOH Administrative Order (AO) No. 2017-0006 dated April 20, 2017.</i></p> <p>We recommended that Management continuously comply with the DOH AO No. 2017-0006 dated April 20, 2017 particularly on the renewal of the Certificate of WSP Acceptance and implementation of the WSP.</p>	Obs. No. 10		<p>Not Implemented</p> <p>Reiterated in Observation No. 9 of the CY 2021 FAR.</p>
<p><i>11. The District complied with the monthly deduction of employees' and employer's contributions and remittance to the Government Service Insurance System (GSIS) within the first ten days of the calendar month following the month to which contributions apply pursuant to Section 6(b) of RA No. 8291, the GSIS Act of 1997. However, the accuracy of the balance of Due to GSIS account of ₱532,238.05 as of December 31, 2020 could not be ascertained due to unreconciled difference between the balance per books and verified schedule of contributions and remittances, contrary to PAS 1 and PFRS Framework.</i></p> <p>We recommended that the General Manager require the Department Manager – Administrative and Finance through the Financial Planning Assistant B to –</p>	FAR 2020 Obs. No. 12		Fully Implemented

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>a) continuously comply with the provisions of Sections 5 and 6(b) of RA No. 8291 on the withholding and remittance of GSIS contributions within the first ten days of the calendar month following the month to which contributions apply; and</p> <p>b) make a detailed analysis on the Due to GSIS account to identify the cause of discrepancy and make the necessary adjusting journal entries, as applicable.</p>			<p>Fully Implemented</p> <p>Fully Implemented</p>
<p><i>12. The District complied with the provisions of Section 44 of Republic Act No. 7875 also known as the Philippine National Health Insurance Act of 1995 and PhilHealth Circular No. 0001 S. 2014 on the contributions and remittances of employee and employer's share within the prescribed period. However, the accuracy of the balance of Philhealth account as of December 31, 2020 was doubtful due to unreconciled beginning balance of (P10,800.00) contrary to PAS 1 and PFRS Framework.</i></p> <p>We recommended that Management –</p> <p>a) continuously comply with Section 44 of Republic Act No. 7875 also known as the Philippine National Health Insurance Act of</p>	<p>FAR 2020 Obs. No. 13</p>		<p>Fully Implemented</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>1995 and PhilHealth Circular No. 0001 S. 2014 on the contributions and remittances of employee and employer's share within the prescribed period; and</p> <p>b) make a detailed analysis of the unreconciled beginning balance and make the necessary adjusting journal entries affecting the Due to Phil Health account.</p>			Fully Implemented
<p><i>13. The District complied with the provisions of RA No. 9679 or the Act Further Strengthening the Home Development Mutual Fund (HDMF) on the remittance of employer's and employees' monthly contribution to the Pag-IBIG Fund. However, the accuracy of the balance of Due to Pag-IBIG account of P144,204.31 as of December 31, 2020 could not be ascertained due to unreconciled difference of P669.34 between the balance per books and verified schedule of contributions and remittances, contrary to PAS 1 and PFRS Framework.</i></p> <p>We recommended that the General Manager require the Department Manager – Administrative and Finance through the Financial Planning Assistant B to –</p> <p>a) continuously comply with the Pag-IBIG (HDMF) regulations on the monthly contribution of employees' and employer's share</p>	FAR 2020 Obs. No. 14		Fully Implemented

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>as well as the remittance thereof within the prescribed period.; and</p> <p>b) make a detailed analysis on the Due to Pag-IBIG account and make the necessary adjusting journal entries, as applicable.</p>			Fully Implemented
<p><i>14. The District substantially complied with the provisions of Revenue Memorandum Circular No. 23-2007 dated March 20, 2007 of the Bureau of Internal Revenue (BIR) on the withholding of taxes from salaries of officials and employees, payments to suppliers and dealers and the remittance thereof within ten days of the ensuing month, as well as the provisions of Section 128 of the National Internal Revenue Code (NIRC) of 1997 as amended by Republic Act (R.A.) 10963 on the quarterly remittance of percentage taxes.</i></p> <p>We recommended that the General Manager through the Department Manager – Admin and Finance –</p> <p>a) continuously comply with the BIR rules and regulations on the withholding and remittance of the appropriate taxes within the prescribed period pursuant to Revenue Memorandum Circular No. 23-2007 dated March 20, 2007 and Section 128 of the NIRC of 1997 as amended by R.A. 10963; and</p>	FAR 2020 Obs. No. 15		Fully Implemented

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
b) remit the franchise tax due based on the amount of gross receipts/sales and not based on collections.			Fully Implemented
<p><i>15. The District was unable to prepare a plan and provide budgetary allocations concerning Disaster Risk Reduction and Management (DRRM) which is not in consonance with the provisions of Republic Act (RA) No. 10121 and Section 36 of the General Provisions of the FY 2020 General Appropriations Act (GAA) thus, the purpose of the program was not accomplished and leaving the District incapable of being ready prior to, during and after every disaster.</i></p> <p>We recommended that Management develop a plan, allocate a budget and implement programs and activities for the DRRM to increase awareness and preparedness of its personnel and concessionaires in times of disasters and calamities.</p>	FAR 2020 Obs. No. 16		<p>Not Implemented</p> <p>Reiterated in Observation No. 12 of the CY 2021 FAR.</p>
<p><i>16. The District was not able to develop and implement a Septage Management Plan, thus, the objectives of Republic Act No. 9275 and Supreme Court Mandamus of 2008 were not met.</i></p> <p>We recommended that the General Manager regularly coordinate with the Sangguniang Bayan of Santa</p>	FAR 2020 Obs. No. 17		Not Implemented

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>Maria, Bulacan for the development and implementation of the District's Septage Management Plan in compliance with Republic Act No. 9275 and Supreme Court Mandamus of 2008.</p>			<p>Reiterated in Observation No. 11 of the CY 2021 FAR.</p>
<p><i>17. The District failed to perform gender analysis using Harmonized Gender and Development Analysis Guidelines (HG DG) to determine the gender responsiveness and amount of budget to be attributed for the identified GAD programs, activities and projects (PAPs) contrary to Joint Circular No. 2012-01 of the Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA) and the Department of Budget and Management (DBM).</i></p> <p>We recommended that Management thru the GAD Focal Point System –</p> <p>a) perform gender analysis using existing tools, such as the HG DG in the preparation of GPB and the GAD AR as mandated by PCW-NEDA- DBM Joint Circular No. 2012-01; and</p> <p>b) increase awareness on the new rules and regulation promulgated by government agencies like PCW,</p>	<p>FAR 2020 Obs. No. 18</p>		<p>Not Implemented</p> <p>Reiterated in Observation No. 18 of the CY 2021 FAR.</p> <p>Not Implemented</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
NEDA and DBM related to GAD and attend GAD trainings and seminars as soon as the situation permits or when practicable.			Reiterated in Observation No. 18 of the CY 2021 FAR.

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