



Republic of the Philippines
COMMISSION ON AUDIT
Cordillera Administrative Region
Km 6, La Trinidad, Benguet

July 31, 2017

THE BOARD OF DIRECTORS
John Hay Management Corporation
Camp John Hay
Baguio City



Sirs:

We are pleased to transmit the Annual Audit Report on the John Hay Management Corporation for the year ended December 31, 2016 in compliance with 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.

The audit was aimed to verify the level of assurance that may be placed in management's assertions of the financial statements, ascertain compliance with rules and regulations and determine whether resources were managed economically and efficiently. It was conducted in accordance with Philippine Public Sector Standards of Auditing and we believe that it provided reasonable basis for the results of our audit.

A qualified opinion was rendered on the fairness of the presentation of the financial statements as of December 31, 2016 due to:

- uncorrected errors in the presentation of the accounts and their balances in the submitted financial statements;
- doubtful accuracy of the Share Capital account with a reported balance of P383,814,079.00 due to non-submission of the Inventory List of Stockholders with the corresponding amounts of subscription;
- overstatement of the Property, Plant and Equipment (PPE) accounts by P22 million due to non-reclassification of a building leased to the Intercontinental Hotels Group (IHG)/SC Reservations Philippines, Inc. (SCRPI) to the Investment Property, Buildings account;
- long outstanding and unsubstantiated long-term Accounts Receivable and Accounts Payable totaling P14,345,842.05 and P4,359,735.37, respectively, rendering the validity of the reported balances uncertain;

- an unreconciled difference of ₱2,083,186.69 between the balances of the Due to Other Funds and Due from Other Funds accounts;
- an unreconciled difference of ₱195,219.62 between the subsidiary and general ledger balances for Inter-Agency Payables accounts with a total reported balance of ₱240,356.32; and
- overstatement of the Due to BIR account due to non-recognition in the books of the tax credit granted by the Bureau of Internal Revenue of ₱49,611.46.


The following are the other significant findings and observations, the details of which are discussed in the Observations and Recommendations portion of the report:

1. The amount allotted for Gender and Development (GAD) programs, projects, and activities for CY 2016 of ₱1 Million was not optimized as only ₱447,571.25 was spent. Moreover, the Accomplishment Report in the prescribed format was not submitted rendering difficulty in assessing whether the activities conducted had addressed the issues and concerns identified in the GAD Plan and Budget (GPB).
2. The Corporation paid the Social Security System (SSS) the total amount of ₱151,749.58 in penalties and interest for (a) delayed remittance of contributions totaling ₱1,344,747.00 for the period January 2010 to January 2016, (b) arrears from May 1995 to February 10, 2010 of ₱35,644.82, and (c) past due loan of ₱2,056.02.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the actions(s) taken thereon within 60 days from receipt of this report, pursuant to Section 96 of the General Provisions of the General Appropriations Act for FY 2016 or Republic Act No. 10717.

We acknowledge the assistance and support extended to the Audit Team by the officials and employees of the Corporation.

Very truly yours,


MARY D. BACWADEN
Assistant Regional Director
Officer-in-Charge

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2016
As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				* Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			
Part II – AAR 2016									
1	Due to delayed submission of financial statements together with the required reports and supporting documents, the accuracy and reliability of financial statements and pertinent accounts were not immediately validated. Also, errors in the presentation of the accounts and their balances in the submitted financial statements were not corrected.	<p>We recommended that the Accountant submit the revised financial statements prepared in accordance with the prescribed formats including the Notes to Financial Statements which shall include all the necessary information.</p> <p>We also recommended that the Finance Manager supervise and monitor the submission of financial statements and other financial reports to the Office of the Audit Team within the prescribed period to enable the team to conduct of timely verification thereof.</p>							
2	The accuracy of the Share Capital account with a reported balance of P383,814,079.00 could not be ascertained due to non-submission of the Inventory List of Stockholders with the corresponding amounts of subscription, as well as the non-presentation of the updated Stock and Transfer Book for verification and inspection purposes.	We recommended that Management immediately submit to COA the Inventory List of Stockholders with the corresponding amounts of subscription and present the Stock and Transfer Book for proper validation and determination of the accuracy of the Corporation's Share Capital account as presented in its financial statements.							

Ref.	Audit Observations	Audit Recommendations	Action Plan	Person/Dept. Responsible	Target Implementation Date		* Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
					From	To			
3	A building with a total cost of P22 million leased to the Intercontinental Hotels Group (IHG)/SC Reservations Philippines, Inc. (SCRPI) was not reclassified to the Investment Property, Buildings account, thereby overstating the Property, Plant and Equipment (PPE) account by the same amount.	We recommended that the Accountant prepare the necessary entry to reclassify the building with a total cost of P22 million, and its corresponding Accumulated Depreciation from the PPE account to the Investment Property, Buildings account in accordance with PAS 40 and COA Circular 2015-10 to reflect the true balances of the affected accounts in the Corporation's financial statements.							
4	Long-Term Accounts Receivable (AR) and Accounts Payable, which includes those recorded under Accrued Expenses, totaling P14,345,842.05 and P4,359,735.37, respectively, had been long outstanding and lacked documentation, thereby rendering the validity of the reported balances uncertain.	We recommended that Management: <ul style="list-style-type: none"> a. exert extra efforts to retrieve the supporting documents to validate the receivables and payables recorded in the books; b. exhaust all means to collect the outstanding receivables and if efforts fail, request for write-off of the remaining receivables not yet requested for write-off; and c. determine the reasons why payables amounting to P4,359,735.37 remained unpaid for more than two years, and if these are not supported with the required documents or if found to be invalid, revert the corresponding amount to the retained earnings. 							
5	Reciprocal accounts namely, Due to Other Funds and Due from Other Funds accounts, do not tally by P2,083,186.69 due to non-reconciliation and	We recommended that the Accountant reconcile the difference of P2,083,186.69 noted between the Due to Other Funds and Due from Other Funds accounts and prepare the necessary adjusting entries to balance							

Ref	Audit Observations	Audit Recommendations	Action Plan	Person/Dept. Responsible	Target Implementation Date		* Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
					From	To			
	misclassification errors, thereby affecting the reliability of the financial statements.	the two accounts and ensure the fair presentation of the Corporation's financial statements.							
6	Except for the Due to BIR account, the accuracy of the other reported Inter-Agency Payables accounts with a total reported balance of P240,356.32 is doubtful due to non-reconciliation of the subsidiary ledger balances with those of the general ledger balances which showed an unreconciled difference of P195,219.62.	We recommended that the Accountant account for the difference of P195,219.62 between the general ledger balance and the subsidiary ledger balances for the Inter-Agency Payable accounts with a reported balance P240,356.32, and to prepare the necessary adjusting entries to reflect the correct balance of the said accounts.							
7	The tax credit granted by BIR of P49,611.46 was not taken up in the books, thereby overstating the Due to BIR account by the same amount.	We recommended that the Accountant recognize in the books the tax credit amounting to P49,611.46 by debiting the Due to BIR account and crediting the appropriate income account to reflect the true year-end balance pertaining to taxes withheld from compensation and from payments to suppliers of goods and services.							
8	The amount allotted for GAD programs, projects, and activities for CY 2016 of P1 Million was not optimized as only P447,571.25 was spent. Moreover, the Accomplishment Report in the prescribed format was not submitted rendering difficulty in assessing whether the activities conducted had addressed the issues and concerns identified in the GPB.	We recommended that Management implement the GAD activities outlined in the GPB to address the identified gender issues and concerns; and to prepare the corresponding annual GAD Accomplishment Report for the year using the prescribed form to facilitate review and evaluation.							

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan		* Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken		
			Action Plan	Person/Dept. Responsible				Target Implementation Date	
								From	To
9	The Corporation paid the Social Security System (SSS) the total amount of ₱151,749.58 in penalties and interest for (a) delayed remittance of contributions totaling ₱1,344,747.00 for the period January 2010 to January 2016, (b) arrears from May 1995 to February 10, 2010 of ₱35,644.82, and (c) past due loan of ₱2,056.02, instead of collecting the same from the responsible officials.	We recommended that Management identify the officers/personnel directly and/or indirectly responsible for the delayed remittance of contributions and unpaid accounts, and require them to refund to the Corporation the penalties amounting to ₱151,749.58 pursuant to Section 103 of PD 1445.							
Part III – AAR 2016									
1	Collection inefficiency and incomplete documentation resulted in the accumulation of long-term accounts receivable amounting to ₱7.03 million, thereby, depriving the agency of the much needed cash for its operations.	We recommended that Management: a. Establish claims on these receivables by working back and, if necessary, reconstruct supporting documents of valid claims like bills and statement of accounts or gather all pertinent documents to support claims; and b. Enforce the collection of valid accounts by sending demand letters or withhold payment of money claims due the concerned employees and other persons.							
2	JHMC Policy No. 012-2004 on the Retirement of Officers and Employees provides a Compulsory Retirement Program entitling qualified employees to 200 per cent of his/her salary for every year of service while the Early Retirement Program shall be equivalent to 50 per cent of the	In the absence of prior approval from the Office of the President, we have recommended that JHMC Retirement Policy No. 012-2004 be set aside and instead apply the amount equivalent to one-half (1/2) month salary for every year of service in accordance with RA 7641, the Retirement Pay Law. Any excess payment of retirement pay shall be disallowed in							

Ref	Audit Observations	Audit Recommendations	Agency Action Plan				* Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Actual Taken/ Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			
	monthly salary for every year of service for the first 5 years with an additional 10 per cent of the monthly salary for each succeeding year but not to exceed 150 per cent.	audit.							

Agency sign-off:

Name and Position of Agency Officer

Date

* Note: Status of Implementation either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed

Executive Summary

A. Introduction

John Hay Management Corporation (JHMC), a wholly-owned subsidiary of the Bases Conversion and Development Authority (BCDA), has the mission to develop Camp John Hay into a premier tourist and investment destination that enforces efficient and effective regulation; ensures sustainable multiple use of the forest watershed; and contributes to national economic growth and job generation.

JHMC envisions that by 2018, Camp John Hay shall have transformed into the primary catalyst for the tourist development within the Cordillera Region and the leader of environment and forest stewardship in the Philippines.

Pursuant to COA Resolution No. 2011-009 dated October 20, 2011, the integrated results and risk based audit methodology has been adopted in the audit of the accounts and operations of the JHMC for the period ended December 31, 2016.

A value for money audit was also conducted in selected audit areas. The objectives of the audit were to ascertain the fairness and reliability of the District's financial position and results of operations, to determine whether the plans, programs and activities for the year were attained in an efficient, economical and effective manner and to check the legality and propriety of the transactions and compliance with applicable laws, rules and regulations.

B. Financial Highlights

The JHMC's financial condition and results of operations for Calendar Year (CY) 2016 with comparative figures for CY 2015 are, as follows:

Accounts	Calendar Year		Increase (Decrease)	
	2016	2015	Amount	Percent
Assets	₱214,275,104.63	₱210,358,867.78	₱ 3,916,236.85	1.86%
Liabilities	55,792,328.15	65,198,450.51	(9,406,122.36)	(14.43%)
Equity	158,482,776.48	145,160,417.27	13,322,359.21	9.18%
Gross Income	76,800,864.79	74,117,264.00	2,683,600.79	3.62%
Expenses	65,612,010.10	63,458,662.30	2,153,347.80	3.39%
Net Income	11,188,854.69	10,658,601.70	530,252.99	4.97%

C. Operational Highlights

The John Hay Management Corporation (JHMC) continues to be a strong catalyst for economic growth and job generation in the Cordillera Region, unwavering in its

mandate to develop Camp John Hay as a premier tourist and investment destination and a center for human resource development, while ensuring sustainable multiple use of the forest watershed and enforcing effective and efficient regulation in the John Hay Special Economic Zone (JHSEZ) and the John Hay Reservation Area (JHRA).

Notwithstanding the unresolved issue of possession of the 247-hectare prime property within the JHSEZ under the pending case filed by the BCDA against the private developer, Camp John Hay Development Corporation (CJH DevCo.) which has restricted new business development and the generation of revenues by the JHMC, the Corporation has proudly achieved many milestones in fidelity to its mandate, that have contributed to its growth and efforts toward financial viability.

Among its accomplishments are the following:

1. In March 2016, the JHMC was certified to the ISO 9001:2008 for its Quality Management System in clear recognition of its achievement of an elevated capacity for and quality of public governance.
2. The Legal Department, in collaboration with the Offices of the Corporate Secretary, and the Internal Audit include the approval by the BCDA to increase the Authorized Capital Stock of JHMC from 1,200,000 shares to 5,000,000 shares in April 2015. This proposal has been pending since year 2004. The said increase provides a more up to date reflection of the accumulated stock subscriptions and capital infusion of BCDA, and the value of the entire Camp John Hay since JHMC (then JPDC) was incorporated in 1993.
3. In 2016, employment increased by 9% with a total of 5,523 employed (from 5,090 employees in 2015), with the business processing outsourcing (BPO) facilities of the InterContinental Hotels Group (IHG) and Convergys accounting for 64% or 3,667 of these jobs.
4. JHMC has continued to promote the Camp for recreational and eco-cultural tourism and as a preferred M.I.C.E (Meetings, Incentives, Conventions and Exhibitions) destination. Based on data from accommodation facilities, the tourist arrivals in Camp John Hay increased by 30% with about 268,621 visitors for the year 2015.
5. In year 2016, the JHMC undertook the preparation of the complete survey returns for the new Consolidation and Subdivision Survey Plans of the CJHR. All the surveys were done in-house through the JHMC's Land and Asset Management Division (LAMD) and were jointly validated with the DENR, Land Management Service-CAR. The first phase of this Special Patent Application (SPA) was endorsed for approval to the Office of the Secretary of the DENR in December 2015.

D. Independent Auditor's Report

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Corporation for the following reasons:

- a. Due to delayed submission of financial statements together with the required reports and supporting documents, the accuracy and reliability of financial statements and pertinent accounts were not immediately validated. Also, errors in the presentation of the accounts and their balances in the submitted financial statements were not corrected.
- b. The accuracy of the Share Capital account with a reported balance of P383,814,079.00 could not be ascertained due to non-submission of the Inventory List of Stockholders with the corresponding amounts of subscription, as well as the non-presentation of the updated Stock and Transfer Book.
- c. A building with a total cost of P22 million leased to the Intercontinental Hotels Group (IHG)/SC Reservations Philippines, Inc. (SCRPI) was not reclassified to the Investment Property, Buildings account, thereby overstating the Property, Plant and Equipment (PPE) account by the same amount.
- d. Long-Term Accounts Receivable (AR) and Accounts Payable, which includes those recorded under Accrued Expenses, totaling P14,345,842.05 and P4,359,735.37, respectively, had been long outstanding and lacked documentation, thereby rendering the validity of the reported balances uncertain
- e. Reciprocal accounts namely, Due to Other Funds and Due from Other Funds accounts, do not tally by P2,083,186.69 due to non-reconciliation and misclassification errors, thereby affecting the reliability of the financial statements.
- f. Except for the Due to BIR account, the accuracy of the other reported Inter-Agency Payables accounts with a total reported balance of P240,356.32 is doubtful due to non-reconciliation of the subsidiary ledger balances with those of the general ledger balances which showed an unreconciled difference of P195,219.62.
- g. The tax credit granted by BIR of P49,611.46 was not taken up in the books, thereby overstating the Due to BIR account by the same amount.

E. Comments and Observations

Other than the bases for the modified opinion as state above, the following are the other significant observations, with the corresponding recommendations, which need immediate action:

1. The amount allotted for Gender and Development (GAD) programs, projects, and activities for CY 2016 of ₱1 Million was not optimized as only ₱447,571.25 was spent. Moreover, the Accomplishment Report in the prescribed format was not submitted rendering difficulty in assessing whether the activities conducted had addressed the issues and concerns identified in the GAD Plan and Budget (GPB).

We recommended that Management implement the GAD activities outlined in the GPB to address the identified gender issues and concerns; and to prepare the corresponding annual GAD Accomplishment Report for the year using the prescribed form to facilitate review and evaluation.

