

**PART II –
AUDIT OBSERVATIONS AND
RECOMMENDATIONS**

Part II- AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. AUDIT QUALIFICATIONS/FINANCIAL AUDIT OBSERVATIONS

ACCOUNTS RECEIVABLE

1. The dormant accounts receivable that have been outstanding for more than ten (10) years amounting to ₱ 162,873.35 were still carried in the books as of December 31, 2024, contrary to COA Circular No. 2016-005 dated December 19, 2016, thereby affecting the accuracy and validity of the reported Accounts Receivable account in the Financial Statements as at year-end.

- 1.1 COA Circular No. 2016-005 dated December 19, 2016, provides the guidelines and procedures on the write-off of dormant receivable accounts, among others. Item 5.4 thereof 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 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 the 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 - b.4 *Certification from the Securities and Exchange Commission that the Corporation is no longer active*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

- 1.2 As of December 31, 2024, the balance of the Accounts Receivable (AR) per AR Aging Schedule aged 10 years and above amounted to P 162,873.35 as shown below:

Aging of Accounts Receivable as of December 31, 2024			
	Less than 10 years	Above 10 years	TOTAL
Current – Water Bills	P 2,737,652.89	P 0.00	P 2,737,652.89
Current – Materials	47,306.30	0.00	47,306.30
TOTAL CURRENT	2,784,959.19	0.00	2,784,959.19
Non Current	844,203.85	162,873.35	1,007,077.20

- 1.3 Inquiry with the management revealed that they have yet to send demand letters to the inactive account concessionaires. They made a survey first who among the inactive accounts is already dead so that they can request a death certificate from the PSA. After these, they can already start to send demand letters to them.
- 1.4 Inclusion of these dormant accounts in the books casts doubt on the accuracy and validity of the reported accounts receivable balance amounting to P 162,873.35 as of December 31, 2024.
- 1.5 We recommended that the management:
- 1.5.a Send demand letters to inactive concessionaires that have been outstanding for more than ten (10) years;
 - 1.5.b Request authority from the Commission on Audit for the write-off of the District's dormant receivables; and
 - 1.5.c Continuously monitor and implement strategies on how to collect the inactive accounts receivable.

Management comment/s:

- 1.6 The Management agreed with the audit findings and assured compliance with the audit recommendations of the Audit Team.

PPE

2. The accuracy of the Property, Plant and Equipment (PPE) account balance of P102,478,586.57 as of December 31, 2024 could not be ascertained due to: (a) the unreconciled variance of P 1,744,360.95 between the balance per Statement of Financial Position and Report of Physical Count of PPE (RPCPPE); and (b) semi-expendable properties amounting to were still included in some PPE account balances, contrary to Philippine Accounting Standards and Commission on Audit (COA) Circular No. 2022-004.

2.1 *Philippine Accounting Standards (PAS) 1 on Presentation of Financial Statements requires that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses set out in the Framework. As provided in the Conceptual Framework for Financial Reporting, faithful representation requires financial reports to depict completeness, neutrality, and free from errors to prevent misleading financial information to the stakeholders.*

2.2 *Item 4 of COA Circular No. 2022-004 dated May 31, 2022, which was issued to set guidelines relative to the increase in capitalization threshold from ₱15,000 to ₱50,000, provides:*

Tangible items which meet the definition and recognition criteria of PPE but cost is below Fifty Thousand Pesos (₱50,000.00) shall be accounted in the books of accounts of the agencies as semi-expendable property. Xxx.

2.3 *The increase in the capitalization threshold from ₱15,000.00 to ₱50,000.00 shall be considered as a change in accounting policy and shall be applied retrospectively. It means that the new capitalization threshold of ₱50,000.00 shall be applied for all tangible items purchased in calendar year (CY) 2022 onwards and in the prior years.*

2.4 *For issued tangible items acquired prior to CY 2022 with amounts from ₱15,000.00 to below ₱50,000.00 previously classified as PPE:*

a. *The carrying amount shall be expensed/charged to the following accounts, as applicable:*

i. *xxx*

ii. *Retained Earnings/(Deficit) for GCs classified as Commercial Public Sector Entities;*

b. *The corresponding accumulated depreciation and accumulated impairment loss shall be closed in the books of accounts. xxx"*

2.5 *Comparison between the Statement of Financial Position and the Report on the Physical Count of PPE (RCPPE) as of December 31, 2024, disclosed an unreconciled variance in the total amount of ₱1,744,360.95, with details as follows:*

PPE Account	FS	RCPPE	Difference
Land	₱ 5,804,309.23	₱ 804,309.23	₱ 0.00
Other Land	1,218,292.47	1,218,292.47	0.00
Water Supply Systems	16,778,449.52	5,338,085.12	1,440,364.40
Plant-Utility Plant Service (UPIS)	65,196,295.43	64,968,207.43	228,088.00
Building	3,522,907.63	3,522,907.63	0.00

Other Structures	4,385,998.85	4,400,908.85	(14,910.00)
Office Equipment	2,161,172.30	1,827,551.64	333,620.66
Communication Equipment	471,266.49	491,576.48	(20,309.99)
Other Machinery and Equipment	1,150,656.07	1,307,750.00	(157,093.93)
Motor Vehicles	1,182,932.00	1,218,873.07	(35,941.07)
Furniture and Fixtures	606,306.58	635,763.70	(29,457.12)
Total	P102,478,586.57	P100,734,225.62	P1,744,360.95

2.6 Further verification revealed that a schedule of PPE included individual properties with acquisition costs below the ₱50,000 capitalization threshold, which were incorrectly and continuously recorded as part of the PPE accounts in the CY 2024 Financial Statements. The selected PPE accounts containing these items include Office Equipment, Communication Equipment, and Other Equipment.

2.7 The continuous misclassification of semi-expendable properties implies that reviews of PPE records were either not conducted or not properly implemented, preventing timely adjustments and corrections in financial reporting.

