

Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 1
San Fernando City, La Union

ANNUAL AUDIT REPORT

on the

**PORO POINT MANAGEMENT
CORPORATION**

San Fernando City, La Union

For the Year Ended December 31, 2012



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. I
San Fernando City, La Union

February 22, 2013

The President and CEO
Poro Point Management Corporation
San Fernando City, La Union

Sir:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Presidential Decree No. 1445, otherwise known as the "Government Auditing Code of the Philippines", we transmit herewith our report on the results of audit of the accounts and operations of the Poro Point Management Corporation (PPMC) for the year ended December 31, 2012.

The audit was aimed at expressing an opinion on the fairness of presentation of the Corporation's financial statements. In view of the conditions discussed in the comments and observations, we expressed an unqualified opinion on the financial statements of the Corporation.


The audit was also aimed at determining the Corporation's compliance with pertinent laws, rules and regulations, as well as efficiency and effectiveness in its operations.

We request that appropriate action be taken on the comments and observations contained in the report and to inform us of the actions taken thereon within one month from receipt hereof.

We acknowledge with thanks the support and cooperation extended to our Audit Team by the officials and employees of the Poro Point Management Corporation, San Fernando City, La Union.

Very truly yours,

FOR THE COMMISSION ON AUDIT:


DELFIN P. AGUILAR
Regional Director



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. I
San Fernando City, La Union

STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Board of Directors

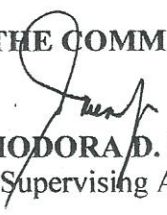

Poro Point Management Corporation
San Fernando City, La Union

We have audited the accompanying balance sheet of Poro Point Management Corporation, a wholly-owned subsidiary of the Bases Conversion and Development Authority as of December 31, 2012, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted state auditing standards in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide reasonable bases for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Poro Point Management Corporation as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted state accounting principles in the Philippines.

FOR THE COMMISSION ON AUDIT:


RHODORA D. MENDOZA
Supervising Auditor 

February 22, 2013

PART I

**AUDITED FINANCIAL
STATEMENTS**

PORO POINT MANAGEMENT CORPORATION

(A Member of The BCDA Group)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2012

(With comparative figures as of December 31, 2011)

	2012	As restated 2011
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents (Note 3)	74,967,420.84	29,256,127.88
Account Receivables (Note 4)	28,527,028.70	22,386,788.76
Prepaid Expenses (Note 5)	2,430,839.14	2,333,736.70
Total current assets	105,925,288.68	53,976,653.34
NON-CURRENT ASSETS		
Investments (Note 6)	15,015,000.00	15,015,000.00
Properties and Equipments (Note 7)	53,905,912.26	559,861,380.16
Other Assets (Note 8)	19,117,210.21	18,097,284.71
Total non-current assets	88,038,122.47	592,973,664.87
TOTAL ASSETS	193,963,411.15	646,950,318.21
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable - Trade (Note 9a)	13,710,162.33	12,418,710.67
Other Liabilities (Note 9b)	93,432,028.27	549,042,554.44
Total current liabilities	107,142,190.60	561,461,265.11
NON-CURRENT LIABILITIES		
Due To BCDA (Note 9c)	18,437,109.76	18,437,109.76
Total liabilities	125,579,300.36	579,898,374.87
STOCKHOLDERS' EQUITY		
Capital Stocks		
Authorized (800,000 shares @ P100.00 par)		
Subscribed & Paid up (Note 10)	80,000,000.00	80,000,000.00
Deposits for future subscriptions (Note 11)	21,980,994.69	19,024,944.60
Donated Capital (Note 12)	692,362.00	692,362.00
Equity in Joint Venture (Note 13)	15,000,000.00	15,000,000.00
Deficit (Note 15)	(49,289,245.90)	(47,665,363.26)
Total stockholders' equity	68,384,110.79	67,051,943.34
TOTAL LIABILITIES AND CAPITAL	193,963,411.15	646,950,318.21

See accompanying Notes To Financial Statements.

PORO POINT MANAGEMENT CORPORATION

(A Member of The BCDA Group)

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2012

(With comparative figures for the year ended December 31, 2011)

	2 0 1 2	As restated 2 0 1 1
REVENUES:		
Operating & Service Income:		
Management Fees (Note 1.a)	68,051,075.37	55,420,262.49
Miscellaneous Revenues:		
Permits & other fees	765,844.00	992,027.97
Rentals	175,846.08	913,170.18
Others	196,606.28	20,281.69
TOTAL REVENUES	69,189,371.73	57,345,742.33
EXPENSES:		
Personal Services		
Salaries & wages	11,701,113.24	11,441,736.53
Overtime	675,078.17	523,025.12
SSS/Medicare contributions	836,343.55	765,582.90
Pag-ibig contributions	67,850.00	64,550.00
Insurance Prem.-Life & Health	647,739.34	608,634.07
Commutable allowances	2,272,780.92	1,742,805.32
Bonuses & incentives	3,532,635.38	3,938,906.08
Other employee benefits	3,044,908.97	2,879,098.77
Total Personnel services	22,778,449.57	21,964,338.79
Maintenance & Other Operating Expenses		
Travelling expenses	1,031,519.57	990,568.03
Communication expenses	1,027,216.07	996,714.73
Repairs & Maintenance	4,985,243.57	2,747,759.74
Insurance & registration	2,077,681.20	2,057,211.16
Gasoline & Oils	1,249,056.43	1,740,075.37
Supplies & materials	1,954,717.58	2,000,578.74
Auditing services	941,376.06	958,435.02
Rents	180,153.85	93,327.62
Board expense	5,483,239.67	3,611,579.70
Depreciation expense	5,035,574.81	5,907,425.06
Bad Debts	47,860.43	2,363.19
Water, illumination & power	2,641,199.56	2,227,101.68
Training & seminar	932,991.14	887,347.93
Security & janitorial	12,369,506.56	10,657,365.11
Extraordinary & miscellaneous	703,787.73	492,378.73
Marketing & Promotions	584,787.50	292,540.54
Taxes, duties & fees	206,420.82	236,915.14
Representations	651,742.84	395,451.00
Subscriptions	103,334.74	87,469.93
Professional & consultancy fees	60,000.00	315,000.00
Project allowance - ATO	-	830,900.00
Fees for outside services	306,860.00	301,000.00
Total MOOE	42,574,270.13	37,829,508.42
TOTAL OPERATIONAL COSTS	65,352,719.70	59,793,847.21
INCOME FROM OPERATIONS	3,836,652.03	(2,448,104.88)