2. The Corporation paid the Social Security System (SSS) the total amount of ₱151,749.58 in penalties and interest for (a) delayed remittance of contributions totaling ₱1,344,747.00 for the period January 2010 to January 2016, (b) arrears for the period May 1995 to February 10, 2010 of ₱35,644.82, and (c) past due loan of ₱2,056.02, instead of collecting the same from the responsible officials.

We recommended that Management identify the officers/personnel directly and/or indirectly responsible for the delayed remittance of contributions and unpaid accounts, and require them to refund to the Corporation the penalties amounting to ₱151,749.58 pursuant to Section 103 of PD 1445.

F. Summary of Total Suspensions, Disallowances and Charges

The unsettled disallowances, suspensions and charges of the agency on the settlement of accounts as of December 31, 2016 amounted to ₱2,728,562.07, ₱0.00, and ₱0.00, respectively.

G. Status of Implementation of Prior Years' Audit Recommendations

Of the 35 prior years' audit recommendations, 17 were fully implemented, 17 were partially implemented, and 1 was not implemented.

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PART I

AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
Cordillera Administrative Region
Km 6, La Trinidad, Benguet

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

John Hay Management Corporation
Camp John Hay
Baguio City

We have audited the accompanying financial statements of John Hay Management Corporation which comprise the Statement of Financial Position as at December 31, 2016, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirement and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Bases for Qualified Opinion

As discussed in Part II – Observations and Recommendations of this Report, we considered the following in the formulation of our audit opinion:


1. Due to delayed submission of financial statements together with the required reports and supporting documents, the accuracy and reliability of financial statements and pertinent accounts were not immediately validated. Also, errors in the presentation of the accounts and their balances in the submitted financial statements were not corrected.
2. The accuracy of the Share Capital account with a reported balance of ₱383,814,079.00 could not be ascertained due to non-submission of the Inventory List of Stockholders with the corresponding amounts of subscription, as well as the non-presentation of the updated Stock and Transfer Book.
3. A building with a total cost of ₱22 million leased to the Intercontinental Hotels Group (IHG)/SC Reservations Philippines, Inc. (SCRPI) was not reclassified to the Investment Property, Buildings account, thereby overstating the Property, Plant and Equipment (PPE) account by the same amount.
4. Long-Term Accounts Receivable (AR) and Accounts Payable, which includes those recorded under Accrued Expenses, totaling ₱14,345,842.05 and ₱4,359,735.37, respectively, had been long outstanding and lacked documentation, thereby rendering the validity of the reported balances uncertain
5. Reciprocal accounts namely, Due to Other Funds and Due from Other Funds accounts, do not tally by ₱2,083,186.69 due to non-reconciliation and misclassification errors, thereby affecting the reliability of the financial statements.
6. Except for the Due to BIR account, the accuracy of the other reported Inter-Agency Payables accounts with a total reported balance of ₱240,356.32 is doubtful due to non-reconciliation of the subsidiary ledger balances with those of the general ledger balances which showed an unreconciled difference of ₱195,219.62.
7. The tax credit granted by BIR of ₱49,611.46 was not taken up in the books, thereby overstating the Due to BIR account by the same amount.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Bases for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of John Hay Management Corporation as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

BY:


PURITA O. PACIAL
Supervising Auditor

July 28, 2017

JHMC

JOHN HAY MANAGEMENT CORPORATION




STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of JOHN HAY MANAGEMENT CORPORATION is responsible for the preparation and fair presentation of the financial statements for the year ended **December 31, 2016**, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

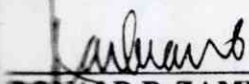
The Commission on Audit, in pursuance of its mandate under Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree 1445, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.



SILVESTRE C. AFABLE JR.
Chairman of the Board



JAMIE ELOISE M. AGBAYANI, M.D.
President and CEO



RONALD B. ZAMBRANO
Finance Manager

Signed this _____ day of _____

JOHN HAY MANAGEMENT CORPORATION
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)
STATEMENT OF FINANCIAL POSITION
As of December 31, 2016
(With Comparative Figures for the year ended December 31, 2015)
(In Philippine Peso)

	Note	2016	2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	76,373,085.11	53,385,133.81
Receivables	5	40,140,677.24	55,489,707.37
Inventories	6	6,750,134.98	7,032,707.50
Prepayments	7 & 8	7,415,528.39	6,269,807.69
Total Current Assets		130,679,425.72	122,177,356.37
Non-Current Assets			
Investments	9	38,681,747.44	37,931,495.06
Property, Plant and Equipment - Net	10	29,780,576.81	33,348,517.54
Intangible Assets	10	220,697.54	210,300.00
Loans and Receivable Accounts-long term, net	11	3,640,526.84	5,407,945.53
Other Assets	12	11,272,130.28	11,283,253.28
Total Non-Current Assets		83,595,678.91	88,181,511.41
TOTAL ASSETS		214,275,104.63	210,358,867.78
LIABILITIES AND EQUITY			
Current Liabilities			
Financial Liabilities	13	30,610,746.76	33,072,062.24
Inter-agency Payables	14	5,237,606.43	4,024,114.59
Intra-agency Payables	15	14,673,615.24	22,584,865.57
Trust Liabilities	16	709,088.35	660,031.55
Deferred Credits/Unearned Revenue income	17	4,421,900.48	4,718,005.66
Other Payables	18	139,370.89	139,370.89
Total Liabilities		55,792,328.15	65,198,450.50
DEPOSIT FROM PROSPECTIVE INVESTORS			
Balance at Beginning of Year		263,814,078.97	263,814,078.97
Additional Equity		(263,814,078.97)	-
Balance at Year-end		-	263,814,078.97
EQUITY		158,482,776.48	(118,653,661.69)
TOTAL LIABILITIES AND EQUITY		214,275,104.63	210,358,867.78

See accompanying Notes to Financial Statements

JOHN HAY MANAGEMENT CORPORATION
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2016
(With Comparative Figures for the year ended December 31, 2015)
(In Philippine Peso)

	Note	2016	2015
REVENUES			
Estate Management Fee	20	50,657,929.89	52,852,561.68
Estate Management Fee - Rent Income	21	19,142,371.11	16,799,624.32
Other Service Income:			
Common Usage Service Area (CUSA)	22	5,470,012.23	2,235,851.34
Other Service Income (SEZAD)	23	518,877.36	552,807.98
Miscellaneous Income	24	-	368,675.40
Gross Income		75,789,190.59	72,809,520.72
OPERATING EXPENSES			
Personal Services	25	27,282,909.72	27,392,574.25
Maintenance and Other Operating Expenses	26-27	32,759,443.74	31,621,781.06
Total Expenses		60,042,353.46	59,014,355.31
OPERATING INCOME		15,746,837.13	13,795,165.41
OTHER INCOME (EXPENSES)			
Interest Income		660,985.67	830,326.09
FOREX Gain/(Loss)		350,688.53	320,771.49
Gain on Sale of disposed asset		-	156,645.70
Bank Charges		(3.00)	-
Documentary stamp expense		-	(250.00)
Loss of assets		(24,607.00)	(46,567.81)
Total Other Income/(Expenses)	28	987,064.20	1,260,925.47
NET INCOME (LOSS) BEFORE INCOME TAX		16,733,901.33	15,056,090.88
Income Tax Expense		5,545,046.64	4,397,489.18
NET PROFIT		11,188,854.69	10,658,601.70

See accompanying Notes to Financial Statements

JOHN HAY MANAGEMENT CORPORATION
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016
(With Comparative Figures for the year ended December 31, 2015)
(In Philippine Peso)

	Note	2016	2015
STOCKHOLDERS' EQUITY			
Share Capital	29	383,814,000.00	120,000,000.00
Issued and fully paid - 2,638,140 shares			
Authorized 5,000,000 shares at Php 100.00 par value			
Share Premium		78.97	-
Total Stockholders' Equity		383,814,078.97	120,000,000.00
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year			
As previously reported		(238,653,661.69)	(245,591,446.03)
Prior Years' Adjustment (PYA)	30	2,133,504.51	(3,720,817.36)
As restated		(236,520,157.18)	(249,312,263.39)
Net Income		11,188,854.69	10,658,601.70
Correction of prior years' errors		-	-
Balance at end of year		(225,331,302.49)	(238,653,661.69)
CAPITAL DEFICIENCY		158,482,776.48	(118,653,661.69)

See accompanying Notes to Financial Statements

JOHN HAY MANAGEMENT CORPORATION
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

(With Comparative Figures for the year ended December 31, 2015)

(In Philippine Peso)

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows:			
Estate Management Fee/Subsidy from BCDA (Current)		67,328,301.00	67,895,000.00
Land Related Cost Reimbursement		52,343,231.46	56,728,223.46
Collection of Generated Income - JHMC		518,877.36	555,005.84
Deferred Collection of Generated Income - JHMC		1,196.32	-
Collection of SC Reservation-IHG CUSA		2,062,062.61	2,122,565.65
Collection of Treetop Adventure CUSA		240,000.00	240,000.00
Collection of Inbound Pacific Inc.-Mile Hi Center CUSA		2,620,128.00	-
Collection of Inbound Pacific Inc.-Cantinetta CUSA		122,304.00	-
Collection of Rustan Coffee Corporation CUSA		125,440.00	-
Collection of Rustan Coffee Corporation-Advance CUSA		15,290.87	-
Collection from Sale of Terms of Reference (TOR)		-	300,000.00
Collection of Bidder's Documents		158,000.00	20,000.00
Collection of Guaranty Deposits & Performance Bond		153,065.25	665,666.45
Collection of Receivables: Revenues prior to Performance Agreement with BCDA		108,922.20	-
Collection of Receivables: Return of OPEX		3,165,611.44	620,759.00
Cancellation of Checks		924,254.50	112,847.91
Interest Income from Cash and Cash Equivalents		661,202.15	830,326.09
Collection of Administrative Fee for Scout Barrio Housing Project		-	368,675.40
Collection of Fund for Reimbursement of SBHP BIR Penalties		-	364,238.64
Collections for BCDA:			
Collection of Generated Income - BCDA		7,187,160.93	5,847,000.93
Collection of Deferred Generated Income - BCDA		149,525.74	85,500.00
Collection of SC Reservation - IHG Rental		17,711,165.79	18,230,829.64
Collection of Treetop Adventure rental		1,045,250.00	1,021,250.00
Inbound Pacific Inc. - Mile Hi Center Rental		21,042,690.00	-
Inbound Pacific Inc. - Cantinetta Rental		1,247,388.00	-
Rustan Coffee Corporation - Starbucks Rental		1,328,298.00	-
Rustan Coffee Corporation - Starbucks 6 months Advance Rental		796,978.80	-
Rustan Coffee Corporation - Starbucks Security Deposit		744,840.00	-
Collection of PEZA Rental		6,728,861.57	6,446,367.22
Collection of Purchase Price of Scout Barrio Lots		244,817.33	3,391,039.41
Total Cash Inflows		188,774,863.32	165,845,295.64
Cash Outflows:			
Payment to Suppliers/Creditors and Employees		68,338,846.41	54,458,877.30
Land Related Costs/Advances for BCDA		36,688,312.76	54,708,635.52

Remittance to PAGIBIG/SSS/PHIC/BIR	6,730,006.27	7,629,421.39
Payment of Taxes, Duties and Licenses	273,938.70	150,280.85
Payment of BAC Honoraria	225,709.24	43,310.37
Payment for Common Usage Service Area Expenses	213,321.07	-
Refund of BIR penalties to beneficiaries of SBHP	228,378.17	-
Refund of Guaranty/Security Deposits & Performance Bond	63,415.60	323,069.20
Refund of Bidder's Documents/Customer Deposits	6,000.00	-
Bank Charges	-	-
Remittances to BCDA:		
Generated Income - BCDA	5,854,657.88	5,232,909.30
SC Reservation - IHG Rental	17,639,605.53	16,799,624.32
Treetop Adventure Rental	783,750.00	1,021,250.00
Inbound Pacific Inc. - Mile Hi Center Rental	19,289,132.50	-
Inbound Pacific Inc. - Cantinetta Rental	1,143,439.00	-
Rustan Coffee Corporation - Starbucks Rental	2,737,287.00	-
Remittance of PEZA Rental	6,140,942.70	6,443,818.24
Scout Barrio Housing Project (SBHP)	258,705.94	4,727,478.12
Total Cash Outflows	166,615,448.77	151,538,674.61
Total Cash Provided (Used) by Operating Activities	22,159,414.55	14,306,621.03
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows:		
Proceeds from Sale of Movable Properties	-	156,650.70
Collection of COB for Capital Outlay	2,472,000.00	665,000.00
Total Cash Inflow	2,472,000.00	821,650.70
Cash Outflow:		
Capital Outlay	1,243,899.40	621,588.85
Total Cash Outflows	1,243,899.40	621,588.85
Total Cash Provided(Used) by Investing Activities	1,228,100.60	200,061.85
CASH PROVIDED BY OPERATING, INVESTING AND FINANCING ACTIVITIES		
	23,387,515.15	14,506,682.88
Add/(Deduct): FOREX Effect	350,688.53	320,771.49
Add: Cash and Cash Equivalents at Beginning of the Year	91,184,628.87	76,357,174.50
CASH & CASH EQUIVALENTS AT END OF YEAR	114,922,832.55	91,184,628.87

See accompanying Notes to Financial Statements

JOHN HAY MANAGEMENT CORPORATION

A Member of the Bases Conversion and Development Authority Group

NOTES TO FINANCIAL STATEMENTS *(For the Conversion to the Revised Chart of Accounts (RCA))*

For the Year Ended 31 December 2016

(With Comparative Figures for 2015)

1. CORPORATE INFORMATION

The John Hay Management Corporation (JHMC) is a wholly-owned subsidiary of the Bases Conversion and Development Authority (BCDA) and is its implementing arm for the development and management of the 625-hectare Camp John Hay Reservation (CJHR), located in the City of Baguio and the Municipality of Tuba, Province of Benguet. The CJHR is comprised of the 301-hectare John Hay Special Economic Zone (JHSEZ) and the 324-hectare John Hay Reservation Area (JHRA), with fourteen (14) barangays within its area of operations.

The mandate of JHMC is to develop Camp John Hay into a premier tourist and investment destination, and a center for human resource development. It enforces efficient and effective regulation in the JHSEZ and the JHRA, and as responsible stewards of about 53% of the forested land of the City of Baguio, the JHMC has strictly implemented programs to maintain forest density, and clean air and water resources.

HIGHLIGHTS OF THE CY 2016 JHMC ACCOMPLISHMENT REPORT

The John Hay Management Corporation (JHMC) continues to be a strong catalyst for economic growth and job generation in the Cordillera Region, unwavering in its mandate to develop Camp John Hay as a premier tourist and investment destination and a center for human resource development, while ensuring sustainable multiple use of the forest watershed and enforcing effective and efficient regulation in the John Hay Special Economic Zone (JHSEZ) and the John Hay Reservation Area (JHRA).

Notwithstanding the unresolved issue of possession of the 247-hectare prime property within the JHSEZ under the pending case filed by the BCDA against the private developer, Camp John Hay Development Corporation (CJH DevCo), which has restricted new business development and the generation of revenues by the JHMC, the Corporation has proudly achieved many milestones in fidelity to its mandate, that have contributed to its growth and efforts toward financial viability.

The major accomplishments of the JHMC for year 2016 are presented below.

ISO 9001:2008 CERTIFICATION

In March 2016, the JHMC was certified to the ISO 9001:2008 for its Quality Management System in clear recognition of its achievement of an elevated capacity for and quality of public governance.

Ensuring efficient, transparent, and accessible delivery of quality public service are the key elements of the strategic governance framework of the Corporation. JHMC is committed to abide by its accredited Quality Management System that is responsive to the needs of its stakeholders and in CY 2016, attained a 90.9 % satisfaction rating based on the External Customers' Satisfaction Survey.

In November 2016, the JHMC was awarded a Certificate of Recognition by the Government Quality Management Committee chaired by the DBM Secretary Benjamin E. Diokno for its certification to ISO 9001:2008 standards.

INCREASE IN AUTHORIZED CAPITAL STOCK

Among the major accomplishments of the Legal Department, in collaboration with the Offices of the Corporate Secretary, and the Internal Audit include the approval by the BCDA to increase the Authorized Capital Stock of JHMC from 1,200,000 shares to 5,000,000 shares in April 2015. This proposal has been pending since year 2004. The said increase provides a more up to date reflection of the accumulated stock subscriptions and capital infusion of BCDA, and the value of the entire Camp John Hay since JHMC (then JPDC) was incorporated in 1993.