2.8 The inaccuracy of the ₱102,478,586.57 PPE account balance as of December 31, 2024, due to the unreconciled variance of ₱1,744,360.95 between the Statement of Financial Position (SFP) and the Report of Physical Count of PPE (RPCPPE), as well as the erroneous inclusion of semi-expendable properties in PPE accounts, has resulted in the overstatement of PPE and misstatement of financial information. This non-compliance with COA Circular No. 2022-004 and the Philippine Accounting Standards (PAS) affects the accuracy of depreciation expenses and potentially distorts financial performance. Moreover, the deficiency undermines the reliability of financial reporting, impacting decision-making and accountability in asset management.

2.9 We recommended that the management :

2.9.a Instruct the Inventory Committee to analyze the nature of the variance (e.g., missing assets, overstatement of PPE, unrecorded acquisitions) and recommend appropriate corrective actions;

2.9.b Instruct the Inventory Committee to reconcile the RPCPPE with the records of the Accounting and Property Units before submission of the approved copies of the report to COA;

2.9.c Instruct the Accountant to prepare a Journal Entry Voucher (JEV) to adjust the properties below the ₱50,000 capitalization threshold and its related accounts to subsequently present fairly their corresponding balances in the Financial Statements, as follows:

Accumulated Depreciation	xx
Semi Expendable Account	xx

PPE Account

xx

Retained Earnings

xx

To drop non-capitalizable PPEs from prior years.

2.9.d Henceforth, ensure that all acquisitions of assets below the capitalization threshold of ₱50,000 be recorded in accordance with the provisions of COA Circular No. 2022-004.

Management comment/s:

2.10 The Management agreed with the audit findings and assured compliance with the audit recommendations of the Audit Team.

Land

3. The existence, completeness, accuracy, and ownership rights of the Land account amounting to ₱2,804,309.23 as of December 31, 2024, could not be ascertained due to Management's failure to expedite the transfer of the titles of three (3) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

3.1 Section 39 (2) of PD No.1445 provides 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."*

3.2 Furthermore, 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.

- 3.3 Verification of the Schedule of Land as of December 31, 2024 disclosed that the District's three (3) parcels of land with total cost of ₱2,804,309.23 were not yet titled under the name of the Water District. The District only holds the Deeds of Sale and Deeds of Donation on said parcels of land as proof of ownership. The details are presented below.

Description	Unit Value	Location	Remarks
R1, R2, Pumphouse lot	₱529,309.23	Cathedral falls	Transfer to Water District's name is on process
Mario Conde's Lot – Lot No. 2-A-9-09 G	700,000.00	Annex pumping station	Transfer to Water District's name is on process
Alexis Aaron P. Conde Lot No. 2-A-9-0-9-H	1,575,000.00	Annex pumping station	Transfer to Water District's name is on process
Total	₱2,804,309.23		

- 3.4 Inquiry with the management disclosed that they are already taking the necessary steps for the titling of the lots owned by the District.
- 3.5 The absolute ownership of the land and its land rights are established only on the basis of genuine TCTs, duly registered with the Register of Deeds, free from any lien and encumbrance. The absence of covering TCTS on these lots may pose problems on lack of absolute ownership such as, but not limited to, untoward action that the seller/his heirs may initiate in the future.
- 3.6 **We recommended that the General Manager instruct the concerned personnel to accelerate efforts to facilitate the transfer of the titles of the aforementioned parcels of land in the name of the District to ascertain absolute ownership of the District and to protect its interest.**

Management Comment/s:

- 3.7 During the Exit Conference, Management expressed their commitment to complying with the audit recommendation and noted that they have already initiated the process for the transfer of titles.

B. REMITTANCE OF GSIS, PHILHEALTH, AND PAG-IBIG PREMIUMS

4. The Water District complied with the obligation to deduct from officer's and employee's compensation the mandatory employee's contribution and the corresponding employer's share for CY 2024 and remitted the same (1) to the GSIS pursuant to Sections 5 and 6 of RA No. 8291 or the Revised Government Service Insurance Act of 1997 and (2) to the PHIC pursuant to RA No. 10606, an act amending RA No. 7875, otherwise known as the National Health Insurance Act of 1995, as amended, and for other purposes. Furthermore, the District substantially complied with the provisions of Rule VII of IRR 9670 dated July 21, 2009 and HDMF Circular No. 275 dated January 22, 2010.

C. COMPLIANCE WITH TAX LAWS, RULES AND REGULATIONS INCLUDING REMITTANCES TO BIR

5. Taxes withheld from the salaries and benefits of employees, payments for the purchase of materials and services, franchise tax and other related taxes were regularly withheld and remitted to the BIR in compliance with Revenue Regulations No. 2-98 dated April 17, 1998.

D. STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES

6. The total audit suspension, disallowances and charges found in the audit of various transactions of the agency as of December 31, 2024 is P3,574,665.41, based on the Notice of Suspension (NS), Notice of Disallowance (ND), and Notice of Charge (NC) issued by the Commission, as summarized below

Particulars	Balance, 01/01/2024	CY 2024 Issuances	CY 2024 Settlement	Balance, 12/31/2024
Suspensions	P 1,189,289.41	P 0.00	P 0.00	P 1,189,289.41
Disallowances	P 2,385,376.00	P 0.00	P 0.00	P 2,385,376.00
Charges	P 0.00	P 0.00	P 0.00	P 0.00

PART I – AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Serifa Street, Carmen, Cagayan de Oro City

OFFICE OF THE SUPERVISING AUDITOR
R10 - CGAS Water Districts and Other Stand-Alone Agencies

INDEPENDENT AUDITOR'S REPORT

Mr. ROMULO R. INSOY
Chairperson, Board of Directors
Kapatagan Water District
Kapatagan, Lanao del Norte