OTHER INCOME(EXPENSE):		
Interest Income	384,744.03	437,352.69
Special Projects	(6,352,552.14)	(636,323.98)
	<u>(5,967,808.11)</u>	<u>(198,971.29)</u>
NET PROFIT(LOSS) BEFORE INCOME T	(2,131,156.08)	(2,647,076.17)
Less: Provision for income tax	(1,386,054.76)	(1,118,475.97)
NET PROFIT(LOSS)	(3,517,210.84)	(3,765,552.14)
DEFICIT, BEGINNING	(47,665,363.26)	(43,204,200.21)
Prior period adjustment	1,893,328.20	(695,610.91)
DEFICIT, END	(P49,289,245.90)	(P47,665,363.26)

See accompanying Notes To Financial Statements.

PORO POINT MANAGEMENT CORPORATION
(A Member of The BCDA Group)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
December 31, 2012
(With comparative figure as of December 31, 2011)

	2012	As restated 2011
CAPITAL STOCK		
Balance at beginning of the year	80,000,000.00	80,000,000.00
Procurement of furniture, fixtures & equipment	-	-
Site development of PPMC Admin Bldg.	-	-
Balance at end of the year	80,000,000.00	80,000,000.00
DEPOSITS FOR FUTURE SUBSCRIPTION		
Balance at beginning of the year	18,674,554.60	14,050,032.60
Additions/Deductions	3,306,440.09	4,974,912.00
Balance at end of the year	21,980,994.69	19,024,944.60
DONATED CAPITAL		
Balance at beginning of the year	692,362.00	692,362.00
Additions/Deductions	-	-
Balance at end of the year	692,362.00	692,362.00
EQUITY IN JOINT VENTURE		
Balance at beginning of the year	15,000,000.00	15,000,000.00
Additions/Deductions	-	-
Balance at end of the year	15,000,000.00	15,000,000.00
DEFICIT		
Balance at beginning of the year	(47,665,363.26)	(43,204,200.21)
Net income(loss)	(3,517,210.84)	(3,765,552.14)
Correction of prior years' error	1,893,328.20	(695,610.91)
Balance at end of the year	(49,289,245.90)	(47,665,363.26)
	68,384,110.79	67,051,943.34

See accompanying Notes To Financial Statements.

PORO POINT MANAGEMENT CORPORATION
(A Member of The BCDA Group)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012
(With comparative figures for the year ended December 31, 2011)

	2012	As restated 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Miscellaneous income received	1,036,717.79	1,559,428.12
Opex funds received from BCDA	62,602,557.28	70,542,292.20
Collections of receivables, others	6,374,704.67	1,215,176.32
Cash payment to employees & suppliers	(74,230,913.49)	(62,580,485.74)
Income taxes paid	(651,989.93)	(519,069.97)
Net Cash used in operating activities	(4,868,923.68)	10,217,340.93
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	330,216.64	434,283.20
Purchases of PPE	-	(26,037,574.40)
Net Cash used in investing activities	330,216.64	(25,603,291.20)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capex funds from BCDA	50,250,000.00	26,037,574.43
Net Cash from financing activities	50,250,000.00	26,037,574.43
NET INC(DEC) IN CASH AND CASH EQUIVALENTS	45,711,292.96	10,651,624.16
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,256,127.88	18,604,503.72
CASH AND CASH EQUIVALENTS, END OF YEAR	74,967,420.84	29,256,127.88

See accompanying Notes to Financial Statements.

PORO POINT MANAGEMENT CORPORATION
(A Member of the BCDA Group)
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. CORPORATE INFORMATION

The Bases Conversion Development Authority (BCDA) was created under Republic Act No. 7227 dated March 13, 1993. The main objective is to accelerate the sound and balanced conversion of former military reservations, specially the American Military Bases into alternative productive civilian uses for the benefit of the Filipino people.

Pursuant to this Act, Presidential Proclamation No. 216 was issued creating and designating the area covered by the former Wallace Air Station, the San Fernando Seaport and Airport, and contiguous areas in Poro Point as Poro Point Special Economic and Freeport Zone (PPSEFZ).

On June 29, 1993, Executive Order No. 103 was issued, establishing the John Hay Development Corporation (JHDC) as a subsidiary and implementing arm of BCDA for Club John Hay.

Subsequently, on 7 October 1998, Executive Order No. 31 was issued amending Sections 1 and 3 of EO No. 103 series of 1993 renaming John Hay Development Corporation (JHDC) to John Hay Poro Point Development Corporation (JPDC). JPDC is a body corporate to be known as the John Hay Poro Point Development Corporation (JPDC) as the authorize operating and implementing arm of the BCDA to manage the John Hay Special Economic Zone and Poro Point Special Economic and Freeport Zone, formerly known as the Wallace Air Station and its contiguous areas.

On 26 March 1997, Executive Order No. 132 was issued authorizing the creation of Poro Point Management Corporation (PPMC) as the implementing arm of BCDA over the Poro Point Special Economic and Freeport Zone and renaming the John Hay Poro Point Development Corporation (JPDC) as the John Hay Management Corporation.

PPMC was registered with the Securities and Exchange Commission (SEC) on 6 January 2003.

1.a Performance Agreement

Pursuant to the above-mentioned laws and Executive Orders specifically prescribing the Policies and Guidelines to implement R.A. 7227 defining the oversight functions

of BCDA in relation to its subsidiaries and attached authorities, BCDA and PPMC entered into a Performance Agreement to govern the relationship of both party. The Agreement defines its purpose and the undertakings of both BCDA and PPMC. Foremost among the features of the Agreement is about the financial undertakings that BCDA and PPMC has to comply with and are briefly summarized as follows:

- PPMC shall record all rentals and other proceeds from properties contracted by PPMC as Trust Liability and remit the same to BCDA through a designated bank account. The same shall now be recorded as income of BCDA.
- PPMC shall plan and establish an annual operating budget which must be consistent with the approved business plan to include Personal Services, MOOE, Capital Outlay and Capital Expenditures, if any.
- PPMC has to submit the proposed operating budget for BCDA approval. Once approved, the corresponding budget for PS and MOOE will now be recorded by PPMC as its Management Fees for the period. All Capex funds will be liquidated to BCDA and the corresponding assets will be taken up as assets of BCDA while the funds released for Capital Outlay will be taken up as Equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are summarized below.