In March 2016, the GCG approved the application of JHMC for the aforesaid, and the Certificate of Approval of Increase of Capital Stock was subsequently issued by the Securities and Exchange Commission (SEC) on 09 June 2016.

With the increased Authorized Capital Stock of JHMC, the liability reflected in its Financial Statement representing BCDA's Deposit for Future Stock Subscriptions that have accumulated through the years, which amounted to ₱263,814,078.97 as of 31 December 2015, will now be considered as Equity.

In September 2016, the JHMC Board approved the issuance of Stock Certificates to the BCDA with a total of 2,638,140 shares with par value of ₱100.00.

The reconstitution of the JHMC Stock and Transfer Book (STB) was likewise accomplished in 2015 and updated in 2016 to reflect the movement and transactions related to JHMC's Equity.

ASSET MANAGEMENT

TOURISM

The tourism industry remains the primary vehicle for job generation and economic growth in the City of Baguio. In year 2016, there were 85,669 tourists (compared to 69,987 tourists in 2015) who visited the Historical Core alone. The marketing of the Historical Core as a preferred destination for corporate events and family occasions was intensified with 54 marketing events, functions and eco-tours for the year.

BUSINESS DEVELOPMENT AND JOB GENERATION

John Hay Special Economic Zone Locators and Job Generation

In 2016, employment increased by 9% with a total of 5,523 employed (from 5,090 employees in 2015), with the business processing outsourcing (BPO) facilities of the InterContinental Hotels Group (IHG) and Convergys accounting for 64% or 3,667 of these jobs.

Ninety-five percent (95%) of this workforce in the Zone is sourced from the BLISTT- Baguio City, La Trinidad, Itogon, Sablan, Tuba, Tublay and the Cordillera.

During the period 2011-2016, the number of locators in the JHSEZ increased by 54% with a total of 120 business enterprises. This resulted in an unprecedented increase of 292% in jobs generated in the Zone for the six-year period.

New Businesses and Lease Contracts

1. Camp John Hay Mini-Hydro Power Plant in the JHRA

In March 2016, the JHMC and BCDA signed the contract with the consortium of a Turkish company, Vendeka Bilgi Teknolojileri Ticaret Limited Sirketi and Isabela Power Corporation called Riverflow Ventures and Power Energy Corporation for the long-term lease of the 38-hectare BCDA property for the reconstruction, operation and maintenance of the Camp John Hay Mini-Hydro Power Plant that is projected to generate an estimated 3 megawatts of renewable and clean energy. The comprehensive feasibility study is currently being undertaken and the development stage is scheduled to commence in year 2017.

2. Inbound Pacific, Inc. for the Mile-Hi Center and Cantinetta in the JHSEZ

In December 2015, the Inbound Pacific, Inc. (IPI) signed a two-year contract of lease with the BCDA and JHMC for the Mile-Hi Center and the Cantinetta Restaurant, with areas of 6,275 square meters and 261 square meters, respectively.

3. Rustan Coffee Corporation/Starbucks in the JHSEZ

In March 2016, the Rustan Coffee Corporation/Starbucks signed a five-year contract of lease with the BCDA and JHMC for a 206-square meter property along Sheridan Drive.

Revenue Generation

It is noteworthy that the Rental Income increased by 62% in CY 2016, which amounted to ₱60,859,681.96 (from an income of ₱31,628,485.94 in 2015). This increase is attributed to the new contracts entered into by the JHMC and BCDA with the IPI for the Mile-Hi Center and Cantinetta, and the Rustan Coffee Corporation/Starbucks. The collections from existing contracts with the InterContinental Hotels Group (IHG)-SC Reservations Philippines, Inc. (SCRPI), the Treetop Adventure Philippines, Inc. (TAPI), the Asian Institute of Management (AIM)-Igorot Lodge, the Philippine Economic Zone Authority (PEZA) and the venue rentals at the Historical Core likewise contributed to the increase in revenues for the year.

Asset Disposition Manual

In October 2016, the JHMC Board approved the Asset Disposition Manual which contains the guidelines for the disposition of land and other assets of the Corporation to prospective investors for business development.

LAND ASSET MANAGEMENT

Special Patent Application for BCDA Land

The Special Patent Application (SPA) of the BCDA with the Department of Environment and Natural Resources (DENR), for lands within the CJHR covered by a Presidential Proclamation had been pending for the past 18 years (since 1997).

In 2015, the JHMC undertook the preparation of the complete survey returns for the new Consolidation and Subdivision Survey Plans of the CJHR, which is a requisite to the processing of the said application. All the surveys, which were done in-house through the JHMC's Land and Asset Management Division (LAMD), were jointly validated with the DENR, Land Management Service-CAR.

The SPA for the CJHR resulted in 5 New Consolidation and Subdivision Surveys with 31 Subdivision Lots covering 476 hectares of the JHSEZ and the JHRA. The processing of the applications was done in two phases, wherein the first phase covers the 258.76 hectares without ancestral land claims. The second phase of the SPA will cover the areas with ancestral land claims, and will be processed by the DENR upon the resolution of the related cases.

The first phase of the SPA was favorably endorsed by the Land Management Bureau LMB to the Office of the DENR Secretary in December 2015. The Secretary forwarded the same in March 2016 to the Office of the President for final approval.

Ancestral Land Claims

In 2015, an Inter-Agency Task Force (IATF) on Ancestral Land Claims within the CJHR was created by the Office of the President (OP) which included representatives from the National Commission on Indigenous Peoples (NCIP), the BCDA and JHMC, the DENR and the Land Registration Authority (LRA).

The findings of the IATF were compared with the data obtained from the research work of the JHMC's LAMD in 2014 and the results of the 2013 Joint Technical Working Group (JTWG) on Ancestral Land Claims (with the OP, NCIP, BCDA-JHMC). This revealed an additional 13 Certificates of Ancestral Land Titles (CALTs) issued by the NCIP involving 32.457 hectares. This resulted to a total of 48 CALTs and 1 Certificate of Ancestral Domain Title (CADT) covering 217.5 hectares found overlapping with BCDA land.

In 2016, the JHMC has been coordinating with the Office of the President and the BCDA to resolve the findings on the ancestral land titles within the CJHR.

Barangay Segregation Program

In May 2016, the BCDA Board of Directors approved the draft Executive Order (EO) submitted by the JHMC for the segregation of Barangay Hillside from the CJHR, which include the issuance of residential lot awards to the *bona fide* residents. The draft EO was subsequently submitted to the Office of the President for final approval.

The final Subdivision Survey Plan for Barangay Hillside, which was duly approved by the LRA in March 2015, together with the Transfer Certificate of Title of the BCDA, were submitted to the Registry of Deeds (RD) in the City of Baguio for the issuance of derivative titles for the identified 45 residential structures and reserve areas in the barangay. In 2016, additional documents were submitted to the RD-Baguio for the final release of the said titles.

Scout Barrio Housing Project

The Scout Barrio Housing Project (SBHP) is a socialized housing program of the BCDA and JHMC, and involves the awarding of 163 lot awards to *bona fide* beneficiaries in the barangay. Of these, 160 have been awarded as of December 2016.

Project Management Services

Among the major infrastructure projects undertaken by JHMC in 2016 include the Asphalt Overlay Road Projects of the Cemetery of Negativism Road, the roads leading to the BCDA Cottages, Starbucks, Cantinetta and the AIM-Igorot Lodge along Sheridan Drive, and the VOA Loghomes along Loakan Road covering a total area of 7,843 square meters. The project included the construction of curbs and gutters and protective railings along the roadsides.

FOREST AND ENVIRONMENT MANAGEMENT

In partnership with the DENR, JHMC maintains a strong forest protection program through strict enforcement of forestry laws, rules and regulations with the apprehension of illegal occupancy, excavation and tree cutting activities in the Reservation.

National Greening Program

The JHMC has consistently complied with Executive Order No. 21, otherwise known as the National Greening Program (NGP) of the government, by planting suitable trees (such as Benguet pine and coffee) within the inadequately stocked areas of Camp John Hay and the City of Baguio. Tree planting activities were conducted regularly with the participation of students, barangay representatives, and environment-oriented organizations. In 2016, a total of 2,670 trees were planted, and a total of 8,000 tree seedlings were propagated in the JHMC Plant Nursery.

Deed of Usufruct for the DENR-Watershed and Water Resources Research Center

In June 2016, a Deed of Usufruct was signed between the BCDA, JHMC and the Office of the Secretary of the DENR, which allows the 33.74-hectare BCDA land to be used by the Watershed and Water Resources Research Center (WWRRC). This is in line with the sustainable Forest Management Program of JHMC wherein the facility shall provide assistance in the preservation and maintenance of the CJHR forest cover and its environs.

Barangay-Based Firelines

The barangay-based firelines established by the JHMC aim to prevent and control the spread of forest fires. A total of 132,526 square meters of firelines within the JHRA were maintained as of year 2016.

Establishment of Camp John Hay's Environmental Management System certifiable to ISO 14001:2015

Among the major accomplishments towards the goal of JHMC to establish its Environmental Management System certifiable to ISO 14001:2015 standards include the Solid Waste Management Manual (SWMM) and Hazardous Waste Management Guidance Manual (HWMGM) which were duly approved by the JHMC Board of Directors in June 2016.

The technical assessment of the Environmental Impact of JHMC's processes and activities were likewise undertaken in consultation with the DENR-EMB, CAR, wherein the need to obtain requisite permits were determined consistent with the implementation of the Philippine Environmental Impact System (PEISS).

In compliance with DENR Administrative Order No. 2013-22, otherwise known as the Revised Procedures and Standards for the Management of Hazardous Wastes, the JHMC has filed its online registration covering Hazardous Waste Number M 506, Waste Electrical and Electronic

Equipment (WEEE) and Hazardous Waste Number I 101, Used or Waste Oil. This is based on an actual hazardous waste inventory conducted by the Environment Management Division (EMD) in coordination with the General Services Division (GSD) in July 2016.

Regulatory and Permitting Review of projects and locators was accomplished to ensure that locators are compliant with applicable environment regulations, standards and permitting requirements.

Further, in August 2016, key personnel attended the ISO 14001:2015 Full Awareness Course.

Ambient Air Quality in the JHSEZ

The JHMC has consistently maintained the Good Air Quality Index (readings from 0-50 ug/cubic meter PM 10) within the JHSEZ, with an average reading of 22.6 ug/cubic meter Particulate Matter 10 (PM 10), as validated by the DENR, Environment Management Bureau (EMB)-CAR in 2016. JHMC has two Pollution Control Officers whose accreditations were renewed by the aforesaid agency.

Further, in support of the Clean Air Initiatives in the Cordillera Region, the JHMC actively participates in various fora on the BLISTT-Airshed Technical Working Group headed by the EMB-CAR.

Memorandum of Agreement (MOA) for the Installation of the Continuous Ambient Air Monitoring Station

The JHMC Board approved the Memorandum of Agreement (MOA) with the Central Office of the DENR-EMB for the Installation of the Continuous Ambient Air Monitoring Station within Camp John Hay. The MOA was duly signed by the two parties in February 2016. This monitoring station will continuously measure air pollutants and detect meteorological conditions such as wind speed and direction, temperature, barometric pressure and humidity, and assist the Corporation in determining the effects on the environment of current and future developments in the Camp.

Memorandum of Agreement for the “Adopt-An-Estero / Water body Program” of the DENR-EMB, CAR

The JHMC Board likewise approved the MOA with the DENR-EMB, CAR for the “Adopt-An-Estero / Water Body Program” along the tributaries of the Bued River and waterways within and outside the CJHR. The MOA was signed by both parties on 27 July 2016 during the 1st Cordillera Environmental Summit held in Baguio City, and attended to by officials from the DENR Central and Regional Offices, the LGUs and partner agencies both from the government and private sectors.

Under the program, the partner agencies “adopt” portions of the identified waterway with the goal of improving its water quality through regular clean-up drives, planting of appropriate species and installation of trash traps. They likewise conduct regular Information and

Education Campaigns to increase the awareness and participation of the surrounding communities. The JHMC participated in the National Clean-Up Day on 17 September 2016 covering the areas of the CJHR along Loakan Road.

REGULATORY SERVICES

Special Economic Zone Administration Department/One-Stop-Action Center/Customs Clearance Area

In CY 2016, the Special Economic Zone Administration Department (SEZAD)/One-Stop-Action Center (OSAC) has shortened the processing time for the issuance of regulatory permits for renewals to an average of eight (8) minutes, and for new applications to an average of one (1) calendar day.

The SEZAD continues to promote an investor-friendly business climate in the JHSEZ and ensures that all goods and articles entering and exiting the Zone are properly documented and inspected. The JHSEZ remains a “Zero- Smuggling Zone” as certified by the Bureau of Customs (BOC).

Establishment of the Business Center

The establishment of the Business Center at the SEZAD was approved by the JHMC Board in 2016. The purpose of which is to provide the JHSEZ locators a centralized office for payment of lease rentals and CUSA, as well as the issuance of all requisite permits in the Zone.

JHMC-Office of the Building Official (OBO) / Project Management Division (PMD)

The JHMC-OBO ensures compliance of all locators with the National Building Code and the Comprehensive Fire Code of the Philippines. In 2016, the OBO issued 12 Building Permits and 50 annual Mechanical and Electrical Permits in the JHSEZ. For the JHRA, there were 50 House Repair Permits issued by the PMD.

Environment Management Services

The EMD continues to implement a Comprehensive Environmental Management plan for all the locators through the conduct of inspections and monitoring of their compliance to applicable Environmental and Sanitation Laws, Rules, Regulations and Standards within the JHSEZ.

The EMD processed applications and issued the Certificates of Environmental Compliance (CEC) to the 69 locators that were due for renewal in 2016.

Citizen’s Charter and Transparency Seal

The Citizen’s Charter, a comprehensive and detailed guide on the frontline services and process flows of JHMC was established in November 2012 and updated in CY 2016. The JHMC

continues to enhance the Charter by shortening the processing time for the issuance of regulatory permits, and through its Quality Management System (QMS) certified to ISO 9001:2008 standards.

JHMC has likewise been consistently compliant with the Good Governance and Transparency requirements being monitored by the Inter-Agency Task Force (IATF) and the Governance Commission for GOCCs.

Advocacy for Related Legislation in Congress

The JHMC collaborated with the House of Representatives for the filing of House Bill (HB) No. 4881 – *“An Act Providing for a Uniform Rate and Method of Incentives Among Subsidiaries of the Bases Conversion and Development Authority, Amending for the Purpose Republic Act No. 7227, As Amended, otherwise known as the “Bases Conversion and Development Act of 1992,” and for Other Purposes.”* This HB was previously approved by the Special Committee on Bases Conversion in December 2014, and subsequently referred to the Committee on Ways and Means. In 2016, the JHMC continues to participate and coordinate with other government agencies for the refile of the HB in Congress.

The passage of this bill into law will allow JHMC to fully administer, monitor, and implement the uniform incentive schemes of the BCDA for its registered enterprises within the JHSEZ.

RISK MANAGEMENT

Camp John Hay Development Corporation Legal Cases

A continuing challenge of the JHMC are the pending cases filed by the BCDA against CJH DevCo, the private developer of the 247-hectare property within the JHSEZ, due to the non-payment of lease rentals amounting to about ₱3.7 Billion. The case is currently pending before the Supreme Court.

JHMC played a major role in the arbitration case in the Philippine Dispute Resolution Center, Inc. (PDRCI) when its officers took the stand as principal witnesses of the government.

Establishment of the Directors’ and Officers’ Liability Fund

The Legal Department was instrumental in the establishment of the Directors’ and Officers’ Liability Fund (DOLF). The DOLF, which was duly approved by the GCG on 14 December 2015, will accord the Members of the Board of Directors and Officers of the JHMC the means to accomplish their fiduciary duties and obligations and act in the best interest of the Corporation. This Fund will allow the proper recovery of the costs of litigation and judgment liability should these arise during the exercise of their official duties.