Mr. CLAIR GREBERN U. ELUMIR
General Manager
Kapatagan Water District
Kapatagan, Lanao del Norte

Qualified Opinion

We have audited the financial statements of the **Kapatagan Water District**, Kapatagan, Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2024, and the related 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, except for the effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Kapatagan Water District as at December 31, 2024, and its comprehensive income and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

As discussed in Part II- Observations and Recommendations of this report, a Qualified opinion was rendered due to the following exceptions:

1. The dormant accounts receivable that have been outstanding for more than ten (10) years amounting to P162,873.35 were still carried in the books as of December 31, 2024, contrary to COA Circular No. 2016-005 dated December 19, 2016, thereby affecting the accuracy and validity of the reported Accounts Receivable account in the Financial Statements as at year-end.
2. Accuracy of the Property, Plant and Equipment (PPE) account balance of P102,478,586.57 as of December 31, 2024 could not be ascertained due to: (a) the unreconciled variance of P1,744,360.95 between the balance per Statement of Financial Position and Report of Physical Count of PPE (RPCPPE); and (b) semi-expendable properties amounting to were still included in some PPE account balances, contrary to Philippine Accounting Standards and Commission on Audit (COA) Circular No. 2022-004 dated May 31, 2022.

3. The existence, completeness, accuracy, and ownership rights of the Land account amounting to P2,804,309.23 as of December 31, 2023, could not be ascertained due to Management's failure to expedite the transfer of the titles of three (3) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Official and Employee (Code of Ethics) together with the ethical requirements that are relevant to our audit of the 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 Qualified Opinion.

Key Audit Matters

Except for the matter described in the *Bases for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards (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.

In preparing the financial statements, management is responsible for assessing the corporation's/unit's/agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the agency or to cease operations, or has no realistic alternative but to do so.

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 a 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 a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of the financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

COMMISSION ON AUDIT

BY:



FLORITA K. KIONISALA
State Auditor V
Supervising Auditor

March 14, 2025




Republic of the Philippines
KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte


**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of the **Kapatagan Water District**, Kapatagan, Lanao del Norte is responsible for the preparation of the financial statements as of December 31, 2024, including the additional components attached thereto in accordance with the 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 circumstance.

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 had audited the financial statements of the Kapatagan Water District in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


ROMULO R. INSOY
Chairman of the Board
Date: February 14, 2025


LEEVENA B. ESGUERRA
Accounting Processor – A
Date: February 14, 2025


CLAIR GREBERN UY ELUMIR, MBA
General Manager - C
Date: February 14, 2025



KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024
(With Comparative Figures for CY 2023)

	<u>NOTE</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	P 9,017,770.00	P 8,899,797.01
Receivables	4	4,667,822.00	4,751,296.87
Inventories	5	5,408,902.68	8,922,670.78
Other Current Assets	6	77,000.00	1,800.00
Total Current Assets		P 19,171,494.68	P 22,575,564.66
Non-Current Assets			
Property, Plant and Equipment	7	P 56,565,316.20	P 59,444,166.96
Other Non-current assets	8	1,007,077.22	1,263,161.86
Intangible Assets	9	105,000.00	0.00
Total Non-Current Assets		P 57,677,393.42	P 60,707,328.82
TOTAL ASSETS		P 76,848,888.10	P 83,282,893.48
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	P 2,749,662.85	P 4,706,582.60
Inter-Agency Payables	11	938,437.15	941,223.45
Trust Liabilities		269,025.49	2,000.00
Deferred Credits/Unearned Income		0.00	175,000.00
Other Payables		9,600.00	9,600.00
Total Current Liabilities		P 3,966,725.49	P 5,834,406.05
Non-Current Liabilities			
Financial Liabilities	12	P 12,582,213.04	P 14,379,936.24
Provisions		3,034,778.01	4,525,228.42
Other Payables		6,021,084.82	6,021,084.82
Total Non-Current Liabilities		P 21,638,075.87	P 24,926,249.48
TOTAL LIABILITIES		P 25,604,801.36	P 30,760,655.53

	<u>NOTE</u>	<u>2024</u>	<u>2023</u>
EQUITY			
Government Equity		₱ 4,000,013.34	₱ 4,000,013.34
Retained Earnings/(Deficit)	13	47,244,073.40	48,522,224.61
Total Equity		<u>₱ 51,244,086.74</u>	<u>₱ 52,522,237.95</u>
TOTAL LIABILITIES AND EQUITY		<u>₱ 76,848,888.10</u>	<u>₱ 83,282,893.48</u>

(See Accompanying Notes to Financial Statements)



KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for CY 2023)

	<u>NOTE</u>	<u>2024</u>	<u>2023</u>
Income			
Service and Business Income	14	P 48,499,321.87	P 47,298,828.00
Gains		864,270.47	542,522.99
Other Non-Operating Income		640,873.38	1,372,832.73
Total Income		P 50,004,465.72	P 49,214,183.72
Expenses			
Personnel Services	15	P 26,145,985.37	P 26,448,273.70
Maintenance and Other Operating Expenses	16	17,912,612.02	14,342,112.85
Financial Expenses		450,030.00	534,231.00
Non-Cash Expenses	17	3,993,699.76	6,424,914.14
Total Expenses		P 48,502,327.15	P 47,749,531.69
Comprehensive Income/(Loss)		P 1,502,138.57	P 1,464,652.03

(See Accompanying Notes to Financial Statements)



KAPATAGAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

	Retained Earnings/(Deficit)	Contributed Capital	Total
BALANCE AT JANUARY 1, 2023	P 46,514,235.59	P 4,000,013.34	P 50,514,248.93

ADJUSTMENTS:

Add/(Deduct):

RESTATED BALANCE AT JANUARY 1, 2023	P 46,514,235.59	P 4,000,013.34	P 50,514,248.93
CHANGES IN EQUITY FOR 2023	P 0.00	P 0.00	P 0.00

ADJUSTMENTS:

Add/(Deduct):

Comprehensive Income for the year	P 1,464,652.03	P 0.00	P 1,464,652.03
Other Adjustments	543,336.99	0.00	543,336.99
(Restricted/Water Meter Maintenance Fee)			

BALANCE AT December 31, 2023	P 48,522,224.61	P 4,000,013.34	P 52,522,237.95
-------------------------------------	------------------------	-----------------------	------------------------

CHANGES IN EQUITY FOR 2024

ADJUSTMENTS:

Add/(Deduct):

Comprehensive Income for the year	P 1,502,138.57	P 0.00	P 1,502,138.57
Other Adjustments	(2,780,289.78)		(2,780,289.78)
(Restricted/Water Meter Maintenance Fee)			

BALANCE AT December 31, 2024	P 47,244,073.40	P 4,000,013.34	P 51,244,086.74
-------------------------------------	------------------------	-----------------------	------------------------

Cash Outflows

Purchase/Construction of Property, Plant and Equipment

Total Cash Outflows

Adjustments

Adjusted Cash Outflows

Net Cash Provided By/ (Used In) Investing Activities

P	657,774.53	P	403,218.62
P	657,774.53	P	403,218.62
P	657,774.53	P	-
P	(657,774.53)	P	(403,218.62)

CASH FLOWS FROM FINANCING ACTIVITIES**Cash Inflows****Total Cash Inflows**

Adjustments

Adjusted Cash Inflows**Cash Outflows**

Payment of Long-Term Liabilities

Total Cash Outflows

Adjustments

Adjusted Cash Outflows

Net Cash Provided By/ (Used In) Financing Activities

INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

Effects of Exchange Rate Changes on Cash and Cash Equivalents

CASH AND CASH EQUIVALENTS, JANUARY 1, 2023

CASH AND CASH EQUIVALENTS, DECEMBER 31, 2023

P	0.00	P	0.00
P	0.00	P	0.00
P	0.00	P	0.00
P	2,457,458.24	P	2,953,077.81
P	2,457,458.24	P	2,953,077.81
P	2,457,458.24	P	2,953,077.81
P	(2,457,458.24)	P	(2,953,077.81)
P	117,972.99	P	276,699.32
P		P	-
P	8,899,797.01	P	8,623,097.69
P	9,017,770.00	P	8,899,797.01

Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	P 657,774.53	P 403,218.62
Total Cash Outflows	P 657,774.53	P 403,218.62
Adjustments		-
Adjusted Cash Outflows	P 657,774.53	P 403,218.62
Net Cash Provided By/ (Used In) Investing Activities	P (657,774.53)	P (403,218.62)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Inflows		
Total Cash Inflows	P 0.00	P 0.00
Adjustments	P 0.00	P 0.00
Adjusted Cash Inflows	P 0.00	P 0.00
Cash Outflows		
Payment of Long-Term Liabilities	P 2,457,458.24	P 2,953,077.81
Total Cash Outflows	P 2,457,458.24	P 2,953,077.81
Adjustments		
Adjusted Cash Outflows	P 2,457,458.24	P 2,953,077.81
Net Cash Provided By/ (Used In) Financing Activities	P (2,457,458.24)	P (2,953,077.81)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	P 117,972.99	P 276,699.32
Effects of Exchange Rate Changes on Cash and Cash Equivalents	P	P -
CASH AND CASH EQUIVALENTS, JANUARY 1, 2023	P 8,899,797.01	P 8,623,097.69
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2023	P 9,017,770.00	P 8,899,797.01



KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

1. General/Brief Historical Background

The Kapatagan Water District (KAPWD) is a Government-Owned & Controlled Corporation (GOCC) that was officially created on September 12, 1988 by virtue of SB Res. No. 177-C in accordance with Sec. 6 of P.D. 198 of the Provincial Water Utilities Act of 1973.

On October 24, 1989, KAPWD was issued a Certificate of Conditional Conformance (CCC418) by the Local Water Utilities Administration (LWUA).

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards applied on a consistent basis. The Revised Chart of Accounts (RCA) for Government Corporations as prescribed per Commission on Audit Circular No. 2015-010 dated December 01, 2015, is used in the recording of the District's financial transactions and presentation of the Financial Statements.

The accrual method of accounting is adopted for both income and expenses.

In recording expenditures, the voucher system is followed in which vouchers is credited prior to payment and debited when paid.

Property, Plant and Equipment is carried at cost less accumulated depreciation. Depreciation is computed on a straight-line method based on the estimated useful life ranging from five (5) to ten (10) years in accordance with COA Circular No. 2003-007 dated December 11, 2003.

3. Cash and Cash Equivalents

This account consists of:

Particulars	2024	2023
Cash on Hand	P 340,208.71	P 144,606.10
Cash in Bank-Local Currency, Current Account	8,677,561.29	8,755,190.91
TOTAL	P 9,017,770.00	P 8,899,797.01

Details of the Cash in Bank-Local Currency, Current Account are as follows:

Particulars	2024	2023
Cash in Bank-Local Currency, Current Account	P 2,467,976.86	P 2,696,431.28
Cash in Bank-Local Currency, Savings Account	6,209,584.43	6,058,759.63
TOTAL	P 8,677,561.29	P 8,755,190.91

Cash in Bank-Local Currency, Current Account composes the following:

1. LBP – Kapatagan Branch – General fund where the daily deposits and disbursements were made.

Cash in Bank-Local Currency, Savings Account comprises:

1. LBP Account No. 0801-0610-87 - served as the joint savings account of LWUA and KAPWD.
2. LBP Account no. 0802-1169-18 - savings account for Terminal Leave.

4. Receivables

Accounts Receivable consists of uncollected customer accounts from water sales (billings) and staggered payments of installation fees for Calendar Year 2024.

Receivables – Disallowances/Charges represent balances arising from issued disallowances and suspensions that have been partially settled. This account also includes amounts due from officers and employees.