2.a Basis of preparation

The financial statements have been prepared in accordance with generally accepted state accounting principles accepted in the Philippines. PPMC has adopted some of the applicable Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements comprise the statement of condition, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes.

These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with PFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies consistent with that of the BCDA.

- **IFRS 1 - First-time Adoption of IFRS.** This standard sets out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis of preparing its general purpose financial statements.

A first-time adopter, as defined under IFRS 1, is an entity that, for the first time, makes an explicit and unreserved statement that its general purpose financial statements comply with IFRSs [IFRS 1.3]

An entity can also be a first-time adopter if, in the preceding year, its financial statements: [IFRS 1.3]

1. asserted compliance with some but not all IFRSs, or
2. included only a reconciliation of selected figures from previous GAAP to IFRSs.

PPMC is adopting for the first time partial compliance to the IFRSs in compliance with the BCDA's group mandate to fully comply with the relevant issuances of the PFRSs consistent with IFRSs.

- **IAS 2 – Inventories.** This standard prescribes the accounting treatment for inventories. It provides guidance for determining the cost of inventories and for subsequently recognizing an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Inventories referred to in this standard include assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials).

- **IAS 16 – Property, Plant and Equipment.** This standard prescribes the accounting treatment for property, plant and equipment. The principal issues are the recognition of assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognized in relation to them.

Items of property, plant and equipment should be recognized as assets when it is probable that there is probable future economic benefits associated with the asset that will flow to the entity; and the cost of the assets can be measured reliably.

- **IAS 36 – Impairment of Assets.** The standard seeks to ensure that an entity's assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs to sell and value in use. With the exception of goodwill and certain intangible assets for which an annual impairment test is required, entities are required to conduct impairment tests where there is an indication of impairment of an asset.

2.b New standards, amendments and interpretations to existing standards that are not yet effective and, accordingly, not yet adopted by PPMC

The following amendments, interpretations and improvements to PFRS are mandatory for accounting periods beginning on or after January 1, 2011 but are not relevant to the Company's financial statements:

PAS 32 (Amendment)	Financial Instruments: Presentation – Classifications of Rights Issues
IFRIC 14 (Amendment)	Prepayment of a Minimum Funding Requirement
2010 Annual Improvements	
PAS 21 (Amendment)	Effects of Changes in Foreign Exchange Rates
PAS 28 (Amendment)	Investment in Associates
PAS 34 (Amendment)	Interim Financial Reporting – Significant Events and Transactions
PFRS 3 (Amendment)	Business Combination
IFRIC 13 (Amendment)	Customer Loyalty Programmes – Fair Value Awards Credits

The financial statements are presented in Philippine pesos, the Company's functional currency and all values represent absolute amounts except when otherwise indicated.

Cash and Cash Equivalents

The Corporation considers as cash equivalents all short-term, highly liquid investments with original maturities of three months or less from dates of purchase.

Materials and Supplies

This account carries the value of unused supplies and materials in stock using FIFO inventory method.

Property and Equipment

Property and Equipment are stated at cost less accumulated depreciation. Depreciation is measured using the straight-line method with composite rates ranging from 5% to 20%. In accordance with COA Circular Letter NO. 2004-3 dated October 4, 2004, the computation of depreciation expense shall start on the following month after the purchase/ completion of the PPE, irrespective of date within the month. The current and subsequent month depreciation expense shall be computed as follows:

$$\text{Monthly Depreciation Expense} = \frac{\text{Carrying Amount} - \text{Residual Value}}{\text{Remaining Useful Life}}$$

Maintenance and repairs are charged to operations. Improvements and/ or major repairs that considerably extend assets life or if the repair costs are material in amount are charged to the appropriate asset account.

Assets acquired with value of not more than P10,000 are recorded under supplies and materials expense upon withdrawal from the stockroom.

Revenue Recognition

Operating expenditures (OPEX) releases from BCDA are reflected as sources of income in the Statements of Comprehensive Income to satisfy the matching principle. All OPEX releases are booked as revenues by dividing the total yearly Corporation's approved budget in equal monthly amounts prior to actual receipt of the funds and subsequent adjustments are made upon receipt thereof.

Collections received in Trust

Income as well as collections from the San Fernando Airport and Thunderbird Filipinas Hotel & Resorts have been recognized and recorded in the books of the Corporation since January 2002 & April 2006 respectively as "Cash or Receivables Accruing to BCDA" and credited to account "Due To BCDA". Collections are deposited daily to BCDA Account No. 0202-0177-54 at Land Bank of the Philippines, San Fernando City. Results from these activities are being reported to BCDA on a regular basis and audit of accounts for this purpose, is being undertaken by the resident Corporate Auditors of BCDA. To date, however, a total of P340.08 million pertaining lease rentals of Poro Point Industrial Corporation (PPIC) remain uncollected. However, there are on-going negotiations for the settlement of the above and it is being undertaken by top-level management.

CAPEX Releases

The Performance Agreement executed between BCDA and PPMC provides that CAPEX releases made by BCDA shall be treated as Advances from BCDA. These funds shall be liquidated upon completion of the projects.

3. CASH & CASH EQUIVALENTS 2012 2011

Cash on hand & in banks	62,719,653.04	10,880,569.45
Short-term Placements	12,247,767.80	18,645,558.43
Total	74,967,420.84	29,256,127.88

4. ACCOUNT RECEIVABLES 2012 2011

Accounts Receivables(net)	3,358,486.24	4,529,065.59
Advances – Others	8,073,144.64	8,073,144.64
Interest receivables	9,426.85	16,968.72

Due from BCDA/Others	17,263,617.97	9,767,609.81
Total	28,527,028.70	22,386,788.76

5. PREPAID EXPENSES

2012 2011
P 2,430,839.14 P 2,333,736.70

Prepaid expenses include payments of expenses with minimum coverage period of at least one (1) year like premiums paid on insurance policies, motor vehicle registration fees and other similar expenses. These expenses are amortized over a period of one (1) year.