Subsequently, in April 2016, a Trust Agreement was executed between JHMC and the Land Bank of the Philippines (LBP) to administer the DOLF and ensure that said fund will be managed prudently and replenished accordingly.

COMMUNITY RELATIONS

CORPORATE SOCIAL RESPONSIBILITY PROGRAMS

Educational Centers within the JHRA

The JHMC, in its commitment to contribute to uplifting the education of the less fortunate school children, undertook various Corporate Social Responsibility (CSR) projects which included the annual participation in the Department of Education's "*Brigada Eswela*" wherein five schools within the City of Baguio and the JHRA benefitted in year 2016. This program includes clean-up drives, painting works and fabrication of student tables, chairs and book shelves.

Further, the JHMC submitted a proposed Road Map for the infrastructure development of schools within the JHRA to the Office of the DepEd Secretary. Relative to this, the construction of a 3-storey, 6-classroom building for the Country Club Village Elementary School (CCVES) was approved through the initiatives of the JHMC and the barangay, which was subsequently completed in December 2016.

Outreach Program

In November 2016, the JHMC conducted an Outreach Program in Banaue, Province of Ifugao in coordination with the PNP and the Provincial and Municipal Health Offices. Aside from the assistance of JHMC personnel in the Medical and Dental Missions, multivitamin supplements and medicines, various learning materials, toys, clothing, slippers and food items were provided to two indigent communities in barangays San Fernando and Gohang. There were a total of 212 school children and 294 households who benefited from the program.

PUBLIC RELATIONS

The JHMC, in coordination with the BCDA, conducted public relations fora in 2016 to engage the stakeholders' participation in the various plans and programs of the BCDA and JHMC for Camp John Hay.

A "*Kapihan*" forum with the local press was likewise conducted during the year to apprise them on the efforts of the government relative to the legal cases against the CJH DevCo, and the protection of the interests of the general public who may have been affected by the aforesaid cases.

GENDER AND DEVELOPMENT PROGRAM

To do its share in the administration's gender and development initiative, JHMC has strived to promote the significant role of women in advancing national development.

The JHMC conducted Awareness Seminars on Anti-Violence Against Women and Children, and Anti-Sexual Harassment and Gender Sensitivity with the assistance of the Civil Service Commission (CSC). The participants included JHMC personnel, student leaders and teachers from the Baguio City High School, barangay officials from the JHRA and the JHSEZ locators.

In July 2016, a GAD-Photo Contest with the theme: "*The Role of Women in a Growing Economy*" was sponsored by JHMC. There were 32 entries submitted and the awarding ceremony was done in December 2016.

In August 2016, the JHMC Board approved the establishment of a Lactation Station in the Workplace that is compliant with the provisions of Republic Act No. 10082. The station is made available for all employees, stakeholders and visitors of Camp John Hay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying financial statements of JHMC have been prepared on the historical cost basis. The financial statements are presented in Philippine Pesos, which is the company's functional and reporting currency. All amounts are rounded off to the nearest Philippine Peso, except when otherwise indicated.

Statement of Compliance

The accompanying financial statements have been prepared in conformity with the accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRS).

The PFRSs issued by the Financial Reporting Standard Council consist of the following:

- a. PFRSs – correspond to International Financial Reporting Standards Issued by International Accounting Standards Board;
- b. Philippine Accounting Standards (PAS) – correspond to International Accounting Standards Issued by International Accounting Standards Committee and adopted by International Accounting Standards Board.
- c. Interpretations of International Financial Reporting Interpretations Committee (IFRIC) - Work closely in developing interpretations on;
 1. Newly identified financial reporting issues not specifically dealt with in IFRSs; and
 2. Issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop in the absence of authoritative guidance.
- d. Philippine Interpretations Committee (PIC) – correspond with Standing Interpretations Committee (SIC) developed by IASC to develop interpretations on reporting issues not dealt with IAS and unsatisfactory or conflicting interpretations.

From its incorporation, up to CY2012, the JHMC applied the NGAS Standard Chart of Accounts codes in recording journal entries. In CY2013 however, BCDA's Financial Management Services Department (FMSD) issued Accounting Memo No. AF-AM-2013-012 dated March 6, 2013, prescribing a new Standard Chart of Accounts codes. This was done to facilitate the consolidation of all the financial reports of the BCDA Subsidiaries, and was based on the International Financial Reporting Standards (IFRS) on home-office accounting.

In compliance to the COA Circular No. 2015-010 dated 01 December 2015 and No. 2016-006 dated 29 December 2016, the financial statements balances as at 31 December 2015 and transactions covering the period 01 January 2016 to 31 December 2016 were converted to the Revised Chart of Accounts (RCA).

Accounting Policies Adopted

The following generally accepted accounting standards in the Philippines, amendments, and interpretations to existing standards that have been published by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Standards Council (FRSC) which became effective for accounting periods beginning on or after January 1, 2006 were adopted by the Company:

PFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instrument
PFRS 13	Fair Value Measurement
PAS 1	(Presentation of Financial Statement)
PAS 2	Inventories
PAS 7	Cash Flow Statements
PAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors
PAS 10	Events After the Statement of Financial Position Date (Events After the Reporting Period retitled 2007)
PAS 12	Income Taxes
PAS 16	Property, Plant and Equipment
PAS 17	Leases
PAS 18	Revenue
PAS 19	Employee Benefits
PAS 24	Related Party Disclosures
PAS 32	Financial Instruments: Disclosures and Presentation
PAS 36	Impairment of Assets
PAS 37	Provisions, Contingent Liabilities and Contingent Assets
PAS 39	Financial Instruments: Recognition and Measurement

These new standards, amendments and interpretations prescribe new accounting measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with the transitional provisions of the standards, otherwise the adoption of the new standards is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors". The effects of these new standard, amendments and interpretations on the Company's accounting policies and on the amounts disclosed in the financial statements are summarized as follows:

PAS 1, "Presentation of Financial Statements," This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The revised

standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owners changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements

Capital Stock

Common stock is the Securities and Exchange Commission (SEC) authorized capital shares issued and unissued by the Corporation to its stockholders.

Retained Earnings

Is the accumulated net earnings retained by the Corporation not declared as dividends as stated in Stockholders Equity Section of the Statement of Financial Position.

PAS 2, "Inventories", The objective of this Standard is to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and limits the alternatives for measurement of inventories. Inventories are measured at the lower of cost or net realizable value.

Cost Formula

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects shall be assigned by using specific identification of their individual costs.

The cost of inventories, other than those dealt with in using the specific identification, shall be assigned by using the first-in, first-out (FIFO) or weighted average cost formula. An entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified.

The use of the Last In, First Out (LIFO) formula to measure the cost of inventories is no longer acceptable.

JHMC uses the cost formula Moving Average Method.

PAS 7, "Cash Flow Statements", requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," eliminates the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period

errors. The standard defines material omissions and misstatements and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

PAS 10, "Events after the Reporting Period," The objective of this Standard is to prescribe:

- (a) When an entity should adjust its financial statements for events after the reporting period; and
- (b) The disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting period.

The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

Events after the Reporting Period

Post year-end events that provide additional information about the company's position at the Statement of Financial Position date (adjusting entries) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes when material.

Clarifies that dividends declared after Statement of Financial Position date are not to be recognized as a liability at the Statement of Financial Position date.

PAS 12, "Income Taxes," The objective of this Standard is to prescribe the accounting treatment for income taxes. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of:

- (a) The future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in an entity's statement of financial position; and
- (b) Transactions and other events of the current period that are recognized in an entity's financial statements.

Income Tax

Income Tax expense comprises current and deferred tax. Income tax expense is recognized in the statements of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable with respect to previous years.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible differences, to the extent that is probable that taxable profit will be available against which the deductible differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date.

Value-added tax

Revenues, expenses and assets are recognized net of the amount of value-added tax except:

- Where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value-added tax is recognized as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value-added tax are included.

Input Tax

Input tax represents value added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

PAS 16, "Property, Plant and Equipment,"

Prescribes the accounting treatment for property, plant and equipment and related disclosure requirements. The Standard contains a limited revision to provide additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It provides guidance on initial and subsequent recognition as well as measurement after recognition. It requires depreciation for each significant part of an item of property, plant and equipment. The standard also provides guidance on the determination of the carrying amount of the assets, the residual value, and depreciation period and de-recognition principles to be observed.

Property and equipment are carried at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and impairment losses, if any. Cost of an item of property and equipment consists of its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Costs also include any asset retirement obligation and interest on borrowed funds used.

Subsequent costs are capitalized as part of Property and Equipment account, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation commences when the property and equipment are available for use and is computed on the straight line basis over the following estimated useful lives of the assets regardless of utilization. The useful life of the property and equipment is established by the Commission on Audit (COA) under COA Circular No. 2003-007 dated December 11, 2003. A residual value equivalent to ten percent (10%) of the acquisition cost/appraised value shall be deducted before dividing the same by the Estimated Useful Life.

The carrying value of property and equipment are reviewed for impairment when events or changes indicate that the carrying value may not be recovered.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income and expenses in the year the asset is derecognized.

Construction-in-Progress.

Construction in Progress is stated at cost. This consists of the actual costs to date of the unfinished project to include labor, materials and other direct costs. Construction in Progress is reclassified as an asset upon final completion and acceptance; and the depreciation thereon commences upon actual use in the operations.

PAS 17, "Leases" The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases. It provides limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of lessors.

PAS 18, "Revenue" Income is defined in the *Framework for the Preparation and Presentation of Financial Statements* as increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. Income encompasses both revenue and gains. Revenue is income that arises in the course of ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends and royalties. The objective of this Standard is to prescribe the accounting treatment of revenue arising from certain types of transactions and events. The primary issue in accounting for revenue is determining when to recognise revenue. Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognized. It also provides practical guidance on the application of these criteria.

Revenue and Expense Recognition

The Corporation adopts the accrual method of accounting for revenue and is recognized in the period when actually earned.

Prepayments

Prepayments include expenses already paid for but not yet incurred. These are measured at amortized cost less any impairment, if any. Creditable taxes, performance bonds and security deposits are included in this category.

PAS 19, "Employee Benefits",

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

- (a) A liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) An expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Applies to all employee benefits offered by an employer to employees and their dependents and beneficiaries. This standard applies to employee benefits under: (i) formal plans and agreements between an enterprise and its employees, (ii) national, local, industry or multi-employer plans; and informal practices giving rise to a constructive obligation. This standard also identifies the following categories of employee benefits such as short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

PAS 24, "Related Party Disclosures,"

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Provides additional guidance and clarity to the scope of the Standard, the definitions and the disclosures for related parties. It requires disclosure of the compensation of key management personnel.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions between related parties are based on terms similar to those offered to non-related parties.

PAS 32, "Financial Instruments: Disclosures and Presentation",

The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in IFRS 9 *Financial Instruments*, and for disclosing information about them in IFRS 7 *Financial Instruments: Disclosures*.

Financial Assets

Cash and Cash Equivalents

Cash includes Petty Cash fund, Cash-on-Hand and in-Banks. Cash in bank in savings accounts earn interest at the respective bank deposit rates and these are deposits held at call with banks. Petty cash and technical funds are intended as working funds for a small amount of expenses such as periodicals, reproduction cost, transportation, etc. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement.

The Petty Cash Fund is being maintained under the Imprest Fund System.

Foreign Currency deposits are revalued at the exchange rate prescribed by the Bangko Sentral ng Pilipinas (BSP) as of Statement of Financial Position date.

Receivables

Receivable are initially measured at fair value plus or minus transaction cost that are directly attributable to the acquisition or issue of the receivable.

Receivables are carried subsequently at amortized cost, less any impairment loss. Gains and losses due to impairment are recognized in the profit or loss statement.

Financial Liabilities

Payables

Payables are initially measured at fair value plus or minus transaction cost that are directly attributable to the acquisition or issue of the payable.

Payables are subsequently measured at amortized cost using the *effective interest method*.

PAS 36 (Revised 2004), "Impairment of Assets", prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described to be impaired and the standard requires the entity to recognize an impairment loss. The standard also specifies when an entity should reverse an impairment loss previously recognized. The revised standard clarifies the elements that should be reflected in the calculation of an asset's value in use. PAS 36 prescribes the frequency of impairment testing for intangible assets.

PAS 37, "Provisions, Contingent Liabilities and Contingent Assets", ensures that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to financial statements to enable users to understand their nature, timing and amount.

PAS 39 (IFRS 9), "Financial Instruments: Recognition and Measurement",

The objective of this IFRS is to establish principles for the financial reporting of *financial assets* and *financial liabilities* that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

Initial Recognition of Financial Asset or Financial Liability

At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Recognition

After Initial recognition, an entity shall measure a Financial Asset at amortized cost or fair value.

An entity shall measure Financial Liabilities after initial recognition at amortized cost using effective interest method.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

3.1 Judgments

The preparation of the Company's financial statements in conformity with Financial Reporting Framework (with reference to the Generally Accepted Accounting Principles of the Philippines) requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.2 Estimates

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements:

- Allowance for Doubtful Accounts
The Company assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.
- Impairment of Inventories
The Company recognizes impairment on inventories whenever net realizable value of inventories become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The impairment is reviewed on a monthly basis to reflect the accurate valuation in the financial records.
- Estimated Useful Lives of Property and Equipment and Investment Property
The Company estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible; however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.
A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Land Improvements	10-40years
Building and Other Structures	10-30 years
Office& IT Equipment	5 years
Furniture and Fixtures	10 years
Books	5 years
Machineries and Equipment	7-10 years
Land Transportation Equipment	7 years
Intangible Assets	1 year

The foregoing estimated useful lives and depreciation method are based on COA Circular No. 2003-2007 dated December 11, 2003.

- Impairment of Financial Asset and Liabilities
Accounts Receivable (AR) and Accounts Payable (AP) are periodically reviewed to determine its value for the period and to determine if there is impairment due to credit risk of debtors.
- Impairment of Non-Financial Assets
The Company assesses the value of property, plant and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	CY2015	CY2016
Cash on Hand	1,808,520.45	149,876.35
Cash in Bank-Local Currency	28,883,363.75	62,878,928.35
Cash in Bank-Foreign Currency	49,429.03	638,302.79
Cash Equivalents	22,643,820.58	12,705,977.62
TOTAL	53,385,133.81	76,373,085.11

Cash in Bank - Local Currency, Current Account (LCCA) consists of the OPEX Fund, Generated Fund, and Scout Barrio Fund which earns interest at the respective bank deposit rates. It also includes the lease rentals and Common Usage Service Area (CUSA) Fees from SC Reservations (Philippines), Inc. (SCRPI) or the InterContinental Hotels Group (IHG), Treetop Adventure Philippines, Inc. (TAPI), Inbound Pacific, Inc. (IPI) – Mile-Hi Center, Inbound Pacific, Inc. (IPI)-Cantina and Rustan Coffee Corporation/Starbucks which is a non-interest bearing account. The above-stated accounts are deposited in the Development Bank of the Philippines (DBP).

The *Foreign Currency, Savings Account (FCSA)* represents the dollar collections from BCDA-PEZA Lease Agreement directly deposited by PEZA to JHMC's account at LBP. Monthly collections were regularly remitted to BCDA before the fifth day of the succeeding month.

Cash Equivalents consists of placements of cash in local currency with Authorized Government Depository Banks (AGDB), which are the DBP and LBP, for a period of 90 days or less.

Dollar depository accounts are restated at the year-end rate of ₱47.166:\$1.00 for CY 2015 and 49.813 PHP:1 USD for CY 2016.

5. RECEIVABLES

The account consists of the following:

	CY2015	CY2016
Loans and Receivable Accounts	254,885.28	281,260.91
Allowance for Impairment-Accounts Receivable	(1,105.78)	(14,063.05)
Inter-Agency Receivable	195,983.33	376,293.34
Intra-Agency Receivable	42,618,556.77	25,801,832.23
Other Receivables	12,421,387.77	13,695,353.81
TOTAL	55,489,707.37	40,140,677.24

Loans and Receivable Accounts includes various receivables from clients with age of less than 1 year with an *Allowance for Impairment* of 5% based on the approved policy on ageing of AR.

