



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, 2020

## 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 310<sup>th</sup> 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, 76 permanent, 17 casual, and 54 job order employees. It has 36,741 active service connections as of December 31, 2020.

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

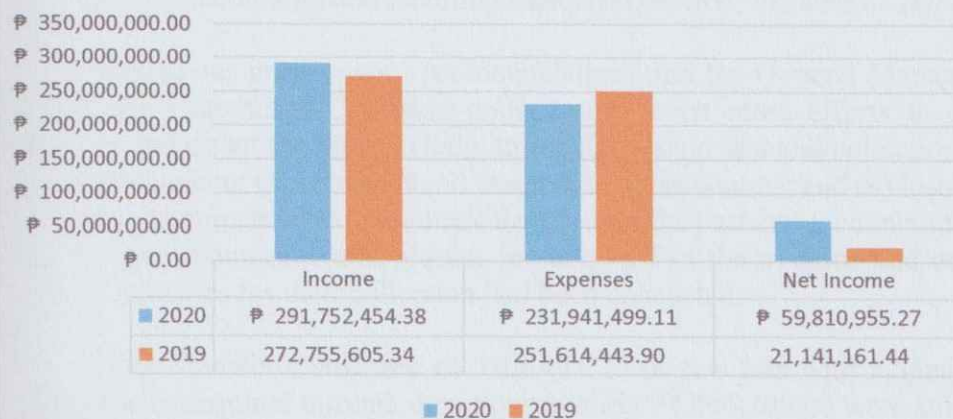
Name	Position	Sector
Ms. Teodora J. Catiis	Chairperson	Business Sector
Ms. Amelia S. De Jesus	Vice-Chairperson	Educational Institution
Engr. Brian Emerson D. Hernandez	Secretary	Professional Sector
Ms. Annaliza C. Ramirez	Auditor	Women's Organization
Ms. Carmelita T. Francisco	PRO	Civic - Oriented

## B. FINANCIAL HIGHLIGHTS

**Comparative Statement of Financial Position for  
CYs 2020 and 2019**



**Comparative Statement of Comprehensive  
Income for CYs 2020 and 2019**





## **C. SCOPE OF AUDIT**

We conducted an audit of the financial transactions and operations of the District for the year ended December 31, 2020, on a sampling basis in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated October 4, 2019, prescribing the General Audit Instructions for the conduct of CY 2020 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 year ended December 31, 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. 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. **(Observation No. 1)**

We reiterated our prior years' recommendations and the General Manager agreed to (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 (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 all remedies for their collection had been exhausted.

2. 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. **(Observation No. 2)**

We recommended and the General Manager agreed to 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.

3. 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 risk of non-indemnification in case of natural and man-made calamity. **(Observation No. 3)**

We recommended and the General Manager agreed to require the Division Manager for General Services to (a) apply for the insurance of two motor vehicles with GIF of GSIS; (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 (c) ensure that all insurable properties are adequately insured to protect the interest of the District in case of natural or man-made calamity.

4. The accuracy of the balance of Construction in Progress (CIP) – Infrastructure Assets account amounting to ₱40,169,261.18 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. **(Observation No. 4)**

We recommended and the Management agreed to require the Department Manager – Administrative and Finance to instruct the personnel concerned to (a) maintain the Construction in Progress Ledger Card for each project in compliance with Section 12 of the Manual on NGAS, Volume II; and (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.

5. 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 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 ₱11,258,388.50 of the District which is not aligned with governing principles stated under Section 2 of Presidential Decree No. 1445. **(Observation No. 6)**

We recommended and the Management agreed to 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.



6. 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. *(Observation No. 7)*

We recommended and the Management agreed to (a) fully utilize its available resources to finance projects that will increase its water production with good quality of water; (b) continuously (i) coordinate with Phil Hydro to discuss how the problem on high turbidity of water can be addressed; and (ii) monitor the complaints from all concessionaires and make appropriate action to resolve their complaints.

7. 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. *(Observation No. 8)*

We reiterated our prior years' recommendation and the Management agreed to exclude the 2% Franchise Tax in the water bill and stop from imposing the tax to its concessionaires but instead charge the same to District's operations.