6. INVESTMENTS

Investment at PPIC	15,000,000.00	15,000,000.00
PLDT shares of stocks	15,000.00	15,000.00
Total	15,015,000.00	15,015,000.00

7. PROPERTY & EQUIPMENT

This account consists of the following:

	Construction In-progress	Motor Vehicles	Office Equipment	Building & Structures	Total
At December 31, 2011					
Cost	30,074,735.91	12,695,500.61	25,834,453.46	514,319,714.97	582,924,404.95
Accum. Deprec.	-	9,009,484.20	11,062,630.82	2,990,909.76	23,063,024.78
Net book value	30,074,735.91	3,686,016.41	14,771,822.64	511,328,805.21	559,861,380.17
Year ended					
December 31, 2011					
Opening book value	30,074,735.91	3,686,016.41	14,771,822.64	511,328,805.21	559,861,380.17
Additions	-	2,148,000.00	1,003,410.32	-	3,151,410.32
Assets turned-over to					
BCDA	-	-	-	-	-
Cost	-	-	-	(504,548,417.12)	(504,548,417.12)
Accum Deprec	-	-	-	-	-
Disposal of assets					
Cost	-	-	-	-	-
Accum Deprec	-	-	-	-	-
Depreciation for the year	-	(776,378.84)	(3,515,047.86)	(598,094.16)	(4,889,520.86)
Adjustments	-	-	331,059.75	-	331,059.75
Closing net book value	30,074,735.91	5,057,637.57	12,591,244.85	6,182,293.93	53,905,912.26
At 31 December, 2012					
Cost	30,074,735.91	14,843,500.61	27,168,923.53	9,771,297.85	81,858,457.90
Accum Depreciation	-	(9,785,863.04)	(14,577,678.68)	(3,589,003.92)	(27,952,545.64)
Net book value	30,074,735.91	5,057,637.57	12,591,244.85	6,182,293.93	53,905,912.26

- *Construction in progress account* constitute Capex funded projects by BCDA like the Road Network, Upgrading of the San Fernando Airport and such other similar projects, which when completed and while awaiting transfer to BCDA, are temporarily transferred to the Finished Project Account. BCDA book these projects as their assets upon receipts from PPMC and will similarly reverse the corresponding advances made to PPMC.

8. OTHER ASSETS

	2012	2011 As restated
Petty cash fund	0	0
Account receivables – employees	569,554.26	166,278.71
Advances to officers & employees	0	14,500.00
Supplies & materials in-transit	1,326,372.75	572,354.80
Supplies & materials inventory	333,555.20	456,423.20
Contingent asset -land acquisition	16,718,844.00	16,718,844.00
Guaranty deposits	168,884.00	168,884.00
Total	P 19,117,210.21	P 18,097,284.71

Assets of relatively small values include the following:

- Accounts receivable - employees and advances made to employees are lump under Other Assets in as much as these accounts are under the full control of the employees.
- Supplies and materials inventory refer to office supplies and miscellaneous materials intended for repairs of motor vehicles, equipment and the facility. These are not intended for resale in the ordinary course of business.
- Land acquisition refers to all validated land claims within the Wallace area with a total area of 47,668 square meters, more or less. Acquisition cost was valued at P 1,250.00 per square meter. Costs include documentary stamp taxes & other similar incidental charges.

There are now forty seven (47) original land titles already forwarded to BCDA out of the seventy three (73) land titles covering 5.43 hectares, more or less. Titles of the remaining lots are still subject to reconstitution as a result of the fire that gutted the Register of Deeds building sometimes in August 26, 2000.

Recently, however, on August 2, 2012 LRA informed BCDA/PPMC that the following titles were issued with reconstitution orders: T-52521; T-52526; T-52530; T-52518; T-46198; T-52588. LRA likewise advised BCDA that the rest of the TCT's with pending applications for reconstitution may have been damaged during the fire that likewise destroyed the LRA office on 22 July 2011. PPMC however, will file the necessary documents in order to safeguard PPMC's rights to the properties.

9. ACCOUNTS PAYABLE

2012

2011

Trade payables	13,710,162.33	12,418,710.67
Other liabilities	93,432,028.27	549,042,554.44
Due to BCDA	18,437,109.76	18,437,109.76
Total liabilities	125,579,300.36	579,898,374.87

9.a. Trade Payables

This account represents the outstanding payables for purchases made from local suppliers and contractors accrued at the end of the month.

9.b. Miscellaneous Payables

This account includes the following:

Withheld taxes	1,445,183.67	1,847,298.73
Provident fund premiums	169,921.56	166,134.67
Advances from BCDA	84,830,547.65	538,958,570.57
Due to BCDA (note 1)	2,724,528.90	3,615,737.33
Trust liabilities	2,694,280.49	3,378,563.84
Miscellaneous	1,567,566.00	1,076,249.30
Total	93,432,028.27	549,042,554.44

- *Withheld taxes* refer to the taxes withheld from employees' salaries and wages and withholding of value added taxes (VAT) & expanded withholding taxes (EWT) from suppliers and contractors to be remitted to the BIR.
- *Provident Fund premiums* involve the contribution of PPMC employees a part of their monthly salary (2.5%) and the contribution of a counterpart amount by PPMC (5%) as provided for under PPMC Policy No.011-2003. This will pool their funds together which could serve as a financial facility to be utilized at some time in the future at more favorable terms and conditions. Total premiums as of December 31, 2012 amounted to P3.84 million. This is deposited in a separate PNB account and a separate book is maintained to keep records of all transactions.

The Board of Trustees approved the implementing guidelines for the Employees Provident Fund Loan Program on October 20, 2005. Loan receivables as of the Balance Sheet date, 31 December, 2012, amounted to P3.79 million.

- *Advances from BCDA* represents funds released by BCDA intended for Capex projects. Upon completion of these construction projects, PPMC has to liquidate the advances made by turning over the completed projects to BCDA. As of December 31, 2012, this account involves funds received from BCDA

for the Road Network project and the acquisition of the Airport Fire truck. Paper works are now being finalized for the closure of the Road Network project while the Fire truck was subsequently paid in January of 2013.