Inter-Agency Receivables are amounts due from the other GOCCs and consists mainly of receivables from the Social and Security System (SSS) for the advance payments made for the maternity benefits of JHMC employees.

Intra-Agency Receivables are amounts due from BCDA and due from other funds maintained by JHMC. Amounts that are *Due from BCDA* consist of Land-Related Costs advanced by the JHMC on behalf of the BCDA for CY2015 and CY2016. These are regularly billed to BCDA for reimbursement.

The *Due from Other Funds* consist of funds for transfer from other bank accounts. This account also includes the ₱4,000,000.00 Trust Fund deposited with the LBP for the Directors' and Officers' Liability Fund (DOLF). The DOLF, which was duly approved by the GCG in December 2015, will accord the Members of the Board of Directors and Officers of the JHMC the means to accomplish their fiduciary duties and act in the best interest of the Corporation. This Fund is exclusively earmarked for the payment of the costs of litigation and the judgment liability should these arise in the course of the exercise of their official duties and on matters where business judgment has been exercised in good faith. It also includes Value Added Tax (VAT) added by suppliers for the goods and services procured by JHMC in the amount of ₱2,849.47, however no final billing statements have been submitted. This account has been included in the accrued expenses of CY 2016.

Other Receivables consist of *Due from Officers and Employees* which consist of receivables from former members of the Board of Directors and separated and/or current officers and employees of JHMC for telephone charges and miscellaneous receivables that are being deducted from their respective salaries on a monthly basis. This account also consists of *Disallowances/Charges* totaling ₱13,504,656.86 with the following breakdown:

- missing properties that were included in the Lease Agreement between the CJH DevCo and BCDA in 1996 with a net book value of ₱2,793,547.50;
- employer's share on Employees' Provident Fund for the years 2002-2003 in the amount of ₱1,336,358.57;
- other benefits granted to personnel of JPDC in the amount of ₱1,125,751.05;
- other benefits granted to previous employees of JHMC in the amount of ₱235,000.00;
- benefits granted to former BODs in the amount of ₱572,000.00;
- Notices of Final Disallowances for CY2012 in the amount of ₱1,395,151.61 is recorded for the disallowed benefits of the Board of Directors and Office of the Government Corporate Counsel (OGCC) lawyers covering the CYs 1996 to 2001;
- under collection of the redemption book value of car plan on March 1997 from previous Directors in the amount of ₱186,291.77; and
- Grant of Life and Health Insurance benefits to the employees of JHMC for the period 1997 to 2004 amounting to ₱4,043,733.64.
- Salary increases of the JHMC employees covering the period May 2006 to September 2007 in the amount of ₱1,263,962.02

6. INVENTORIES

This account consists of the following:

	CY2015	CY2016
Office Supplies Inventory	959,992.08	684,680.56
Other Supplies Inventory	206,665.33	199,404.33
Construction Materials Inventory	5,866,050.09	5,866,050.09
TOTAL	7,032,707.50	6,750,134.98

Office and Other Supplies Inventory consists cost or value of purchased/acquired office supplies used in the daily operations of the Corporation.

Other Supplies Inventory consists of supplies and materials not falling under any of the specific inventory accounts held for consumption including prepaid mobile card loads for issuance to authorized employees in subsequent periods.

Construction Materials Inventory consists of unused steel fences for the perimeter fencing of Camp John Hay. The project was however discontinued in previous years due to the opposition from the residents in the CJHR barangays.

Further, half of the remaining inventory of these steel fencing materials was supposed to be used for the perimeter fence of the PEZA-MOOG Controls leased area in CY 2016. However, due to failure in the bidding process conducted by the PEZA, the project has remained pending and may be due for completion in year 2017 upon approval of the Commission on Audit (COA).

7. OTHER ASSETS (Current)

This account consists of the following:

	CY2015	CY2016
Advances to Officers and Employees	2,798.97	4,954.47
Prepaid Insurance	43,030.32	159,106.25
Input tax - Goods	1,036,197.98	1,289,011.40
Input tax - Services	3,055,740.44	3,749,706.67
Input tax - Capital Goods	-	81,806.19
Guaranty Deposits	2,132,039.98	2,130,943.41
TOTAL	6,269,807.69	7,415,528.39

Advances to Officers and Employees are cash advances for travelling expenses and for other special purposes to be liquidated after the purpose for which it was availed have been served.

Prepaid Insurance consists of unexpired portions of the fire and earthquake insurance premiums of the Bell House, warehouses and JHMC Cottages including its contents, and motor vehicle insurance premiums.

Input Tax for Goods, Services and Capital Goods are Value Added Tax (VAT) added by suppliers to their invoices paid by the corporation.

Guaranty Deposits (see Note 8)

8. GUARANTY DEPOSITS

This account consists of the following deposits with:

	CY2015	CY2016
Philippine Fuji Xerox	5,390.00	5,390.00
BENECO	1,096.57	-
Feliza Ronquillo	12,216.37	12,216.37
Smart Communications	8,260.00	8,260.00
DENR-CENRO	14,750.00	14,750.00
National Labor Relations Commission	2,090,327.04	2,090,327.04
TOTAL	2,132,039.98	2,130,943.41

A deposit equivalent to a two-month rental was made to Ms. Feliza Ronquillo for the lease of her property currently being occupied as an outpost by the Forest Patrol Guards of JHMC.

The amounts due from DENR-CENRO are performance bonds for duly authorized tree cutting and/or pruning activities.

Deposits made to the National Labor Relations Commission (NLRC) are appeal bonds which are required pending the resolution of various labor cases filed against the JHMC.

2. INVESTMENTS

This account consists of the following:

	CY2015	CY2016
Investments in Time Deposits	37,799,495.06	38,549,747.44
Other Investments	132,000.00	132,000.00
TOTAL	37,931,495.06	38,681,747.44

Investments in Time Deposits are authorized placements of cash in local and foreign currency with AGDBs for a *period* of 91 days or more. There are 2 *local currency time deposits (LCTD)* at DBP with maturity period of ninety (90) days and a *foreign currency time deposits (FCTD)* deposited at LBP which is a dollar fund earmarked for the JHMC Retirement Fund with placement period of two hundred seventy one (271) days.

This account consists of 6,600 shares with ₱1.00 par value Common Stock with Pilipino Telephone Company (PILTEL). On 7 May 2010, PILTEL was renamed PLDT *Communications* and Energy Ventures, Inc. New stock certificates in the name of JHMC were reissued in August 2011.

3. PROPERTY, PLANT AND EQUIPMENT (PPE) and INTANGIBLE ASSET

PPE records are in place and actual physical count of existing properties was conducted in CY 2016. The concise and accurate record for each Property Ledger Card and Property Card is being fully implemented.

Land and Other Improvements are the various land improvements made within area of the JHSEZ.

Building and Other Structures is inclusive of the building currently being leased by the SCRPI / IHG, in the amount of ₱22 million. The earnings from the lease rentals is classified as EMF-Rent Income by JHMC in its Statement of Profit or Loss and is deducted from the Estate Management Fee paid for by the BCDA.

Land Transport Equipment includes the Company vehicles designated for official purposes and those assigned to the Corporation's President and Chief Executive Officer and the Vice President and Chief Operations Officer.

Construction-in-Progress account consists of the cost of construction of the Carport in the JHMC Office Complex undertaken in CY 2010 and CY 2011, which is due for reconciliation in CY 2017.

	Land Improvements	Building and Other Structures	Office Equipment	Land Transport Equipment	Other Machinery and Equipment	Furnitures and Fixtures	Books	Construction in progress	TOTAL PPE	Intangible Assets
At December 31, 2015										
Cost	2,716,924.97	39,479,750.21	11,742,330.27	15,835,917.83	4,134,359.09	4,437,753.59	11,294.00	1,143,151.63	79,501,481.59	1,350,441.42
Accumulated Depreciation	(456,281.89)	(19,689,068.11)	(9,234,451.20)	(9,691,393.62)	(3,094,978.34)	(3,982,630.59)	(4,160.30)	-	(46,152,964.05)	(1,140,141.42)
Net Carrying Amount	2,260,643.08	19,790,682.10	2,507,879.07	6,144,524.21	1,039,380.75	455,123.00	7,133.70	1,143,151.63	33,348,517.54	210,300.00
At December 31, 2016										
Cost										
January 1, 2016	2,716,924.97	39,479,750.21	11,742,330.27	15,835,917.83	4,134,359.09	4,437,753.59	11,294.00	1,143,151.63	79,501,481.59	1,350,441.42
Reclassification	-	-	-	-	88,380.00	-	-	-	88,380.00	-
Additions/Acquisitions	-	-	607,680.78	-	271,875.00	30,074.40	-	-	909,630.18	394,263.39
Adjustments/Dispositions	-	(262,183.80)	(2,241,876.33)	-	(551,684.00)	(1,413,140.00)	-	(978,606.63)	(5,447,490.76)	-
	2,716,924.97	39,217,566.41	10,108,134.72	15,835,917.83	3,942,930.09	3,054,687.99	11,294.00	164,545.00	75,052,001.01	1,744,704.81
Accumulated Depreciation										
January 1, 2016	(456,281.89)	(19,689,068.11)	(9,234,451.20)	(9,691,393.62)	(3,094,978.34)	(3,982,630.59)	(4,160.30)	-	(46,152,964.05)	(1,140,141.42)
Reclassification										
Provision	(120,573.84)	(1,194,168.26)	1,394,323.40	(817,014.01)	320,485.02	1,300,520.58	(2,033.04)	-	881,539.85	(383,865.85)
	(576,855.73)	(20,883,236.37)	(7,840,127.80)	(10,508,407.63)	(2,774,493.32)	(2,682,110.01)	(6,193.34)	-	(45,271,424.20)	(1,524,007.27)
Net Carrying Amount	2,140,069.24	18,334,330.04	2,268,006.92	5,327,510.20	1,168,436.77	372,577.98	5,100.66	164,545.00	29,780,576.81	220,697.54

In CY 2016, the JHMC Disposal Committee was able to dispose unserviceable PPEs with Net Book Value (NBV) of ₱1.00 and below. The total cost of the disposed PPE is ₱4,168,002.65 with Accumulated Depreciation of ₱4,167,383.65 and a total NBV of ₱619.00. The disposal of the remaining unserviceable properties is on-going.

Intangible Assets (not part of PPE) consists of cost of licenses for computer software amortized over a period of one year.

II. LOANS AND RECEIVABLE – LONG TERM

This account consists of receivables that are due for more than one year in the amount of ₱14,733,583.58, with *Allowance for Doubtful Account* in the amount of ₱11,093,056.74. This includes the unsettled car plans from the former Members of the JHMC Board of Directors (BOD) in CY 1998 and CY 2007, in the amount of ₱3,379,651.09. The reconciliation and validation of the available supporting documents of the individual accounts is on-going. The Motor Vehicle Lease-Purchase Plan of JHMC provides that an officer who avails of the plan has an option to purchase the vehicle upon separation from the service at a redemption book value, provided monthly amortizations have been paid for at least one year.

This account also consists of receivables from various clients and receivables from the Camp John Hay Development Corporation (CJH DevCo) amounting to ₱5,922,515.83 representing the net gain derived from the demolition of cottages and structures in the leased area, and

payable to JHMC pursuant to the Agreement dated March 25, 1998. Section 6 of the Agreement provides that *“upon the completion of the above-stated demolition of structures in Camp John Hay, the net gain that may be derived will pertain to the former JPDC and, in case of net loss, the CJH DevCo will solely shoulder the loss. Net gain is equivalent to the appraised value of the structure demolished less the cost of demolition.”*

Other Receivables incorporated in the AR for CY 1996, substantially consists of the uncollected receivables from the use of government facilities by concessionaires, travel agencies, government entities and other corporations during the Resort Operations. Also included are accounts of establishments amounting to ₱2,024,737.53 which have one hundred percent (100%) allowance for doubtful accounts since these have remained outstanding since 1996.

On 13 April 2015, the JHMC Board of Directors (BOD) approved Board Resolution No. 2015-0413-073, authorizing JHMC Management to seek authority from COA to write-off the undocumented AR aged over 10 years, exclusive of the AR from CJH DevCo and former Directors of JHMC, in the amount of ₱2,046,190.96 pursuant to the JHMC Policy on Aging of AR, Setting-up of Allowances for Bad Debts and Writing-Off of Uncollected Accounts. In its letter dated 27 April 2015, JHMC Management sought COA authority for the write-off of the ₱2,046,190.96. Additional documents were submitted in June 2016 to support the request for write-off. The request is pending as of the Financial Statements date.

In CY2016, some of the ARs were adjusted/reclassified with other affected accounts which were found to be recorded erroneously upon validation of prior years' records.

On 23 September 2013, the JHMC Board of Directors approved the policy for setting up of Allowance for Doubtful Accounts and the Writing-Off of uncollectible accounts. The receivables are classified as follows:

Age of Accounts	% of Allow. For Bad Debts
Less than 1 year	5%
Over 1 year to 3 years	10%
Over 3 to 5 years	15%
Over 5 years to 10 years	20%
Over 10 years	100%

The validation and documentation of the ARs are ongoing. About ₱7.3M or 45% of the total ARs as of CY 2014 have been validated with supporting documents. The corresponding demand letters and/or notices of collection to the established ARs have been forwarded to the last known addresses of the concerned individuals/ entities through the Finance Department. These shall be subject to writing-off after all collection efforts have been exhausted and upon approval by the JHMC Board of Directors and the COA. Included in these accounts is the tax due on the retirement benefits given to 12 retired employees amounting to ₱1,062,608 which was not withheld by the previous Finance Officers from 2003 to 2006. Three demand letters

were sent to these individuals and the approval for its request for write-off was approved by the BOD through Board Resolution No. 2016-0926-147 dated 26 September 2016.

12. OTHER ASSETS (non-current)

This account consists of the following:

	CY2015	CY2016
Hydro - Electric Power Plant	4,390,000.00	4,390,000.00
Unserviceable Machinery and Equipment		
Furniture and Equipment	6,893,253.28	6,882,130.28
TOTAL	11,283,253.28	11,272,130.28

The appraised value of the *Hydro-Electric Power Plant* is based on the Appraisal Report submitted to the BCDA by the eValuePhils. Inc. (eVPI) dated 03 July 2004. This power plant has been unserviceable since Camp John Hay was transferred under the ownership and administration of the BCDA in 1993. In CY 2014, the COA Technical Team assisted the JHMC in evaluating the appraised value of this asset.

In CY 2015 the JHMC Board approved the amended Terms of Reference for the long-term lease of the 38-hectare BCDA Property for the Reconstruction, Operation and Maintenance of the CJH Mini-Hydro Power Plant through public bidding. In December 2015, the project was subsequently awarded to the consortium of a Turkish company, the Vendeka Bilgi Teknolojileri Ticaret Limited Sirketi and Isabela Power Corporation, called Riverflow Ventures and Power Energy Corporation and the lease contract was duly signed with the BCDA and the JHMC on 16 March 2016.

The Riverflow Ventures is currently in the process of securing local government permits as required by the Renewal Energy Act of the 2008.

Other Assets In CY2016, the JHMC Disposal Committee undertook the disposal of PPEs recorded under Other Assets with NBV of ₱1.00 and below. The total cost of the disposed Other Assets is ₱18,589,826.67 with Accumulated Depreciation of ₱18,578,703.67 and a total NBV of ₱11,123.00. The disposal of the remaining unserviceable properties with NBV of above ₱1.00 is ongoing.

13. FINANCIAL LIABILITIES

This account consists of the following:

	CY2015	CY2016
Accounts Payable	17,786,847.75	18,184,124.49
Accrued Expenses	14,936,848.38	12,067,013.20
Due to Officers & Employees	348,366.11	359,609.07
TOTAL	33,072,062.24	30,610,746.76

Accounts Payable (AP) consists mainly of the following:

- Unreleased Checks as of 13 December 2016 totaling ₱10,339,348.68
- Utility Bills recorded as payable to CJH DevCo in the amount of ₱4,142,151.08, for electricity, water, garbage and telephone charges for the period covering years 2000 to 2007; and
- PB Alberto Surveying in the amount of ₱120,000.00 for the survey conducted in the unleased areas of Camp John Hay.

To date, the payable accounts are adjusted and reclassified in accordance with the available documents except for accounts with unverified details which need to be further cross-checked as to its validity and existence.