Particulars	2024	2023
Accounts Receivable	2,784,959.19	P 2,587,055.80
Allowance for Impairment – Accounts Receivable	(537,611.67)	(398,363.71)
Receivables– Disallowances/Charges	2,112,226.00	2,263,676.00
Due from Officers and Employees	308,248.48	52,499.61
Due from Local Government Units - Kapatagan	0.00	133,936.00
Due from Government Corporations – Other Water District	0.00	112,493.17
TOTAL	P 4,667,822.00	P 4,751,296.87

5. Inventories

Particulars	2024	2023
Inventory Held for consumption		
Office Supplies Inventory	P 72,137.62	P 357,764.58
Accountable Forms, Plates & Stickers Inventory	23,600.00	61,200.00
Non – Accountable Forms Inventory	11,431.00	23,000.00
Chemical and Filtering Supplies Inventory	0.00	78,200.00
Other Supplies and Materials Inventory	4,748,361.70	8,166,763.84
Semi-Expendable Machinery and Equipment		
Semi – Expendable Office Equipment	272,502.96	152,199.02
Semi – Expendable Communication Equipment	40,080.00	40,080.00
Semi – Expendable Other Machinery and Equipment	209,205.06	33,879.00

Semi-Expendable Furniture, Fixtures & Books	31,584.34	9,584.34
TOTAL	P 5,408,902.68	P 8,922,670.78

6. Other Current Assets

Particulars	2024	2023
Advances		
- Advances for Operating expenses	P 54,350.00	P 0.00
- Advances to Officers & Employees	22,650.00	1,800.00
Prepayments	0.00	0.00
TOTAL	P 77,000.00	P 1,800.00

7. Property, Plant and Equipment

This account includes the fixed assets of the water district, such as land, land improvements, infrastructure assets, buildings and other structures, machinery and equipment, transportation equipment, furniture and fixtures, and construction in progress.

An increase in this account for the year 2024 signifies the acquisition or purchase of new equipment

Particulars	2024	2023
Land	P 5,804,309.23	P 5,804,309.23
Land Improvements	1,218,292.47	1,213,723.87
Accumulated Depreciation	(324,370.54)	(269,547.34)
Infrastructure Assets		
Water Supply Systems	16,778,449.52	16,643,499.52
Accumulated Depreciation	(6,148,311.69)	(5,425,176.09)
Plant – Utility Plant in Service (UPIS)	65,196,295.43	65,064,769.62
Accumulated Depreciation	(35,215,077.03)	(32,933,426.33)
Buildings & Other Structures		
Buildings	3,522,907.63	3,522,907.63
Accumulated Depreciation	(1,109,715.68)	(951,184.88)
Other Structures	4,385,998.85	4,385,752.58
Accumulated Depreciation	(1,013,519.64)	(769,993.77)
Machinery and equipment		
Office Equipment	2,067,076.79	2,010,481.79
Accumulated Depreciation	(1,122,729.73)	(890,976.85)
Communication equipment	471,266.49	357,966.49
Accumulated Depreciation	(30,801.78)	(23,917.50)
Other Equipment	1,150,656.07	1,150,656.07
Accumulated Depreciation	(374,295.54)	(286,594.62)
Transportation Equipment	1,182,932.00	993,392.00
Accumulated Depreciation	(852,957.84)	(832,865.28)

Furniture & Fixtures	728,055.78	673,970.78
Accumulated Depreciation	(121,749.20)	(84,824.96)
Construction in Progress-UPIS		-
TOTAL PROPERTY, PLANT AND EQUIPMENT	P 56,565,316.20	P 59,444,166.96

8. Other Non-Current Assets

This includes long-outstanding Accounts Receivable that has remained unpaid for over one year amounting to P 1,007,077.22.

9. Intangible Assets

These consist of the costs incurred for the acquisition of software utilized in the Water District's offline billing and inventory systems.

Particulars	2024	2023
Billing Program Offline	P 40,000.00	P 0.00
Inventory Program	65,000.00	0.00
TOTAL INTANGIBLE ASSETS	P 105,000.00	P 0.00

10. Financial Liabilities

These are the short – term payables of Kapatagan Water District.

Particulars	2024	2023
Accounts Payable	P 2,578,819.85	P 4,675,982.60
Due to Officers & Employees	17,843.00	0.00
Accrued Benefits Payable	153,000.00	30,600.00
TOTAL	P 2,749,662.85	P 4,706,582.60

11. Inter – Agency Payables

This account summarizes the accrued amounts for BIR, GSIS, Pag-IBIG, and PhilHealth remittances payable in the subsequent month.

Particulars	2024	2023
BIR	P 198,138.06	P 164,731.47
GSIS	587,552.69	609,136.09
Pag-ibig	90,894.00	105,065.25
PhilHealth	61,852.40	62,290.64
TOTAL	P 938,437.15	P 941,223.45

Furniture & Fixtures			
Accumulated Depreciation		728,055.78	673,970.78
Construction in Progress-UPIS		(121,749.20)	(84,824.96)
TOTAL PROPERTY, PLANT AND EQUIPMENT	P	56,565,316.20	P 59,444,166.96

8. Other Non-Current Assets

This includes long-outstanding Accounts Receivable that has remained unpaid for over one year amounting to ₱ 1,007,077.22.

9. Intangible Assets

These consist of the costs incurred for the acquisition of software utilized in the Water District's offline billing and inventory systems.

Particulars	2024	2023
Billing Program Offline	P 40,000.00	P 0.00
Inventory Program	65,000.00	0.00
TOTAL INTANGIBLE ASSETS	P 105,000.00	P 0.00

10. Financial Liabilities

These are the short – term payables of Kapatagan Water District.