- *Trust liabilities to contractors & other creditors* consists of bid bonds, retentions (10%) & performance securities either received from Contractors or deducted from progress billings. Other trust liabilities involve funds held in trust for the Bureau of Fire Protection, unused balance of bid fees collected by PPMC and SSS, Medicare & Pag-ibig premiums.
- *Miscellaneous liabilities* involve payable to various suppliers, officers and employees and other miscellaneous items.

9.c Due To BCDA

This account refers to the cash advances forwarded by BCDA that were intended for payment of private lots within the Wallace area. As at Balance Sheet date, 31 December 2012, total advances from BCDA were reduced to P18.44 million from P49.94 million on account of the liquidation made in the amount of P 31.50 million corresponding to seventeen (17) new titles forwarded to BCDA on June 28, 2011 (see Note #8).

10. CAPITAL STOCKS	2012	2011
	P 80,000,000.00	P 80,000,000.00

The company was authorized to issue 800,000 shares at P100.00 cost per share. BCDA funds for PPMC Capital projects were initially recorded into the Capital account. BCDA Funds intended for the Corporation's capital expenditures were initially recorded into this account. However, under article III (Undertaking of BCDA), paragraph 3.1 specifically, under Capex Funds of the Performance Agreement, a provision states that all BCDA funding for Capital expenditures will now be taken up as Advances from BCDA. Hence, these funds shall be fully liquidated by PPMC upon completion of the project.

On the other hand, properties such as buildings, furniture, fixtures and equipment and motor vehicles which were funded by BCDA and are being utilized and directly benefits PPMC shall be recorded as assets of the latter including the depreciation expenses. As such, corresponding stock certificates, valued at par, shall be delivered by PPMC to BCDA.

11. DEPOSITS FOR FUTURE SUBSCRIPTIONS	2012	2011
	P21,980,994.69	P 19,024,944.60

This account represents the excess of authorized capital stocks on account of funding received from BCDA intended for the acquisitions of furniture, fixtures and equipment (see Note #10).

BCDA has approved our request for an increase in authorize capital stock from Php80.0 million to Php300.0 million. We have forwarded to the Securities and Exchange Commission the required documentations to support our request for the increase in capital stock.

12. DONATED CAPITAL	2012	2011
	P 692,362.00	P 692,362.00

This represents the assigned value of used furniture and equipment taken from Bataan Technology Park, Inc. with a nominal value of ₱1.00 per item and the donation made by the Voice of America on 18 October 1999 for the Furniture & Fixtures to PPMC. Valuation was based on the appraisal made by CUERVO APPRAISERS, INC. on 06 June 2000 less applicable accumulated depreciation.

13. EQUITY IN JOINT VENTURE	2012	2011
	P15,000,000.00	P15,000,000.00

The Pre-Incorporation Agreement entered into on September 24, 1999 by and between the Bases Conversion and Development Authority (BCDA) and John Hay Poro Point Development Corporation (JPDC) now, Poro Point Management Corporation (PPMC) by virtue of Executive Order No. 132 authorizing the creation of Poro Point Management Corporation as the implementing arm of the BCDA over the Poro Point Freeport Zone, and Bulk Handlers, Inc. (BHI), a corporation duly organized under Philippine laws created a Joint Venture Corporation under the name of Poro Point Industrial Corporation (PPIC) pursuant to Section 1, paragraph 1.01 of said Pre-Incorporation Agreement.

Section 1, paragraph 1.02 of the Pre-Incorporation Agreement defines the scope of operation of PPIC as: "The PPIC shall be organized for the principal purpose of undertaking the utilization, development, operation, management, and administration of the seaport and industrial areas inside the Project Area, as well as all reclamation works within the Project Area. xxx"

Section 1, paragraph 1.03 of the same Agreement provides the terms regarding PPIC's Capitalization as follows: "The authorized capital stock of PPIC shall initially be in the amount of One Hundred Million Pesos (P100,000,000.00). BCDA/PPMC shall subscribe to shares equal to Thirty Million Pesos (P30,000,000.00) for the purpose of constituting BCDA/PPMC an owner of thirty percent (30%) of the total outstanding capital stock of PPIC. Similarly, BHI and/or its consortium shall subscribe to and fully pay for shares equal to Seventy Million Pesos (P70,000,000.00) for the purpose of constituting BHI and/or its consortium an owner of seventy percent (70%) of the total outstanding capital stock of PPIC. xxx."

It was likewise provided under the terms of the Agreement that BHI shall fund the thirty percent (30%) equity participation of BCDA/PPMC in exchange for the leasehold rights over the Project Area and that BHI shall always fund the equity participation of BCDA/PPMC in the event the capital stock of PPIC is increased to avoid dilution of the BCDA/PPMC shares.

The above Pre-Incorporation Agreement was the source of the PPMC account "Equity in Joint Venture" valued at Fifteen Million Pesos (P15,000,000.00) equivalent to fifteen percent (15%) of the total authorized capital stock of PPIC.

14. PPMC REVENUES

Total revenues generated within the Poro Point Freeport Zone (PPFZ) consisting of lease rentals, variable percentages, airport fees and miscellaneous revenues for the year ended 31 December 2012 amounted to P 68.11 million (net of P44.48 million uncollectible PPIC account). Said revenues were higher by 16.25% as compared to the revenues last year at P58.59 million (also net of uncollectible PPIC account). The entry of Thunderbird Pilipinas Hotels and Resorts, Inc who's Casino opened for business in April 28, 2006 provided a significant share of the increase in revenues. Total percentage share in net winnings and the 7.5% share in real estate projects for the year ended, 31 December 2012 amounted to P26.50 million. This represents variable income for BCDA/PPMC on top of the monthly fixed lease rentals amounting to P19.02 million at balance sheet date (see Note #2 "collections received in trust").

A significant portion of these revenues with a cumulative total amounting to P340.08 million representing unpaid lease rentals of Poro Point Industrial Corporation (PPIC) from August 2006 up to December 31, 2012, remains outstanding as at the Balance Sheet date. This is the subject of a Civil Case with reference No. 7188 (see Note #16).