#### **F. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

There was no audit disallowance issued for the transactions of CY 2020. Unsettled audit disallowances amounting to ₱1,232,242.48 as of December 31, 2020 pertained to transactions for CYs 2012 to 2014.

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

Of the 14 audit recommendations embodied in the CY 2019 Financial Audit Report, five were fully implemented, six were partially implemented and three were not implemented.

## PART I - AUDITED FINANCIAL STATEMENTS



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

## **INDEPENDENT AUDITOR'S REPORT**

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

### *Unmodified Opinion*

We have audited the financial statements of Santa Maria Water District, which comprise the statement of financial position as at December 31, 2020, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the 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 the Santa Maria Water District as at December 31, 2020, 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.



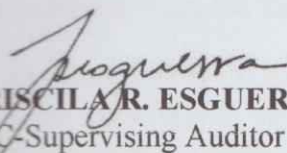
Those charged with governance are responsible for overseeing the District's financial reporting process.

*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:

  
**PRISCILA R. ESGUERRA**  
OIC-Supervising Auditor

May 4, 2021

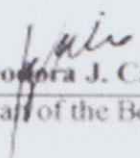


## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **SANTA MARIA WATER DISTRICT** is responsible for the preparation of the financial statements as at December 31, 2020, including the additional components attached thereto in accordance with prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

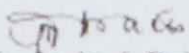
The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the **SANTA MARIA WATER DISTRICT** in accordance with International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

  
Dir. Teodora J. Catitis  
Chairman of the Board

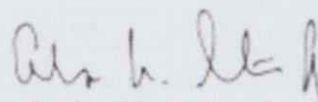
4-30-21

Date Signed

  
Ms. Jovita I. Dalmacio  
Department Manager, Administrative,  
Finance and General Services

4-30-2021

Date Signed

  
Engr. Carlos N. Santos, Jr.  
General Manager

4-30-21

Date Signed

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

**As at December 31, 2020**

*(With Comparative Figures for CY 2019)*

	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	₱ 92,339,739.26	₱ 84,939,929.71
Receivables, Net	5, 19	21,097,859.20	5,152,746.05
Inventories	6	27,215,453.43	23,708,596.07
Other Current Assets	7	17,074,038.81	17,523,171.83
<b>Total Current Assets</b>		<b>157,727,090.70</b>	<b>131,324,443.66</b>
<b>Non-Current Assets</b>			
Investments	8	7,957,930.18	7,252,872.77
Property, Plant and Equipment, Net	9	459,625,544.32	421,686,286.68
Intangible Assets, Net		28,750.15	47,750.11
Other Non Current Assets		868,750.69	868,750.69
<b>Total Non-Current Assets</b>		<b>468,480,975.34</b>	<b>429,855,660.25</b>
<b>TOTAL ASSETS</b>		<b>₱626,208,066.04</b>	<b>₱561,180,103.91</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	10, 19	₱ 52,126,583.41	₱ 44,313,133.53
Inter-Agency Payables	11	4,477,307.03	3,372,951.97
Trust Liabilities	12	16,572,311.30	15,877,632.23
Other Payables		464,061.62	462,379.56
<b>Total Current Liabilities</b>		<b>73,640,263.36</b>	<b>64,026,097.29</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	10, 19	114,554,413.94	120,153,648.57
Provisions	13	11,397,462.36	10,247,995.08
Deferred Credits/Unearned Income		1,274,162.68	1,125,014.54
<b>Total Non-Current Liabilities</b>		<b>127,226,038.98</b>	<b>131,526,658.19</b>
<b>TOTAL LIABILITIES</b>		<b>200,866,302.34</b>	<b>195,552,755.48</b>
<b>EQUITY</b>			
Government Equity		289,561.81	289,561.81
Retained Earnings		425,052,201.89	365,337,786.62
<b>TOTAL EQUITY</b>		<b>425,341,763.70</b>	<b>365,627,348.43</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱626,208,066.04</b>	<b>₱561,180,103.91</b>

*The notes on pages 8 to 29 form part of these statements.*



**SANTA MARIA WATER DISTRICT**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Year Ended December 31, 2020**  
*(With Comparative Figures for CY 2019)*