Particulars	2024	2023
Accounts Payable	P 2,578,819.85	P 4,675,982.60
Due to Officers & Employees	17,843.00	0.00
Accrued Benefits Payable	153,000.00	30,600.00
TOTAL	P 2,749,662.85	P 4,706,582.60

11. Inter – Agency Payables

This account summarizes the accrued amounts for BIR, GSIS, Pag-IBIG, and PhilHealth remittances payable in the subsequent month.

Particulars	2024	2023
BIR	P 198,138.06	P 164,731.47
GSIS	587,552.69	609,136.09
Pag-ibig	90,894.00	105,065.25
PhilHealth	61,852.40	62,290.64
TOTAL	P 938,437.15	P 941,223.45

12. Non-Current Financial Liabilities

This account includes the long-term loans from LWUA. These are the following accounts, to wit:

Particulars	2024	2023
Loans Payable - RL-LA#4-226-2A	P 3,229,564.00	P 4,595,011.00
Loans Payable - RL -LA#4-226-2B	525,865.00	748,239.00
Loans Payable - NL-LA# 9-0888A	6,917,436.04	9,036,686.24
Loans Payable - NL -LA# 9-0288B	1,909,348.00	0.00
TOTAL	P 12,582,213.04	P 14,379,936.24

13. Retained Earnings

This account consists of the accumulated income since the beginning of the Water District's operations."

Particulars	2024	2023
Retained Earnings/(Deficit)	P 47,244,073.40	P 48,522,224.61

14. Service and Business Income

Particulars	2024	2023
Business Income		
Waterworks System Fees	P 46,091,127.51	P 45,597,413.81
Interest Income	1,030.99	993.96
Fines & Penalties – Business Income	1,640,819.03	1,505,446.07
Other Business Income	766,344.34	194,974.16
TOTAL BUSINESS INCOME	48,499,321.87	47,298,828.00
Gains on Sale of Inventory	864,270.47	542,522.99
Miscellaneous Income	640,873.38	1,372,832.73
TOTAL INCOME	P 50,004,465.72	P 49,214,183.72

15. Personnel services

Particulars	2024	2023
Salaries and Wages – Regular	P 12,798,127.78	P 12,087,363.12
Salaries and Wages – Casual	2,503,780.42	2,502,584.01
Other Compensation		
<i>Personnel Economic Relief Allowance (PERA)</i>	1,238,000.00	1,240,000.00
<i>Representation Allowance (RA)</i>	258,000.00	222,000.00
<i>Transportation Allowance (TA)</i>	258,000.00	222,000.00

Clothing/Uniform Allowance	324,000.00	312,000.00
PEI	0.00	0.00
Overtime & Night Pay	644,293.55	397,025.27
Year – end Bonus	1,279,210.00	1,185,988.00
Cash Gift	260,000.00	252,000.00
Other Bonuses & Allowances	2,486,362.00	3,077,488.64
Personnel Benefit Contribution		
Retirement and Life Insurance Premiums	1,774,647.38	1,690,009.36
Pag-IBIG Contributions	115,326.75	60,600.00
PhilHealth Contributions	349,287.49	278,944.22
Employees Compensation Insurance Premiums	55,000.00	56,800.00
Other Personnel Benefits	1,801,950.00	1,555,000.00
Terminal Leave Benefits	0.00	1,308,471.08
TOTAL PERSONNEL BENEFITS	P 26,145,985.37	P 26,448,273.70

16. Maintenance & Other Operating Expenses

Particulars	2024	2023
Traveling Expenses	P 1,196,804.07	P 993,946.82
Training and Scholarship expenses	P 260,323.60	P 285,200.00
Supplies & Materials Expenses		
Office Supplies Expenses	475,977.68	66,150.46
Accountable Forms Expenses	244,800.00	156,600.00
Non-Accountable Forms Expenses	34,569.00	205,000.00
Fuel, Oil & Lubricants expenses	985,780.87	939,649.13
Chemical & Filtering Supplies expenses	1,163,150.00	1,317,369.92
Total Supplies & Materials Expenses	P 2,904,277.55	P 2,684,769.51
Utility Expenses		
Electricity	4,483,554.79	4,676,424.19
Total Utility Expenses	P 4,483,554.79	P 4,676,424.19
Communication Expenses		
Postage & Courier Services	835.00	1,915.00
Telephone expenses	68,089.00	46,890.00
Internet Subscription Expenses	50,023.93	34,561.30
Total Communication Expenses	P 118,947.93	P 83,366.30
Survey Expenses	P 65,000.00	P 8,000.00
Generation, Transmission & Distribution expenses	P 0.00	P 0.00
Extraordinary & Miscellaneous expenses	P 996,653.50	P 781,646.27
Professional Services		
Legal Services	12,375.00	8,100.00

Auditing Services		0.00	46,840.48
Total Professional Fees		P 12,375.00	P 54,940.48
General Services		P 1,071,382.57	P 1,611,193.20
Repairs & Maintenance			
Particulars	2024	2023	
Infrastructure Assets	4,855,877.52	1,257,761.37	
Machinery & Equipment	104,878.00	103,512.04	
Buildings & Other Structures	98,882.00	101,653.00	
Transportation Equipment	162,579.80	222,030.04	
Other Property, Plant and Equipment	114,764.06	178,223.00	
Total Repairs & Maintenance	P 5,336,981.38	P 1,863,179.45	
Taxes, Insurance Premiums & Other Fees			
Taxes, Duties & Licenses	220,228.30	37,811.79	
Fidelity Bond Premiums	48,000.00	26,625.00	
Insurance expenses	43,383.68	48,468.32	
Total Taxes, Insurance Premiums & Other Fees	P 311,611.98	P 112,905.11	
Other Maintenance and Operating Expenses			
Advertising, Promotional & Marketing Expenses	0.00	187,000.00	
Representation Expenses	512,839.91	542,159.60	
Transportation & Delivery expenses	10,869.74	5,511.92	
Subscription Expenses	28,620.00	0.00	
Donations	15,000.00	580.00	
Directors & Committee Member's Fees	587,370.00	451,290.00	
Total Other Maintenance & Other Operating Expenses	P 1,154,699.65	P 1,186,541.52	
TOTAL MAINTENANCE & OTHER OPERATING EXPENSES	P 17,912,612.02	P 14,342,112.85	