15. RETAINED EARNINGS

2012	2011
(P49,289,245.90)	(P47,665,363.26)

Sometime in March 2004, BCDA wrote a letter to PPMC requesting the latter to make the necessary adjustments in its books to reflect all fund releases pertaining to CY-2003 PPMC OPEX budget as part of BCDA Equity account instead of Management fees. The old Estate Management Contract and later re-named or changed to Performance Agreement recognizes funds released by BCDA to finance PPMC's operating expenditures as Management fees or revenues of PPMC and accordingly, as expenses of BCDA.

The Commission on Audit (COA) assigned at the BCDA issued an audit finding that in as much as the Estate Management Agreement between BCDA and PPMC was not renewed after it expired in 2003, although there was an on-going negotiations in 2003, COA's audit findings indicated that BCDA has no legal

basis to treat as expenditures all releases made to PPMC for its operational requirements. The same should form part of BCDA Equity.

PPMC acceded to the request of BCDA on 31 May 2004 and reclassified the amount of P23,978,056.55 as BCDA Equity thus, increasing the cumulative losses incurred for the year 2004 as reflected in the Retained Earnings.

15.1 Prior Period Adjustments

The restatement of the retained earnings as a result of prior period adjustments follows:

Retained Earnings (as reported -2011)	(P46,943,230.75)
Payments made related to prior year	(215,919.40)
Reclassification entry relating to prior year	(506,213.11)
As restated	<u>(P47,665,363.26)</u>

16. PENDING CASES

1. Civil Case No. Q-00-40637
In Re : Petition for Voluntary Insolvency
Petitioners : Spouses Reynaldo Q. Dyquiango and Yolanda V. Dyquiango
Court : RTC, National Capital Judicial Region, Branch 87, Quezon City
Presiding Judge: Hon. Teodoro A. Bay
Date Filed : June 28, 2000
Status : Still Pending. JPDC thru the Office of the Government Corporate Counsel filed a motion to exclude JPDC from among the list of Creditors of Mr. Dyquiango in order to be able to retrieve the Mercedes Van issued to him under the JPDC Car Plan Program.

On January 27, 2010, OGCC received a letter from Mr. Dyquiango where he manifested his willingness to return the vehicle to PPMC.

2. Expropriation Cases (For Eminent Domain)

The unwillingness of the registered owner of the following lots located at the seaport area to sell their properties to the government thru BCDA, whereby such refusal is adversely affecting the planned development at the PORO Point Special Economic and Free Port Zone, prompted the government thru the Bases Conversion Development Authority (BCDA) to file expropriation cases to:

- a.) Lepanto Consolidated Mining Co.

This has reference to the Civil Case No.6516 for eminent domain involving 29,778.06 square meters, more or less, with approximate value at P31,345,298.25

b.) Shiplside Incorporated

This involves Civil Case No. 6515 for about 55,534.80 square meters at approximately P 57,615,218.75.

A Certificate of Deposit with the Development Bank of the Philippines was presented to the Court representing 100% of the zonal value of the properties under expropriation.

A deposit has likewise been made by BCDA to the Development Bank of the Philippines in May 12, 2003 corresponding to the value of the improvements in the area amounting to P15,827,500.00.

However, RTC Branch 29 of the First Judicial Region, San Fernando City, La Union in it's ruling on July 15, 2003 denied the issuance of Writ of Possession in favor of BCDA on the following grounds:

- No immediate payment was made to the owner of the properties corresponding to 100% of the value of the properties plus improvements or structures as determined under Sec.7.
- A Certificate of Availability of Funds from proper official concerned was not also presented

On July 24, 2003 BCDA thru the Office of the Government Corporate Counsel (OGCC) filed a Motion for Reconsideration. This was again denied by the Court in its decision dated, 12 September 2003. A Notice of Appeal was earlier denied but later given due course so that the records of the case were transmitted to the Court of Appeals. The OGCC said that all cases are now in the Court of Appeals. But if there is finding that the Judge erred in denying the issuance of the writ of possession, and/or in dismissing the cases, then the cases will be remanded to the Regional Trial Court for further hearing.

On December 10, 2003 a decision was again rendered by the Court dismissing the cases filed on the grounds that Plaintiff has no authority to expropriate the lands subject of the instant dispute. Subsequently, thru Counsel (the Office of the Government Corporate Counsel), Plaintiff filed Motion for Reconsideration on January 5, 2004.

Meantime, the main cases were heard in the Regional Trial Court, where after the Pre-Trial, Judge Cawed ordered the parties to submit Memoranda on the issue of whether or not BCDA has the authority to expropriate the lands which supposedly have mining claims. After respective Memoranda were filed by the parties, Judge

Cawed issued a decision dismissing all three (3) main cases on the ground that BCDA cannot expropriate the lands with existing mining claims.

In the meantime, the OGCC received another Petition for Certiorari, this time filed by Lepanto/Shipside, questioning why the appeal was allowed to go to the Court of Appeals. This is now the third case pending with the Court of Appeals. Lepanto/Shipside claims that it was an error for the Judge to reverse himself and allow the case to be sent to the Court of Appeals, when the appeal should have been made to the Supreme Court.

PPMC filed a Motion for Early resolution dated March 5, 2008. On April 1, 2008, PPMC thru Counsel received a Resolution from the Court of Appeals dated March 17, 2008: "The Motion for Early resolution dated March 5, 2008 filed by counsel for plaintiff-appellant is NOTED. The case shall be duly attended to according to the order of priorities in resolving cases laid down in the Court's internal rules."

Per Decision dated 14 December 2010 received on 10 January 2011, the dispositive portion: "Accordingly, the appeal is GRANTED. The consolidated Decision dated December 10, 2003 and Order dated April 1, 2004 of the Regional Trial Court, Branch 29, San Fernando City, La Union, in Civil Cases Nos. 6515, 6516 and 6771 are REVERSED AND SET ASIDE. These civil cases are reinstated in the docket of the trial court and the latter is directed to proceed with the hearing therein immediately and with dispatch. No costs, SO ORDERED."

Plaintiff-Appellants is required to comment on the Defendants-Appellees' Motion for Reconsideration of the Decision dated 14 December 2010 with ten (10) days from notice hereof as per Resolution dated 17 January 2011.