JHMC has long discontinued the practice of setting up AP with inadequate or no documentation.

Accrued Expenses pertain to the expenses incurred in CY2013 to CY2016 but remain unpaid at year end. Among the items included are the unpaid security services, telephone charges, subscriptions, utilities, travelling costs, supplies, gasoline, consultancy services, repair and maintenance and personnel benefits.

Due to Officers and Employees Account consists mainly of collections from Bid Documents and reimbursement of expenses of employees in excess of their cash advances.

14. INTER-AGENCY PAYABLES

This account consists of the following:

	CY2015	CY2016
Due to BIR	3,816,340.17	4,997,250.11
Due to SSS	125,778.24	145,584.06
Due to PhilHealth	62,275.00	12,332.52
Due to PAGIBIG	19,721.19	82,439.74
TOTAL	4,024,114.60	5,237,606.43

Due to BIR consists of withheld taxes from disbursements as of 31 December 2016 and CY2016 4th quarter income tax payable in the amount of ₱4,726,469.58.

Due to SSS, PhilHealth and Pag-IBIG are deductions withheld from salaries of JHMC employees and employers' share to be remitted to the respective offices.

15. INTRA-AGENCY PAYABLES

This account consists of the following:

	CY2015	CY2016
Due to BCDA	4,366,561.72	4,366,561.72
Due to BCDA - Revenue Collection	7,906,220.56	8,002,162.85
Due to BCDA - Other Funds	4,005,929.37	158,451.00
Due to Other Funds	6,306,153.92	2,146,439.67
TOTAL	22,584,865.57	14,673,615.24

Due to BCDA account consists of CAPEX funds received for prior years mainly from 2007 projects and also includes lease rentals from the Asian Institute Management (AIM) for 1997.

Due to BCDA- Revenue Collection account comprises mainly of rental fees collected from the SCRPI / IHG, TAPI, IPI-Mile-Hi Center and IPI-Cantinetta, Rustan Coffee Corporation, PEZA, the AIM-Igorot Lodge (directly paid to BCDA), the Scout Barrio Housing Project (SBHP) for the sale of lots, and generated revenues from the JHSEZ. The collections under this account are regularly remitted to BCDA in accordance with the prescribed schedule of remittance under our amended Performance Agreement (PA) in 2014.

The SCRPI / IHG lease rental however, was deducted from the Estate Management Fee (EMF) paid for by the BCDA, as this is presented as EMF-Rent Income in the Profit or Loss Statement of JHMC pursuant to the accounting principle of matching recording of assets and revenues.

Due to BCDA – Other Funds is a temporary account for uncollected billed revenues to locators and would be reversed upon collection, and amounts to be transferred to other bank accounts upon verification of supporting data.

Breakdown of the *Due to Other Funds* is as follows:

	CY2015	CY2016
Scout Barrio Fund	420,405.99	219,437.36
Adopt a Tree	390,818.93	390,818.93
Disallowances/Charges	652,572.96	652,572.96
Provident Fund	727,419.54	727,419.54
Directors' & Officers' Liability Fund (DOLF)	4,000,000.00	-
Transfer of Funds (Generated & OPEX Funds)	3,700.00	44,954.38
Sale of Disposed Assets Booked by BCDA	111,236.50	111,236.50
TOTAL	6,306,153.92	2,146,439.67

Scout Barrio Fund refers to the remaining balance of funds for the reimbursement of BIR penalties to the Scout Barrio Housing Project (SBHP) beneficiaries but deferred due to change of payees' name.

Due to Other Funds-Adopt-A-Tree represents collections from sponsors who have committed to provide funds for the preservation of Benguet Pine trees within the CJHR. As of 2009, a total of 97 Pine trees have been adopted by private entities. The project may be revived in CY 2017 and shall form the basis for the utilization of the funds.

Disallowances/Charges are those amounts paid in cash and/or deducted from claims of the Separation Incentive Packages (SIP) by former employees from year 2010 and prior years, which were settled even before the Notice for Finality of Decision (NFD) was issued. Reconciliation of this account with the list of payees for the issued NFD for the Grant of Life and Health Insurance benefits to the JHMC employees for the period covering years 1997 to 2004 is currently being undertaken.

16. TRUST LIABILITIES

This account consists of the following:

	CY2015	CY2016
Guaranty/Security Deposits Payable	655,456.85	703,088.35
Customers' Deposits Payable	4,574.70	6,000.00
TOTAL	660,031.55	709,088.35

Guaranty/Security Deposits Payable are the incurred liability arising from the receipt of cash or cash equivalents to guaranty: (a) that the winning bidder shall enter into contract with JHMC; and (b) performance by the contractor of the terms of the contract. This includes security deposit paid by AIM in 2007 amounting to ₱200,000.00 and other retention fees of contractors.

Customers' Deposits Payable are advances paid by clients for future services and venue rentals and were directly deposited to JHMC's bank account.

17. DEFERRED CREDITS/UNEARNED REVENUE INCOME

This account consists of the following:

	CY2015	CY2016
Deferred Credits	1,412,190.18	1,116,085.00
1998 Unamortized Portion of Car Plan	313,684.93	313,684.93
2007 Unamortized Portion of Car Plan	2,992,130.55	2,992,130.55
TOTAL	4,718,005.66	4,421,900.48

The Deferred Credits account consists of:

	CY2015	CY2016
Deferred Income Tax	1,062,608.22	1,062,608.22
Bell Amphitheatre Rentals - Advances	349,581.96	53,476.78
TOTAL	1,412,190.18	1,116,085.00

Deferred Income Tax pertains to the estimated tax liabilities arising from release of retirement benefits of resigned or retired employees for the period 2003 to 2006, wherein the former Finance Officer did not withhold the taxes due. Collection letters were sent in August 2016 however to date, no responses have been received by JHMC. Some of the letters were returned indicating that the addressee is unknown. A request for write-off will be sent to the COA in CY2017, after verifying the status of the first letter for write-off sent to them in April 2015.

Unamortized Portion of Car Plan: In compliance to the recommendations of the Auditor, this account was initially closed into Retained Earnings in CY2013, however in CY2015, it was re-established due to the retrieval of records for the 2007 Car Plan and the analyses of other related accounts.

The project for the analyses and retracing of records of this account was undertaken by the Finance Department in CY2015. This included evaluation of the historical records of the journal entries in order to provide the possible correcting entries after the analyses of the Receivable, Payable and the Equity accounts. Based on the records, two out of the eleven 2007 Car Plans have been settled. The project shall be continued in CY 2017 through a project-based employee.

18. OTHER PAYABLES

This account comprises of deductions from salaries of previous JHMC employees to cover for disallowances previously assessed by the COA and waiting for finality of decision.

19. DEPOSIT FROM PROSPECTIVE INVESTORS

This consists of the equity contribution of BCDA that accumulated through the years, which may be converted into shares of stock of JHMC with a total amount of Two Hundred Sixty Three Million Eight Hundred Fourteen Thousand Seventy Eight Pesos and Ninety Seven Centavos (₱263,814,078.97) in CY 2015.

On 04 November 2015, the BCDA Board of Directors approved the Deed of Assignment for the conversion of BCDA's Deposit for Future Stock Subscriptions (DFSS) (*previous terminology used prior to conversion to RCA*) in the total amount of ₱263,814,078.97 into 2,638,140 shares of stock with a par value of One Hundred Pesos (₱100.00). The BCDA subsequently executed a Deed of Assignment in favor of JHMC to assign and transfer its DFSS to JHMC in exchange for shares of stock in JHMC's increased authorized capital stock.

(See Note 28 for other details)

20. MANAGEMENT FEE

This amount represents JHMC's Estate Management Fee (EMF) for the administration of Camp John Hay. The Amended Performance Agreement between the BCDA and JHMC provides that BCDA shall release in 2016, the amount of ₱68.56 Million as the EMF, and an

additional ₱1,240,301.00 representing the Supplemental Budget for the year. This account is reduced by the equivalent amount of rent from SCRPI / IHG remitted to BCDA totaling ₱19,142,371.11.

All revenues generated by the Camp thereafter shall be remitted to BCDA, except collections from the CUSA fees, overtime services of the SEZAD and interest income from money placements and regular savings/current bank accounts.

21. MANAGEMENT FEE-RENT INCOME

This represents the rent received by JHMC, net of taxes withheld, from SCRPI / IHG on behalf of BCDA. This amount is deducted from the Estate Management Fee of JHMC for CYs 2014 to 2016. BCDA reports the IHG rent as their taxable income and JHMC presents it in its Statement of Income and Expenses as Rent Income in compliance to the accounting principle of matching, i.e. recording of assets and revenues, since the building rented by IHG is recorded in the books of JHMC under PPE. On the other hand, the tax for the income is chargeable to the account of BCDA.

22. COMMON USAGE SERVICE AREA (CUSA) FEES

The CUSA Fees are collected for the purpose of ground maintenance in the JHSEZ. These were derived from the existing contracts with the SCRPI/IHG and TAPI, as well as from the new lease contracts with IPI-Mile-Hi Center, IPI-Cantinetta signed in December 2015, and beginning March 2016 for Rustan Coffee Corporation/Starbucks.

23. OTHER SERVICE INCOME

This account consists of collections from clients and locators for overtime services rendered by the employees of JHMC’s SEZAD, with overtime rates as follows:

Particulars	Rate per Hour
<i>Weekdays</i>	
8:00 am to 5:00 pm	143.788
10:00 pm to 6:00 am	158.166
<i>Week-ends and Holidays **</i>	
8:00 am to 5:00 pm	149.539
10:00 pm to 6:00 am	164.493

**Request for overtime by locators and clients during weekends and holidays must be for a minimum of 4 hours.

The overtime pay for JHMC personnel rendering services at the SEZAD/CCA are sourced from these collections with the following data analyses:

<i>Analyses of SEZAD Overtime Income vs Expenses:</i>	CY2015	CY2016
Total Service Income from Overtime	552,807.98	518,877.36
Less: Overtime expense paid to employees	296,750.44	168,776.28
Income from SEZAD Overtime Collections	256,057.54	350,101.08

24. MISCELLANEOUS INCOME

Miscellaneous Income in CY2015 refers to the administrative fee of JHMC for the Scout Barrio Housing Project (SBHP) released by BCDA.

25. PERSONAL SERVICES

This account consists of the following:

	CY2015	CY2016
Salaries and Wages	13,375,367.24	13,287,155.71
Personnel Economic Relief Allowance	582,601.09	580,875.93
Representation Allowance	1,340,185.00	1,335,352.47
Transportation Allowance	1,208,434.87	1,202,140.80
Clothing/Uniform Allowance	184,000.00	200,000.00
Cash Gift (DBM Circ. No. 2010-1)	253,500.00	253,000.00
Mid-Year Bonus (GCG Circ. No. 2016-01)	1,214,929.69	1,098,401.00
Year-End Bonus (GCG Circ. No. 2016-01)	-	1,162,059.70
Other Bonus and Allowance	245,000.00	250,000.00
Overtime	626,415.93	563,048.56
Rice Subsidy	1,053,000.00	1,061,509.09
Other bonuses and allowances- Productivity Incentive	1,064,344.17	252,000.00
Other bonuses and allowances- Performance Enhancement	1,661,216.32	1,669,383.00
Performance Based Bonus-PBB (GCG MC No. 2013-05 re-issued)	1,995,000.00	1,995,000.00
Life and Retirement Insurance Contributions(SSS)	644,744.40	650,895.90

Pag-IBIG Contributions	58,500.00	59,250.00
PhilHealth Contributions	154,762.50	156,487.50
ECC Contributions (SSS)	15,350.00	15,310.00
Other Personnel Benefits-Vacation & Sick Leave Benefits	1,178,472.60	826,488.04
Separation Incentive Pay	-	115,943.34
Other Personnel Benefits-Maternity Benefits	-	139,832.40
Business Development and Other Allowance	240,000.00	240,000.00
Overtime Services rendered by SEZAD	296,750.44	168,776.28
Total Personal Services	27,392,574.25	27,282,909.72

26. MAINTENANCE AND OPERATING EXPENSES

This account consists of the following:

Particulars	CY2015	CY2016
Traveling Expenses – Local	2,454,818.38	2,304,067.49
Traveling Expenses – Foreign	63,147.64	-
Training Expenses	1,737,328.92	1,361,397.85
Office Supplies Expenses	1,281,313.78	1,999,679.58
Accountable Forms Expenses	5,250.00	10,850.00
Fuel, Oil and Lubricants Expenses	930,107.43	728,922.73
Other Supplies Expenses	203,326.14	261,802.28
Water Expenses	47,508.91	134,603.71
Electricity Expenses	81,022.80	21,507.27
Postage and Courier Services	20,333.61	13,658.00
Telephone Expenses	672,047.83	642,799.90

Internet Subscription Expenses	117,695.24	212,774.15
Cable, Satellite, Telegraph and Radio Expenses	-	9,603.21
Miscellaneous Expenses-PRP	79,364.21	98,833.39
Legal Services	108,132.77	249,901.82
Auditing Services	2,138,066.96	2,307,934.71
Consultancy Services	554,044.34	545,268.42
Other Professional Services	2,206,808.35	2,430,000.00
Janitorial Services	641,108.97	680,634.32
Security Services	1,432,452.91	1,440,144.91
Other General Services	73,025.00	62,963.33
Repairs and Maintenance Expenses	1,056,220.41	913,157.27
Taxes, Duties and Licenses	211,259.43	379,897.16
Fidelity Bond Premiums	30,000.00	33,150.00
Insurance Expenses	74,669.33	66,475.05
Advertising & Promotional Expense	913,598.75	647,439.28
Printing & Publication Expenses	221,861.51	316,792.45
Representation Expenses	1,480,051.79	1,383,760.36
Rent/Lease Expense	2,082.00	1,500.00
Membership Dues and Contributions to Organizations	5,000.00	-
Donations	84.00	-
Directors & Committee Members' Fees	6,299,958.94	5,692,011.08
Documentary Stamps Expense	250.00	-
Other Maintenance and Operating Expenses (OMOE)	762,579.11	834,369.85

OMOE - Common Usage Service Area (CUSA)	-	512,137.14
OMOE - Corporate Social Responsibility	72,446.41	67,729.77
OMOE - Gender & Development	322,796.89	399,832.78
OMOE - Quality Management Services	786,168.94	677,296.13
Bank Charges	-	3.00
Total MOOE	27,185,931.70	27,442,898.39

Breakdown of the benefits of the JHMC Board of Directors is as follows:

	CY2015	CY2016
Per diem	1,882,000.00	1,659,000.00
Representation allowance-BOD	816,115.17	959,907.93
Transportation allowance-BOD	431,493.58	374,231.29
Travel allowance-BOD	903,784.01	867,830.96
Communication expense-BOD	130,566.18	159,040.90
Performance Based Bonus	2,136,000.00	1,672,000.00
Total	6,299,958.94	5,692,011.08

The benefits of the JHMC Board of Directors are in compliance with Executive Order (EO) 24 issued on 10 February 2011.

27. NON-CASH EXPENSES

This expense includes periodic allocation of cost for the wear and tear of Property, Plant and Equipment (PPE) and intangible assets in accordance with the prescribed policy on depreciation and amortization, the recognized loss incurred due to impairment of loans and receivables and the recognize amount of loss suffered by the corporation due to theft/fortuitous events/calamities/civil unrest and events of same nature for which relief has been granted. This account is broken down as follows:

	CY2015	CY2016
Depreciation	3,737,409.07	3,293,178.80
Amortization-Intangible Assets	247,619.70	383,865.85
Impairment Loss-Loans & Receivables	451,070.59	1,639,503.70
Loss of assets	46,567.81	24,607.00
	4,482,667.17	5,341,155.35

Loss of Asset in CY2015 includes the carrying value of the Panagbenga Marker located in the Historical Core that was damaged by a typhoon in October 2015. Further, in CY2016, the JHMC Board of Directors, through Board Resolution No. 2016-0405-057, approved the

disposal of movable properties and its NBV was included in this account. This was validated in the Inventory and Inspection Report of Unserviceable Property (IIRUP) dated 15 March 2016. The disposal of the said properties was undertaken on 24 June 2016 in the presence of the COA representatives. This account includes replaced PPEs during the year which were validated through Waste Material Reports.