17. Non-Cash Expenses

Particulars	2024	2023
Depreciation		
Depreciation-Land Improvements	P 54,823.20	P 54,823.2
Depreciation-Infrastructure Assets	2,992,009.32	5,499,980.40
Depreciation-Buildings and Other Structures	401,810.40	392,931.60
Depreciation-Machinery and Equipment	326,338.08	334,596.20
Depreciation-Transportation Equipment	20,092.56	10,518.72
Depreciation-Furniture, Fixtures and Books	36,924.24	35,748.24
Total Depreciation	P 3,831,997.80	P 6,328,598.36
Impairment Loss – Loans & Receivables	139,247.96	74,056.52
Discounts & Rebates	22,454.00	22,259.26
TOTAL NON – CASH EXPENSES	P 3,993,699.76	P 6,424,914.14



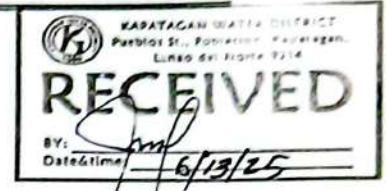
REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Serina Street, Carmen, Cagayan de Oro City

OFFICE OF THE REGIONAL DIRECTOR

May 15, 2025

Mr. ROMULO R. INSOY
Chairperson, Board of Directors

Mr. CLAIR GREBERN U. ELUMIR
General Manager Kapatagan Water District Kapatagan, Lanao del Norte



Madam/Sir:

We are pleased to transmit the Annual Audit Report on the audit of **Kapatagan Water District**, Kapatagan, Lanao del Norte as of December 31, 2024, pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with law, rules, and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I- Audited Financial Statements, Part II- Observations and Recommendations, and Part III- Status of Implementation of Prior Years' Audit Recommendations, which were discussed with the officials and staff concerned.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe these standards provided a reasonable basis for the audit results.

A Qualified Opinion was rendered on the fairness of the presentation of the financial statements of the Kapatagan Water District for the year ended December 31, 2024, as discussed in the Independent Auditor's Report in Part I hereof.

We expressed a Qualified Opinion on the fairness of the presentation of the financial statements of the Kapatagan Water District for the year 2024 due to the following exceptions:

1. The dormant accounts receivable that have been outstanding for more than ten (10) years amounting to P162,873.35 were still carried in the books as of December 31, 2024, contrary to COA Circular No. 2016-005 dated December 19, 2016, thereby affecting the accuracy and validity of the reported Accounts Receivable account in the Financial Statements as at year-end.
2. The accuracy of the Property, Plant and Equipment (PPE) account balance of P102,478,586.57 as of December 31, 2024 could not be ascertained due to: (a) the unreconciled variance of P1,744,360.95 between the balance per Statement of


Financial Position and Report of Physical Count of PPE (RPCPPE); and (b) semi-expendable properties amounting to were still included in some PPE account balances, contrary to Philippine Accounting Standards and Commission on Audit (COA) Circular No. 2022-004 dated May 31, 2022.

3. The existence, completeness, accuracy, and ownership rights of the Land account amounting to P2,804,309.23 as of December 31, 2024, could not be ascertained due to Management's failure to expedite the transfer of the titles of three (3) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

We request that the remedial measures be immediately implemented, and we will appreciate being informed, through our Auditors, of the actions, plan and status of implementation thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form to the Audit Team within 60 days from receipt hereof, pursuant to Section 99 of the General Provisions of the General Appropriations Act FY 2024.

We appreciate the invaluable support and cooperation extended by the officials and staff of the Agency to the Audit Team which facilitated the completion of the report.

Very truly yours,



MATHEW REY M. MAGNO

Director IV

Regional Director

Copy furnished:

*The President of the Philippines
Malacañang Palace, Manila*

*The Vice-President of the
Philippines 11F, Robinson
Cybergate Plaza, EDSA cor.
Pioneer St., Mandaluyong, 1550,
Metro Manila*

*The President of the Senate
Room 606 & 512B, 20, 211 (Extension)
GSIS Bldg., Financial Center,
Diokno Boulevard, Pasay City*

*The Speaker of the House of Representatives
HOR Complex, Constitution Hills, Quezon City*

*The Chairman
Senate Finance
Committee Senate of the
Philippines Roxas
Boulevard, Pasay City*

*The Chairman- Appropriations Committee
House of Representatives
HOR Complex, Constitution Hills, Quezon City*

*The Secretary of the Budget and Management
Department of Budget and Management
Gen. Solano St., San Miguel, Manila*

*The Administrator
Local Water Utilities Administration (LWUA)
MWSS-LWUA Complex, Katipunan Avenue
Balara, Quezon City*

*Presidential Management Staff
Office of the President*

*The Director
National Library of the Philippines
T.M. Kalaw, Ermita, Manila*

*The Chief of Office
UP Law Center, UP, Diliman, Quezon City*

File



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Regional Office No. 10

J.V. Serifa Street, Carmen, Cagayan de Oro City

OFFICE OF THE SUPERVISING AUDITOR
R10 - CGAS Water Districts and Other Stand-Alone Agencies

May 14, 2025

MATHEW REY M. MAGNO

Regional Director

COA - Regional Office No. X

Cagayan de Oro City

Sir:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of the **Kapatagan Water District**, Kapatagan, Lanao del Norte, for the year ended December 31, 2024.

The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years' Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided a reasonable basis for the results of the audit. We rendered a Qualified Opinion on the fairness of presentation of the financial statements.