3. Civil Case No. 7188

Title: BHI, Moran, Tan, Venturina and PPIC vs. BCDA and PPMC

Nature: Petition for Injunction brought under the Interim Rules of Procedure Governing Intra-Corporate Controversies (to prevent implementation of PPMC Resolution No. 2006-01-10 declaring the Pre-Incorporation Agreement null and void *ab initio*)

Venue: Branch 29, RTC SFLU

Status: Judgment dated December 17, 2009 was received by the OGCC on January 5, 2010 by the Branch 29 of the Regional Trial Court, SFLU

The dispositive portion of which provides:

- a. Declaring the Pre-Incorporation Agreement among the parties valid and effective;
- b. Declaring plaintiff PPIC's right under the Pre-Incorporation Agreement to utilize, develop, operate, manage and administer the 15.3 hectare area of

the Poro Point Seaport which it currently occupies. Conversely, the defendants shall be relieved from complying with the stipulated undertakings to deliver the remainder of about 64.7 of the seaport and industrial areas of PPSEFZ to the plaintiffs.

- c. Declaring the amount of P9,562,500.00 as the guaranteed minimum annual revenue corresponding to the 15.3 hectare seaport area actually delivered to PPIC to retroact to November 1999 subject to the escalation clause as stated in the Pre-Incorporation Agreement; the overpayments previously made by BHI/PPIC shall be applied to the succeeding revenues beginning 2006 until the same has been fully consumed; and
- d. Declaring PPIC's right to the renewal of its registration as a PPSEFZ enterprise.

A Motion for Reconsideration dated January 19, 2010 was filed the next day, January 20, 2010.

Plaintiffs filed Opposition (to the Motion for Reconsideration filed by PPMC) on February 10, 2010 which was received by the Office of the Government Corporate Counsel (OGCC) on February 18, 2010; OGCC filed a reply (to the Opposition filed by Plaintiffs) on February 24, 2010.

4. BULK HANDLER'S INC., vs JUDGE ROBERT T. CAWED, in his official capacity as the Presiding Judge of Branch 29 of the regional Trial Court of the First Judicial Region, San Fernando City, La Union and BCDA/PPMC (CA-GR.SP No.100816) pending before the 11th Division of the Court of Appeals, Manila.

In this case, the Court of Appeals ruled (thru its Decision promulgated on the 13th November 2008) that Bulk Handler's should deposit its obligation to BCDA/PPMC in the form of annual guaranteed revenues pursuant to the Pre-Incorporation Agreement; to the Trial Court or to an institution chosen by the Trial Court as depository of said revenues, pending the final resolution of Civil Case No.7188. Moreover the Court of Appeals also ruled that said amount will be released to either BHI, on one hand, or BCDA/PPMC, on the other hand depending on the outcome of Civil Case No.7188.

PPMC filed a Petition for Review on Certiorari under Rule 45 assailing the decision of the Court of Appeals where BHI was ordered to deposit the amount due to PPMC and BCDA (pursuant to the Pre-Incorporation Agreement) to the RTC of La Union or to its designated depository, on 15 July 2009. We filed our reply dated January 17, 2010 on January 18, 2010 to BHI's Comment to our Petition.

We filed a manifestation and motion dated March 19, 2010 on March 22, 2010 reiterating that our counsel has not yet received a copy of the respondent's Motion for Leave to Admit Supplemental Comment on the Petition for Review on Certiorari as shown by the certification issued by the OGCC's Records Section.

A reply was filed (to Respondent's Supplemental Comment dated 14 January 2010) on 16 July 2010. PPMC is still awaiting further notice/resolution from the Honorable Court.

PART II

**DETAILED FINDINGS AND
RECOMMENDATIONS**

OBSERVATIONS AND RECOMMENDATIONS

Notable Accomplishment

On April 28, 2012, Poro Point Management Corporation launched SILLAG – Festival of Lights to promote the 6-hectare lighthouse property as a vital component of an Integrated Tourism Complex. The festival is envisioned to be a yearly activity that will play a major role in not only drawing tourists but promoting the Poro Point Freeport Zone with its airport and seaport as the country's magnet for investments and wealth generator in the North.

The Poro Point Lighthouse, a historical landmark in La Union was the focal point of the festival. The lighthouse was a beacon for ships and boats plying the sea at night. A Memorandum of Agreement was signed between PPMC and the Philippine Coast Guard in line with the PCGs Adopt-a Lighthouse Project.

For the year 2013, the festival was scheduled on March 9 and 10 proximate to the Panagbenga Festival and Hot Air Balloon Festival to promote synergy and complementation with the other economic zones under the BCDA group.

Comments and Observations

1. **A completed Road Network Project (Phase I) with a cost of P30,074,735.91 was still carried in the books of the Corporation under the account Construction in Progress, thus overstating its assets and understating that of the parent corporation (BCDA).**

This is a reiteration of last year's audit observation.

One of the main objectives of the Bases Conversion and Development Authority (BCDA) was to transform thru its subsidiary Poro Point Management Corporation (PPMC), the Poro Point Special Economic Freeport Zone (PPSEFZ) into a destination of choice for tourism, recreation and commercial purposes. In line with its thrust of developing its Tourism Complex, PPMC implemented various infrastructure projects. Part of the framework plan of the Zone is the construction of road network to provide access to areas of development within the Tourism Complex.

On March 31, 2005, PPMC entered into contract with Satrap Construction Company, Inc. for the construction of the road network. The contract in the total amount of P65,474,831.73 was approved by the PPMC Board of Directors. On April 15, 2005, the Notice to Proceed was issued to Satrap and the project was started on May 1, 2005 and should have been completed on August 28, 2005.

Management decided to forego the construction of internal road segments within the Tourism Complex when the responsibility of completing the road network was passed on to the Thunderbird Pilipinas Hotel and Resort Inc. and their plans for the development of the Tourism Complex might not jive with the road network contracted with Satrap. It was also for economic and practical reasons that PPMC decided to suspend part of the project. Phase I of the access road was completed though at a cost of P30,074,735.91. The transfer of completed projects was among those provided for under the Performance Agreement entered into between BCDA and PPMC.