	Note	2020	2019
<b>INCOME</b>			
Service and Business Income	14	₱285,852,020.29	₱270,031,454.00
Shares, Grants and Donations		4,560,700.00	0.00
Other Non-Operating Income		1,339,734.09	2,724,151.34
<b>Total Income</b>		<b>291,752,454.38</b>	<b>272,755,605.34</b>
<b>EXPENSES</b>			
Personnel Services	15	53,772,414.26	54,306,945.02
Maintenance and Other Operating Expenses	16	148,742,828.61	166,700,193.71
Financial Expenses	17	10,537,704.71	12,530,409.03
Non-Cash Expenses	18	18,888,551.53	18,076,896.14
<b>Total Expenses</b>		<b>231,941,499.11</b>	<b>251,614,443.90</b>
<b>NET INCOME</b>		<b>₱ 59,810,955.27</b>	<b>₱ 21,141,161.44</b>

*The notes on pages 8 to 29 form part of these statements.*

**SANTA MARIA WATER DISTRICT**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Year Ended December 31, 2020

	GOVERNMENT EQUITY	RETAINED EARNINGS	TOTAL
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>P289,561.81</b>	<b>P365,337,786.62</b>	<b>P365,627,348.43</b>
Add (Deduct):			
Net Income for the year		59,810,955.27	59,810,955.27
Other Adjustments		(96,540.00)	(96,540.00)
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>P 289,561.81</b>	<b>P 425,052,201.89</b>	<b>P 425,341,763.70</b>

*The notes on pages 8 to 29 form part of these statements.*

**SANTA MARIA WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2020**  
*(With Comparative Figures for CY 2019)*

	Note	2020	2019
<b>Cash Flows from Operating Activities</b>			
Cash Inflows			
Collection of Income/Revenues		₱277,491,177.58	₱284,338,719.47
Trust Receipts		697,688.45	3,636,612.25
Other Receipts		5,562,426.53	6,014,889.68
Adjustments		10,045,120.64	2,549,980.24
<b>Total Cash Inflows</b>		<b>293,796,413.20</b>	<b>296,540,201.64</b>
Cash Outflows			
Payment of Expenses		180,345,652.38	163,600,360.95
Purchase of Inventories		28,994,383.35	30,690,487.18
Grant of Cash Advances		5,439,991.67	7,472,507.63
Prepayments		988,451.01	8,802,295.75
Remittance of Personnel Benefits Contributions and Mandatory Deductions		28,403,484.63	27,835,894.15
Other Disbursements		249,188.13	792,381.32
Adjustments		2,213,861.13	10,856,396.40
<b>Total Cash Outflows</b>		<b>246,635,012.30</b>	<b>250,050,323.38</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>		<b>47,161,400.90</b>	<b>46,489,878.26</b>
<b>Cash Flows from Investing Activities</b>			
Cash Outflows			
Purchase/Construction of PPE		28,732,871.18	29,939,514.27
Investments		700,000.00	593,000.00
<b>Total Cash Outflows</b>		<b>29,432,871.18</b>	<b>30,532,514.27</b>
<b>Net Cash Provided by (Used in) Investing Activities</b>		<b>(29,432,871.18)</b>	<b>(30,532,514.27)</b>
<b>Cash Flows from Financing Activities</b>			
Cash Inflows			
Proceeds from Domestic and Foreign Loans		14,953,860.21	0.00
<b>Total Cash Inflows</b>		<b>14,953,860.21</b>	<b>0.00</b>
Cash Outflows			
Payment of Long-Term Liabilities		14,572,304.59	17,960,359.35
Payment of Interest Expenses		10,710,275.79	13,097,399.59
<b>Total Cash Outflows</b>		<b>25,282,580.38</b>	<b>31,057,758.94</b>
<b>Net Cash Provided by (Used in) Financing Activities</b>		<b>(10,328,720.17)</b>	<b>(31,057,758.94)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		<b>7,399,809.55</b>	<b>(11,646,742.77)</b>
Cash and Cash Equivalents, January 1		84,939,929.71	96,586,672.48
<b>Cash and Cash Equivalents, December 31</b>	<b>4</b>	<b>₱92,339,739.26</b>	<b>₱84,939,929.71</b>

*The notes on pages 8 to 29 form part of these statements.*