28. OTHER INCOME/(EXPENSES)

Interest Income comes from interests earned on investments/placement of funds to time deposits and from bank deposits.

Gain/Loss on Foreign Exchange (FOREX) is the recognized gain/(loss) from the conversion of foreign currency accounts to local currency at balance sheet date.

Gain on Sale of Property, Plant & Equipment (PPE) in CY2015 refers to the gain from the disposal of five (5) motor vehicles.

29. SHARE CAPITAL

The shares of stocks are wholly-owned by BCDA and one (1) share is given to each appointed Member of the JHMC Board of Directors. In April 2015, the BCDA and JHMC Board of Directors approved the increase of JHMC's Authorized Capital Stock from 1,200,000 shares to 5,000,000 shares.

In March 2016, the GCG approved the application of the JHMC for the aforesaid and the Certificate of Approval of Increase in Authorized Capital Stock was subsequently issued by the Securities and Exchange Commission (SEC) on 09 June 2016. The Authorized Capital Stock of JHMC has now increased from ₱120,000,000.00 divided into 1,200,000 shares with par value of ₱100.00 per share to ₱500,000,000.00 divided into 5,000,000 shares with par value of ₱100.00 per share.

By virtue of a Deed of Assignment executed between BCDA and JHMC, BCDA's Deposit for Future Stock Subscription valued at Two Hundred Sixty Three Million Eight Hundred Fourteen Thousand Seventy Eight Pesos and Ninety Seven Centavos (₱263,814,078.97) was converted into 2,638,140 shares of Capital Stock thereby increasing BCDA's stock subscription to a total of 3,838,140 shares of stock in JHMC's increased Authorized Capital Stock.

30. RETAINED EARNINGS' ADJUSTMENT OF PRIOR YEARS

This account consists mainly of the salary increases of the JHMC employees covering the period May 2006 to September 2007 which were disallowed with a Notice of Finality of Decision (NFD) from the COA dated 02 June 2016 in the amount of ₱1,263,926.02.

It also includes adjustments of revenues and expenses of prior years that have been established as reconciling items, and the cancellation of various payables that have no supporting documents with a total net amount of ₱869,578.49.

31. COMPLIANCE WITH TAX LAWS

In compliance with the requirements of RR15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

a. Value-Added Tax:	
VAT input taxes	1,028,585.84
VAT output taxes	0.00
b. Documentary stamps tax: 0.00	
Total	1,028,585.84

c. Withholding Taxes:

The withholding taxes paid and accrued for the year are as follows:

Tax on compensation and benefits	2,165,907.10
Creditable withholding tax	
Expanded	590,962.20
G-VAT	901,453.69
Fringe Benefit Tax	112,941.16
Total	3,771,264.15

d. Other taxes and licenses are as follows:

Local	
Business Tax	none
Total	0.00
National	
BIR Annual Registration	500.00
PEZA Administrative Fee	45,000.00
Registration & Renewal of Vehicles	23,896.60
Other Taxes	0.00
Total	69,396.60

32. COMPLIANCE WITH DIVIDENDS LAW

John Hay Management Corporation (JHMC) as Government-Owned or -Controlled Corporation is covered by Republic Act 7656 or "AN ACT REQUIRING GOVERNMENT-OWNED OR -CONTROLLED CORPORATIONS TO DECLARE DIVIDENDS UNDER CERTAIN CONDITIONS TO THE NATIONAL GOVERNMENT, AND FOR OTHER

PURPOSES”, where such law mandates that “All government-owned or -controlled corporations shall declare and remit at least fifty percent (50%) of their annual net earnings as cash, stock or property dividends to the National Government. This section shall also apply to those government-owned or -controlled corporations whose profit distribution is provided by their respective charters or by special law, but shall exclude those enumerated in Section 4 hereof: Provided, That such dividends accruing to the National Government shall be received by the National Treasury and recorded as income of the General Fund. (Section 3 of RA7656)

In the last quarter of 2016, JHMC formally requested the Department of Finance for an exemption or a “downward adjustment” of the required percentage of declaration of dividends to the Philippine National Government with the following provisions:

1. In the interest of national economy and general welfare, the percentage of annual net earnings that shall be declared by a government-owned or -controlled corporation may be adjusted by the President of the Philippines upon recommendation by the Secretary of Finance. (SEC. 5. *Flexible Clause* RA7656)
2. In the interest of the national economy and general welfare, and in consideration of the viability of the GOCCs and the purposes for which these were established, the percentage of annual Net Earnings that shall be declared by the GOCC may be adjusted by the President of the Philippines below the minimum of 50% Dividend rate, upon recommendation by the Secretary of Finance.
3. Subject to Section 7 (a) of these Rules, a downward adjustment in dividends rate below the minimum of 50% may be allowed for the following cases: (i) where there is presence of a deficit as reflected in the GOCC’s latest Statement of Equity, (ii) where the GOCC’s viability or the purpose for which the GOCC has been established will be impaired by the payment of the required Dividends; (iii) where the declaration and remittance of Dividends at the minimum dividends rate will breach the minimum regulatory requirements (e.g. capital level and ratios as may be required by the BSP; (iv) for GOCCs governed by Batas Pambansa Blg. 68 (or the Corporation Code of the Philippines), where the declaration and remittance of Dividends at the minimum dividends rate exceeds the unrestricted retained earnings of the GOCC. ((Section 7a Flexibility Revised IRR of RA 7656).
4. The Board of Directors of a stock corporation may declare dividends out of the unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. .xxxx. (BP 68. **Sec. 43. Power to declare dividends**)

33. STATUS OF PENDING LITIGATIONS

Among the cases filed by and against JHMC/BCDA are the following:

	Case Title and Docket Number	Where Pending
Labor Cases:		
1	<i>Joseph Enver Serafico Agcaoili vs. JHMC, Jamie Eloise Agbayani, in her personal capacity, and the NLRC</i> CA-G.R. SP No. 147784; NLRC LAC No. 07-001729-14; NLRC RAB-CAR-06-0223-13 (R-03-15) Remanded for: Illegal Dismissal	Court of Appeals (Seventh Division)
2	<i>JHMC and Dr. Jamie Eloise Agbayani vs. NLRC (First Division) and Atty. Genevieve Padua Ayochok</i> CA-G.R. SP No. 146234; NLRC LER Case 01-002-16; NLRC RAB-CAR-03-0106-13 for: Illegal Dismissal	Court of Appeals (Second Division)
3	<i>JHMC and Jamie Eloise Agbayani both in her personal capacity and company President vs. NLRC and Ana Kristina T. Badon</i> CA-G.R. SP No. 140123; NLRC LAC 10-002647; NLRC-RAB-CAR-12-0487-13 for: Illegal Suspension/Constructive Dismissal	Court of Appeals
4	<i>Nonnette Bennett vs. JHMC and NLRC</i> CA-GR SP No 120039; NLRC Case No. I-AC LAC-02-000351-10 for: Illegal Dismissal	Court of Appeals
5	<i>Jezi Boado vs. JHMC, and Jamie Eloise Agbayani and Michelle Niebres, in their personal capacities.</i> G.R. 228399; CA-SP G.R. No. 142489; NLRC LAC No 07-001728-14; NLRC RAB-CAR-07-0246-13 for: Illegal Dismissal	Supreme Court
6	<i>Ruel C. de Leon vs. JHMC and Dr. Jamie Eloise M. Agbayani</i> NLRC RAB-CAR-11-0405-11 for: Illegal Dismissal	NLRC Regional Arbitration Branch- CAR
7	<i>JHMC represented by its President and CEO, Dr. Jamie Eloise Agbayani vs. NLRC (Third Division) and Arthur Leonard Odsey</i> CA-G.R. SP No. 140845; NLRC LAC No 07-001730-14(8); NLRC RAB-CAR-06-0224-13 for: Illegal Dismissal	Court of Appeals (Sixteenth Division)
8	<i>Eric Jonathan M. Picart vs. JHMC, et al.</i> NLRC RAB-CAR-07-0163-12 for: Illegal Dismissal	NLRC (First Division)
9	<i>Kurt Cedric Salvador vs NLRC (1st Div.), et al.</i> CA-G.R. SP No. 116049; NLRC LAC No. 02-000517-09 and LIC No. 03-0017-09; NLRC-RAB-CAR-03-0131-08 for: Illegal Dismissal	Court of Appeals Second Division

10	<i>Rizzel D. Pascua vs. NLRC, JHMC, Jamie Eloise Agbayani. et al.</i> CA-GR SP 140261; NLRC LAC 11-002785; NLRC RAB-CAR-04-0155-14 for: Illegal Dismissal	Court of Appeals
Civil Cases:		
11	<i>John Hay Springs Inc (JHSI) vs. JHMC, Mita Angela Dimalanta and Renegio Basilan .</i> Civil Case No. 7618-R for: Injunction, et al.	Regional Trial Court Branch 5, Baguio City
12	<i>CJH DevCo vs. Hon. Cecilia Corazon Archog, BCDA, JHMC</i> CA-GR SP No. 145039 Petition for Certiorari from RTC Order denying inhibition; Civil Case No. 7887-R for: Indirect Contempt	Court of Appeals
13	<i>BCDA and JHMC vs. City Government of Baguio</i> SP G.R. 192694; Civil Case No. 7124-R for: <u>Prohibition</u> with prayer for issuance of a Writ of Preliminary Injunction and/ <u>or Permanent Injunction</u>	Supreme Court
COA Cases:		
14	<i>JHMC, rep. by Jamie Eloise Agbayani, President and CEO vs. Hon. Lynn Suerte Felipe-Sicangco</i> Re: Decision No. 2014-248 (COA ND No 2008-003)	COA, Quezon City
15	<i>JHMC represented by Jamie Eloise Agbayani vs. Esther E. Miana and Lourdes D. Benitez</i> Re: COA ND No. 2013-001	COA
16	<i>Genevieve Ayochok vs. JHMC and Jamie Eloise M. Agbayani</i> COA CP Case No. 2015-577 for: Money Claim Based on Final and Executory Court-Adjudicated Judgement	COA, Quezon City
17	<i>Jamie Eloise Agbayani, et al. vs. Rebecca Aganon and Robert Padilla</i> Re: ND No. 2016-001 (2015)	COA Regional Director
18	<i>Jamie Eloise Agbayani, et al. vs. Rebecca Aganon and Robert Padilla</i> Re: ND No. 2016-002 (2015)	COA Regional Director
19	<i>JHMC rep. by Jamie Eloise Agbayani vs. Joseph Anacay, Director IV</i> Re: COA CP Case No.2016-509 (ND No. 2014-001 (10)	COA, Quezon City
20	<i>Jamie Eloise Agbayani vs. Rebecca Aganon and Roberto Padilla</i> Re: Decision No. 2016-01 (2016)	COA Regional Director
21	Request for Reconsideration of Audit Observation Memorandum 2014-08 dated 15 April 2014	COA

10	<i>Rizzel D. Pascua vs. NLRC, JHMC, Jamie Eloise Agbayani, et al.</i> CA-GR SP 140261; NLRC LAC 11-002785; NLRC RAB-CAR-04-0155-14 for: Illegal Dismissal	Court of Appeals
Civil Cases:		
11	<i>John Hay Springs Inc (JHSI) vs. JHMC, Mita Angela Dimalanta and Renegio Basilan .</i> Civil Case No. 7618-R for: Injunction, et al.	Regional Trial Court Branch 5, Baguio City
12	<i>CJH DevCo vs. Hon. Cecilia Corazon Archog, BCDA, JHMC</i> CA-GR SP No. 145039 Petition for Certiorari from RTC Order denying inhibition; Civil Case No. 7887-R for: Indirect Contempt	Court of Appeals
13	<i>BCDA and JHMC vs. City Government of Baguio</i> SP G.R. 192694; Civil Case No. 7124-R for: <u>Prohibition</u> with prayer for issuance of a Writ of Preliminary Injunction and/ <u>or Permanent Injunction</u>	Supreme Court
COA Cases:		
14	<i>JHMC, rep. by Jamie Eloise Agbayani, President and CEO vs. Hon. Lynn Suerte Felipe-Sicangco</i> Re: Decision No. 2014-248 (COA ND No 2008-003)	COA, Quezon City
15	<i>JHMC represented by Jamie Eloise Agbayani vs. Esther E. Miana and Lourdes D. Benitez</i> Re: COA ND No. 2013-001	COA
16	<i>Genevieve Ayochok vs. JHMC and Jamie Eloise M. Agbayani</i> COA CP Case No. 2015-577 for: Money Claim Based on Final and Executory Court-Adjudicated Judgement	COA, Quezon City
17	<i>Jamie Eloise Agbayani, et al. vs. Rebecca Aganon and Robert Padilla</i> Re: ND No. 2016-001 (2015)	COA Regional Director
18	<i>Jamie Eloise Agbayani, et al. vs. Rebecca Aganon and Robert Padilla</i> Re: ND No. 2016-002 (2015)	COA Regional Director
19	<i>JHMC rep. by Jamie Eloise Agbayani vs. Joseph Anacay, Director IV</i> Re: COA CP Case No.2016-509 (ND No. 2014-001 (10)	COA, Quezon City
20	<i>Jamie Eloise Agbayani vs. Rebecca Aganon and Roberto Padilla</i> Re: Decision No. 2016-01 (2016)	COA Regional Director
21	Request for Reconsideration of Audit Observation Memorandum 2014-08 dated 15 April 2014	COA

Other Cases:		
22	<i>BCDA & JHMC vs. JHWSI & NWRB</i> G.R. 218862; CA-G.R. SP No. 129190; NWRB Case No. 2011-015 In Re: Petition for Increase of Volume of Water under Permit No. 0121803	Supreme Court
23	In Re: Application for Extension of Service, <i>John Hay Water System, Inc. (JHWSI)</i> , Applicant NWRB Case No. 10-147	NWRB, Baguio City
24	<i>Complaint against JHMC/Ma. Cristina Corona</i> CPL-L-09-0326 For: Abuse of Power and Misuse of Public Fund	Office of the Deputy Ombudsman for Luzon

34. EVENT AFTER THE REPORTING PERIOD

There is no significant event that occurred after the reporting period that has an impact on the corporation's financial position.

PART II

OBSERVATIONS AND RECOMMENDATIONS

PART II - Observations and Recommendations

A. Financial and Compliance

1. Due to delayed submission of financial statements together with the required reports and supporting documents, the accuracy and reliability of financial statements and pertinent accounts were not immediately validated. Also, errors in the presentation of the accounts and their balances in the submitted financial statements were not corrected.

1.1 Section 41 (2) of Presidential Decree (PD) 1445 provides, among others, that the Chief Accountant or the official in charge of keeping the accounts of a government agency shall submit to the Commission year-end trial balances and such other supporting or subsidiary statements as may be required by the Commission not later than the fourteenth day of February.

1.2 The Manual on New Government Accounting System (NGAS) – Corporate also requires government-owned and/or controlled corporations (GOCCs) Central Office and their subsidiaries to submit on or before February 14 of each year the advance copies of year-end consolidated financial reports and trial balances to the Government Accounting and Financial Management Information System (GAFMIS), now Government Accounting Sector (GAS), Commission on Audit. For CY 2016, the following financial reports were required to be submitted not only to the GAS but also to the Audit Team concerned for proper verification:

- a. Pre-closing Trial Balance;
- b. Post-closing Trial Balance, including copy of JEV for closing journal entries
- c. Financial Statements
- d. Schedule of Subsidies received from the national government and other GOCCs
- e. Schedule of Taxes remitted and dividends paid to national government
- f. Aging of Accounts Receivable
- g. Aging of Accounts Payable
- h. Summary of Property, Plant and Equipment by GOCC and by sub-Major Account Group

1.3 In line with the principle of fiscal responsibility, Section 102 of PD 1445 provides that the head of the agency, who is primarily responsible for all government funds and property pertaining to his agency shall ensure that the required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by existing regulations.

1.4 For CY 2016, the financial statements (FS) together with the supporting schedules and other pertinent documents were submitted to the Audit Team only on May 9, 2017.