Very truly yours,

FLORITA K. KIONISALA

State Auditor V

Supervising Auditor



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Serina Street, Carmen, Cagayan de Oro City

OFFICE OF THE AUDIT TEAM LEADER
R10 - CGAS Water Districts and Other Stand-Alone Agencies - Team 05

May 14, 2025

Ms. FLORITA K. KIONISALA

Supervising Auditor
CGAS Water Districts and Other Stand-Alone Agencies
COA - Regional Office No. X
Cagayan de Oro City

Ma'am:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we conducted an audit on the accounts and operations of **Kapatagan Water District**, Kapatagan, Lanao del Norte, for the year ended December 31, 2024.

The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years' Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided a reasonable basis for the results of the audit. We rendered a qualified opinion on the fairness of the presentation of the financial statements.

Very truly yours,

WAHIDA M. JAMIL
State Auditor III
OIC – Audit Team Leader



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10 Carmen, Cagayan de Oro City

ANNUAL AUDIT REPORT

ON THE

KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

For the Year Ended December 31, 2024

EXECUTIVE SUMMARY

A. INTRODUCTION

The Kapatagan Water District (KAPWD) was created under a special law, Presidential Decree 198 as amended by PD Nos. 768 and 1479 better known as the "Provincial Water Utilities Act of 1973." KAPWD was awarded with the Certificate of Conditional Conformance No. 228 by the Local Water Utilities Administration (LWUA) on November 8, 1982.

The KAPWD is presently categorized as "Category C" Water District serving 6,487 total active service connections as of December 31, 2024.

As of December 31, 2024, the governing board is composed of personalities representing the different sectors and organizations within the Municipality of Kapatagan who were appointed by the Local Chief Executive. They exercise corporate powers and determine policies for the operations of the District. They are as follows:

Chairperson:	Angelita P. Robles
Vice-Chairman:	Romulo R. Insoy
Members:	Jocelyn N. Orlanes
	Rolando M. Mocorro
	Manolito B. Pactol

All local water districts were declared as Government-Owned and Controlled Corporations (GOCC) by the Supreme Court on September 13, 1991, in the case docketed as GR Nos. 95237-38.

An audit was conducted on the accounts and operations of Kapatagan Water District for the calendar year 2024.

The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances. It was also made to determine whether the district's financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed. Further, it was also conducted to determine whether the agency managed and utilized its resources economically, efficiently, and effectively in the implementation of its programs, projects, and activities.

B. FINANCIAL HIGHLIGHTS

Financial Condition

As of December 31, 2024, there was a decrease of 7.73 % in assets, decrease of 16.76 % in liabilities and a decrease of 2.43 % in government equity, summarized as follows:

	2024	2023	Increase/(Decrease)
Assets	76,848,888.10	83,282,893.48	(6,434,005.38)
Liabilities	25,604,801.36	30,760,655.53	(5,155,854.17)
Equity	51,244,086.74	52,522,237.95	(1,278,151.21)

Results of Operations

The operation of the agency for CY 2024 yielded an increase of ₱0.37 million in net income, resulting from an increase of ₱0.79 million in net of sales revenue and an increase of ₱0.75 Million in expenses.

	2024	2023	Increase/(Decrease)
Income	50,004,465.72	49,214,183.72	790,282.00
Expenditures	48,502,327.15	47,749,531.69	752,795.46
Net Operating Income	1,502,138.57	1,464,652.03	37,486.54

C. SCOPE OF AUDIT

The audit covered the examination of the accounts and operations of Kapatagan Water District, Kapatagan, Lanao del Norte for the period January 1 to December 31, 2024. The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

D. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

A Qualified Opinion was rendered on the fairness of presentation of the financial statements due to the following exceptions:

1. The dormant accounts receivable that have been outstanding for more than ten (10) years amounting to P162,873.35 were still carried in the books as of December 31, 2024, contrary to COA Circular No. 2016-005 dated December 19, 2016, thereby affecting the accuracy and validity of the reported Accounts Receivable account in the Financial Statements as at year-end.
2. Accuracy of the Property, Plant and Equipment (PPE) account balance of P102,478,586.57 as of December 31, 2024 could not be ascertained due to: (a) the unreconciled variance of P1,744,360.95 between the balance per Statement of Financial Position and Report of Physical Count of PPE (RPCPPE); and (b) semi-expendable properties amounting to were still included in some PPE account balances, contrary to Philippine Accounting Standards and Commission on Audit (COA) Circular No. 2022-004 dated May 31, 2022.
3. The existence, completeness, accuracy, and ownership rights of the Land account amounting to P2,804,309.23 as of December 31, 2024, could not be ascertained due

to Management's failure to expedite the transfer of the titles of three (3) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

E. SUMMARY OF TOTAL SUSPENSION, DISALLOWANCE AND CHARGES AS OF YEAR-END

Particulars	Balance, 01/01/2024	CY 2024 Issuances	CY 2024 Settlement	Balance, 12/31/2024
Suspensions	P 1,189,289.41	P 0.00	P 0.00	P 1,189,289.41
Disallowances	P 2,385,376	P 0.00	P 0.00	P 2,385,376
Charges	P 0.00	P 0.00	P 0.00	P 0.00

F. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the nineteen (19) prior years' audit recommendations embodied in the CY 2023, 2022, and 2021 Annual Audit Report (AAR), thirteen (13) or 68.42% were fully implemented and six (6) or 31.58% were not implemented.

TABLE OF CONTENTS

	<u>PAGE/S</u>
Part I AUDITED FINANCIAL STATEMENTS	
• Independent Auditor's Report	1
• Financial Statements	
o Statement of Management Responsibility	4
o Comparative Statement of Financial Position	5
o Comparative Statement of Comprehensive Income	7
o Statement of Changes in Government Equity	8
o Comparative Statement of Cash Flows	9
o Notes to Financial Statements	11
Part II OBSERVATIONS AND RECOMMENDATIONS	
• Detailed Observations and Recommendations	19
Part III STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS	
	27