We recommended that the Finance Division should coordinate with the Infrastructure Management Division regarding their review and evaluation of the necessary documents needed for the closure of the said contract and make the necessary adjustment on the Construction in Progress account and transfer the cost of the completed project to the BCDA as per agreement.

During the exit conference, the Audit Team was informed that Satrap Construction Company, Inc. (SATRAP) has already submitted the necessary documents needed for the closure of the contract. An evaluation of these documents is now being done by the Infrastructure Management Division.

- 2. The Accounts Receivable – Trade amounting to P1,828,386.93 remained outstanding for more than two years hence, should be classified as non-current asset so as to be consistent with the provision of Paragraph 10, SFAS No. 3.**

Paragraph 10, SFAS No. 3 states that receivables arising from the ordinary transactions of business, which may be reasonably expected to be collected within the next twelve months following the balance sheet date, are classified under current assets, usually following cash and marketable securities.

In the analysis of the Accounts Receivable – Trade, we found the amount of P1,828,386.93 (Annex A), has not moved for the last two years and no collections has been made but were still included under current receivables which is inconsistent with the above stated provision. Most of these were due from airport users like flying schools. Among these receivables is due from ACE Pilots Aviation Academy, Inc. represented by Capt. Paramjit S. Hehar in the amount of P1,009,724.50 and Flight School International in the amount of P451,216.50.

We recommended that Management reclassify the account from current to non-current receivables for fair presentation of the financial statements. We also recommended that Management formulate strategies like sending collection/demand letters and consider the filing of appropriate legal action to enforce collections of these long overdue receivables.

In the exit conference, the Vice President for Finance has informed the Audit Team that he has already referred to and transmitted to the Legal Counsel of PPMC the documents pertaining to these accounts. Collections/demand letters were sent however, no positive reply were received and the Legal Counsel will discussed this issue with the members of the Board of Directors and seek their approval for the filing of appropriate legal action.

3. Gender and Development

The Corporation has implemented RA No. 7192 otherwise known as the "Women in Development and Nation Building Act" and Executive Order No. 273 -Approving and Adopting the Philippine Plan for Gender-Responsive Development, 1995-2025.

Executive Order No. 273 dated September 8,1995 directed all government agencies, departments, bureaus, offices and instrumentalities including government-owned and controlled corporations to incorporate Gender and Development (GAD) concerns in their agency performance commitments, annual agency budget and work and financial plans.

For CY 2012, the Corporation implemented its gender and development program - Client Focused and Organization Focused -. GAD awareness was incorporated in the various trainings they conducted. On client focused, PPMC in partnership with People Management Association of the Philippines La Union Chapter and the Department of Labor and Employment conducted a Seminar/Workshop on General Labor Standards, Occupational Safety and Health Standards and other applicable laws on gender and development. It was attended by representatives of locators in the zone and it was held on November 23, 2012. On organization focused - it conducted seminars re: Magna Carta of Women and on Violence Against Women and Children and trainings were attended by all PPMC employees on March 29, 2012. On August 22-23, 2012, some employees attended the BCDA Group Gender and Development Summit.

We recommended that management should likewise prepare a program of activities and budget for CY 2013 to implement RA No. 7192.

4. Compliance with Tax Laws

The Corporation collected a total of P5,341,513.56 in taxes during the year, in consonance with Executive Order No. 651 as implemented under BIR-DOF-DBM Joint Regulation 1-2001.

For the year 2012, the Corporation had a withholding taxes payables beginning balance of P1,847,298.73. During the year, it withheld and remitted to the

Bureau of Internal Revenue the amount of P5,341,513.56 and P5,743,628.62 respectively. These represent taxes withheld from employees' salaries and wages and value added tax (VAT) and expanded withholding taxes (EWT) from suppliers and contractors. The balance at year end was P1,445,183.67

5. Linkage to Statement of Audit Suspensions, Disallowances and Charges (SASDC)

Post audit of the Corporation's disbursements using the Test Audit Days Sampling Methods (TADS) showed minor deficiencies and were immediately corrected by management hence, these did not necessitate the issuance of Notice of Suspensions or Notice of Disallowance. Likewise, in the post audit of revenue/income using the Test Audit Months Sampling (TAMS), all transactions were passed in audit and no Notice of Charge was issued. For CY 2012, the agency received a clean SASDC.

We commend Management particularly the Finance Division for their compliance to accounting and auditing rules and regulations. Management should always observe prudence in all their financial transactions to avoid audit suspensions, disallowances and charges.

6. Procurement of Supplies through the Procurement Service, Department of Budget and Management

The Corporation has substantially complied with the provision of Section 53.5 of the Revised Implementing Rules and Regulations (IRR) of Republic Act 9184 simplified as "purchase of commonly used goods from the Procurement Service.

Based on our post audit of the Corporation's transactions and verification of related documents, it has substantially complied with Section 53.5, (IRR) of RA 9184. Purchases of commonly used goods was made with the Procurement Service and for CY 2012 it purchased a total of P391,763.20.

PART III

**STATUS OF IMPLEMENTATION
OF PRIOR YEAR'S
RECOMMENDATION**

**STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT
RECOMMENDATION**

Audit Observations	Audit Recommendations	Status of Implementation	Remarks
<p>The Road Network Project with a total project cost of P65,474,831.73 had already been completed (Phase I) but this was still carried in the books as Construction in Progress account and has not been transferred to BCDA thus, overstating the asset account of the Corporation.</p>	<p>We recommended that the Finance Division should coordinate with the Operations Division as to the actual cost of the completed project (Phase I) and make the necessary adjustments.</p>	<p>On Going</p>	<p>We have reiterated this observation. The contractor has already submitted the necessary documents for the closure of this contract to the Infrastructure Management Division</p>
<p>The Accounts Receivable - Trade account amounting to P1,591,676.93 remained outstanding for more than two years hence, should be classified as non-current asset so as to be consistent with the provision of Paragraph 10, SFAS No. 3</p>	<p>We recommended that the account be reclassified from current to non-current for fair presentation of the financial statements. We also recommended that management formulate strategies to enforce collections of these long overdue receivables.</p>	<p>Not yet Implemented</p>	<p>Our recommendation to reclassify the account from current to non-current has yet to be implemented. However, the VP for Finance has already transmitted to their Legal Counsel the documents pertaining to these receivables for proper action.</p>