1.5 As a result, the team was not able to conduct timely verification of the FS to ascertain the validity, accuracy and completeness of the information contained therein. Notwithstanding, review of the FS revealed several errors such as the following:

- a. The details of the PPE accounts and Intangible Assets in the Notes to FS were not in accordance with the presentation of the accounts in the Detailed Statement of Financial Position (SFP);
- b. The Notes to FS lacked information or data such as the breakdown of asset accounts reflected in the SFP, which includes Inter-Agency and Intra-Agency Receivables, Due from Other Funds, and Buildings and Other Structures accounts. The amounts of the Investments in Time Deposits in foreign and local currency were not also reflected in the Notes. Moreover, the Notes did not show the breakdown of the total remittances of ₱6,730,006.27 to the Pag-ibig, SSS, Philhealth and BIR that was reflected in the Statement of Cash Flows (SCF), as well as the computation of the Income Tax Expense for CY 2016 totaling ₱5,545,046.64, as shown in the Statement of Comprehensive Income (SCI). These information are necessary to facilitate audit and understanding of the FS by the users;
- c. The SCI was not prepared in the format prescribed under Philippine Accounting Standards (PAS) 1 and by the Commission. The Revenues portion did not show the major classification of the revenues such as Service and Business Income. Interest Income was shown under Other Income as an addition to the Income from Operations instead of under the Revenues portion of the SCI. Also, Bank Charges was shown under the Other Income/(Expenses) portion of the SCI instead of under Financial Expenses.
- d. The Statement of Changes in Equity and SCF were not also in the prescribed format.
- e. The balance of the cash and cash equivalents in the SCF did not tally with the balance shown in the Statement of Financial Position (SFP), to wit:

	2016	2015
Balance in the SFP	₱76,373,085.11	₱53,385,133.81
Balance in the SCF	114,922,832.55	91,184,628.87
Difference	₱38,549,747.44	₱37,799,495.06

- f. The SCF presented payments to suppliers/creditors and employees instead of payments of expenses such as Personnel Services and Maintenance and Other Operating Expenses, the breakdown of which should have been shown in the Notes to FS. As the breakdown of the payments was not shown, the total amount actually paid to suppliers during the year and those of the prior years (Accounts Payable), among others, cannot be readily determined; and

- g. The SFP presented an account "Deposit from Prospective Investors" which is not found in the Revised Chart of Accounts prescribed under COA Circular No. 2015-10.
- 1.6 Had the above financial statements been submitted promptly, the Audit Team could have conducted timely review and verification thereof and communicated the above errors for immediate correction.
- 1.7 The Accountant took note of the above observations.
- 1.8 **We recommended that the Accountant submit the revised financial statements prepared in accordance with the prescribed formats including the Notes to Financial Statements which shall include all the necessary information.**
- 1.9 **We also recommended that the Finance Manager supervise and monitor the submission of financial statements and other financial reports to the Office of the Audit Team within the prescribed period to enable the team to conduct of timely verification thereof.**
2. **The accuracy of the Share Capital account with a reported balance of P383,814,079.00 could not be ascertained due to non-submission of the Inventory List of Stockholders with the corresponding amounts of subscription, as well as the non-presentation of the updated Stock and Transfer Book for verification and inspection purposes.**
- 2.1 Section 111 of P.D. No. 1445 state that *"The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government. The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.*
- 2.2 Section 122 of the same PD requires that, *"Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, x x x, and such other reports as may be necessary for the exercise of its functions."*
- 2.3 Records show that the Governance Commission for GOCCs (GCG) approved the application of the JHMC to increase its authorized capital stock in March 2016 from 1,200,000 shares to 5,000,000 shares. On June 9, 2016, the Securities and Exchange Commission (SEC) issued the Certificate of Approval of Increase in Capital Stock.

- 2.4 Based on the Notes to Financial Statements, with the increased authorized capital stock of JHMC, the BCDA's Deposit for Future Stock Subscriptions that has accumulated through the years and which was recorded as a liability amounting to P263,814,078.97 was then converted to Equity. Thus, in September 2016, the JHMC Board of Directors approved the issuance of Stock Certificates to the BCDA with a total of 2,638,140 shares with a par value of P100.00.
 - 2.5 The Notes to Financial Statements further disclosed that the JHMC Stock and Transfer Book (STB) was updated in 2016 to reflect the movement and transactions related to JHMC's Equity.
 - 2.6 The Audit Team requested Management to provide a copy of the Inventory List of the stockholders or stock certificates, as well as to present the updated Stock and Transfer Book of the JHMC for validation purposes; however, Management failed to do so. As there were no other records available, the Team was not able to validate the accuracy of the reported balance of Share Capital account.
 - 2.7 **We recommended that Management immediately submit to COA the Inventory List of Stockholders with the corresponding amounts of subscription and present the Stock and Transfer Book for proper validation and determination of the accuracy of the Corporation's Share Capital account as presented in its financial statements.**
 - 2.8 Management noted our audit recommendation but requested for time allowance since this matter will be taken up for approval by the Board.
3. **A building with a total cost of P22 million leased to the Intercontinental Hotels Group (IHG)/SC Reservations Philippines, Inc. (SCRPI) was not reclassified to the Investment Property, Buildings account, thereby overstating the Property, Plant and Equipment (PPE) account by the same amount.**
 - 3.1 Paragraph 5 of **PAS 40** defines Investment property as property (*land or a building, or a part of a building, or both*), that is held either to earn rentals, or capital appreciation, or both.
 - 3.2 COA Circular No. 2015-010 dated December 1, 2015, which prescribes the Revised Chart of Accounts (RCA) for Government Corporations, provides the use of the Investment Property, Buildings account to recognize the cost of buildings or part of a building held by the owner to earn rentals or for capital appreciation or both.
 - 3.3 Audit and analysis of the PPE accounts revealed that John Hay Management Corporation (JHMC) owns the building with a total cost of P22 million that is being leased to the Intercontinental Hotels Group (IHG)/SC Reservations Philippines, Inc.

(SCRPI). The term of the lease as reflected in the Lease Agreement dated June 15, 2012 is for five years at the rate of ₱15 million per year.

- 3.4 Review of the Notes to Financial Statements disclosed that the earnings from the lease rental of the subject building are recognized as Rent Income by the JHMC. The said building, however, was not reclassified to the Investment Property, Buildings account contrary to the above standard and the RCA.
 - 3.5 The Detailed Statement of Comprehensive Income for the year ended December 31, 2016 also shows that Depreciation Expenses were provided for Investment Property in the amount of ₱739,230.96, but there is no account provided for Investment Property in the books or reflected in the Statement of Financial Position.
 - 3.6 As a result, the balance of the PPE accounts was overstated by ₱22 million, thereby affecting the fair presentation of the Statement of Financial Position.
 - 3.7 **We recommended that the Accountant prepare the necessary entry to reclassify the building with a total cost of ₱22 million, and its corresponding Accumulated Depreciation from the PPE account to the Investment Property, Buildings account in accordance with PAS 40 and COA Circular 2015-10 to reflect the true balances of the affected accounts in the Corporation's financial statements.**
4. **Long-Term Accounts Receivable (AR) and Accounts Payable, which includes those recorded under Accrued Expenses, totaling ₱14,345,842.05 and ₱4,359,735.37, respectively, had been long outstanding and lacked documentation, thereby rendering the validity of the reported balances uncertain.**
- 4.1 Section 111 of PD 1445 requires that the accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.
 - 4.2 Accounts Receivables and Accounts Payables are valid only if these are supported with complete documents to substantiate the amounts recorded in the books of accounts.
 - 4.3 Verification of the Aging Schedules of long-term Accounts Receivable (ARs) and Accounts Payable (APs), as well as review of the Notes to Financial Statements disclosed the following:
 - a. Of the ₱14,733,583.58 long-term ARs classified as non-current, receivables totaling ₱14,090,517.23, which constitute 95.63 percent of the total receivables, had been uncollected for a period of over 5 years to more than 10 years, as follows:

Age	Amount	Percentage to total AR
Over 5 years to 10 years	₱ 3,851,790.34	26.14%
More than 10 years	10,238,727.23	69.49%
Total	₱14,090,517.57	95.63

The above amount included receivables from former members of the JHMC Board of Directors in CY 1998 and CY 2007 amounting to ₱3,379,651.09 remained uncollected as of yearend. According to the Accounting Unit, these are still subject to reconciliation and validation of the available supporting documents of the individual accounts.

- b. ARs aged over ten years totaling ₱2,046,190.96 are undocumented and have been requested for write-off with the COA CAR. Also, only ₱7.3M or 45 percent of the total ARs as of CY 2014 were validated with supporting documents, which means that the remaining 55 percent or ₱8.92M are undocumented. The documented ARs included the tax due on the retirement benefits of 12 retired employees amounting to ₱1,062,608.00 which was not withheld from 2003 to 2006. Demand letters were sent to the individuals concerned and the request for write-off was approved by the Board of Directors through Board Resolution No. 2016-0926-147 dated September 26, 2016;
- c. Of the ₱18,184,124.49 APs as of yearend, ₱7,825,997.66 have been outstanding for over 3 years to more than 10 years. This amount constitutes 43.04 percent of the total reported payables. The breakdown of this amount is shown below:

Age	Amount	Percentage to total AP
Over 3 years to 5 years	₱ 49,834.50	0.27%
Over 5 years to 10 years	4,423,583.16	24.33%
More than 10 years	3,352,580.00	18.44%
Total	₱7,825,997.66	43.04%

The above amount includes utility bills totaling ₱4,142,151.08 covering the period 2000 to 2007. According to the Notes to Financial Statements, payable accounts are adjusted and reclassified in accordance with the available documents except for accounts with unverified details which need to be further cross-checked as to their validity and existence.

Of the payables more than 10 years, ₱2,858,977.74 or 85 percent pertains to payables to Camp John Hay Development Corporation (CJH Dev Co) for telephone bills, utility expenses and garbage fees. However, the JHMC has outstanding receivables from the CJH Dec Co totaling ₱5,912,515.83 which also remained uncollected for more than 10 years.

- d. Of the total payables of ₱12,067,013.20, which were recognized as Accrued Expenses, payables totaling P217,584.29 which were incurred from CY 2013 to CY 2015 remained unpaid due to lack of supporting documents. These payables consisted of unpaid salaries, year-end bonus and cash gifts, and hotel accommodation of JHMC officials and members of the Board of Directors. Incidentally, the use of the Accrued Expenses account is not prescribed under the RCA; thus, the said payables should form part of the AP account.
- 4.4 The fact that the above receivables and payables have not been collected and settled, respectively, for a long period of time, and that these were not supported by complete documentation rendered their validity uncertain.
 - 4.5 Management took note of the above observations.
 - 4.6 **We recommended that Management:**
 - a. **exert extra efforts to retrieve the supporting documents to validate the receivables and payables recorded in the books;**
 - b. **exhaust all means to collect the outstanding receivables and if efforts fail, request for write-off of the remaining receivables not yet requested for write-off; and**
 - c. **determine the reasons why payables amounting to ₱4,359,735.37 remained unpaid for more than two years, and if these are not supported with the required documents or if found to be invalid, revert the corresponding amount to the retained earnings.**
- 5. Reciprocal accounts namely, Due to Other Funds and Due from Other Funds accounts, do not tally by ₱2,083,186.69 due to non-reconciliation and misclassification errors, thereby affecting the reliability of the financial statements.**
- 5.1 The Manual on New Government Accounting System (NGAS) – Corporate provides that theoretically, reciprocal accounts such as the Due from Other Funds and Due to Other Funds shall have the same balance at the end of the accounting period. The Due from Other Funds and Due to Other Funds are intra-agency receivables and payables, respectively; thus, these accounts shall be completely kept up-to-date so as to keep their balances equal. In the preparation of the combined financial statements, these reciprocal accounts shall be eliminated through a working paper. A reconciliation of these accounts is required to identify the reconciling items for immediate adjustment.
 - 5.2 COA Circular No. 2015-010 dated December 1, 2015, which prescribes the adoption of the RCA for Government Corporations, provides the description of the Due from Other Funds and Due to Other Funds accounts, to wit:

- Due from Other Funds is the account to be used to recognize transfers from one fund to another fund maintained within the corporation as legally authorized. This account is credited for payment/liquidation of fund transfer.
- Due to Other Funds is the account to be used to recognize the authorized receipt of funds from one fund to another fund maintained by the same government corporation. This account is debited for transfer of the funds to another fund.

5.3 Audit of the Detailed Statement of Financial Position as of December 31, 2016 revealed that the Due from Other Funds account had a balance of ₱4,229,626.36 while the Due to Other Funds account had a balance of ₱2,146,439.67 or a difference of ₱2,083,186.69.

5.4 Based on the Notes to Financial Statements (FS), the Due from Other Funds account included the amount of ₱4,000,000.00 Trust Fund deposited with the Land Bank of the Philippines for the Directors' and Officers' Liability Fund (DOLF), which was approved by the Governance Commission for GOCCs (GCG) on December 14, 2015. This fund allows the recovery of the costs of litigation and judgment liability should these arise during the exercise of the official duties of the directors and officers concerned. The account also included Value-Added Tax (VAT) amounting to ₱2,849.47 that was added by suppliers for goods and services procured but no final billing statements were submitted.

5.5 The Due to Other Funds with a balance of ₱2,146,439.67, on the other hand, consisted of the following:

	Particulars	Description	Amount
1	Scout Barrio Fund	Remaining balance of funds for the reimbursement of BIR penalties to the Scout Barrio Housing Project (SBHP) beneficiaries but deferred due to change of payees' name.	₱ 219,437.36
2	Adopt-a-Tree Fund	Collections from sponsors who have committed to provide funds for the preservation of Benguet Pine trees within the Camp John Hay Reservation.	390,818.93
3	Disallowances/Charges	Amounts paid in cash and/or deducted from claims of Separation Incentive Packages (SIP) by former employees from year 2010 and prior years, which were settled even before the Notice of Finality of Decision (NFD) was issued.	652,572.96
4	Provident Fund		727,419.54
5	Transfer of funds (Generated and OPEX Funds)		44,954.38
6	Sale of Disposed Assets booked by BCDA		111,236.50
	Total		₱2,146,439.67

5.6 Analysis of the Supporting Schedules and evaluation of the above information disclosed that the difference between the two accounts of P2,083,186.69 resulted from non-reconciliation of the amounts, as follows:

Particulars	Due From Other Funds	Due to Other Funds	Difference
Generated Fund/Transfer of Funds (Generated and OPEX Funds)	P 118,603.94	P 44,954.38	P 73,649.56
IHG	13,333.93		13,333.93
DOLF	4,000,000.00		4,000,000.00
Provident Fund	90,573.39	727,419.54	(636,846.15)
Adopt-a-Tree fund	3,265.63	390,818.93	(387,553.30)
VAT added by suppliers for goods and services but not yet billed	2,849.47		2,849.47
Scout Barrio Funds		219,437.36	(219,437.36)
Disallowances/Charges		652,572.96	(652,572.96)
Sale of Disposed Assets Booked by the BCDA		111,236.50	(111,236.50)
Totals	P4,228,626.36	P2,146,439.67	P2,082,186.69

5.7 As shown in the above table, one of the major causes of the discrepancy was the recording of the DOLF amounting to P4,000,000.00 under the Due from Other Funds but the same was not taken up under the Due to Other Funds. Granting that the funds for the DOLF came from the General Fund, then the entry debiting the Due from Other Funds (Trust Funds) is correct; however, there should have been a corresponding entry to credit the Due to Other Funds (General Fund) or vice versa.

5.8 Also, from the description of the funds classified under the Due to Other Funds account, there was no proof that the Scout Barrio Fund was received from another fund, i.e., either from the General Fund or the Trust Fund; thus, this is not a proper credit to the Due to Other Funds account. Moreover, the collection of disallowances/charges amounting to P652,572.96 should have been credited to the appropriate receivable account that was set up when the disallowances were recorded in the books. In addition, the proceeds from the sale of disposed assets amounting to P111,236.50 should have been credited to a more appropriate liability account such as the Due to Central/Home/Head Office or Due to Parent Corporations considering that the amount is supposed to be remitted to the BCDA.

5.9 Considering that the two accounts been not been reconciled, and that there were transactions that have been misclassified to the above accounts, the reported balances of these accounts are not accurate, thereby affecting the reliability of the Corporation's financial assets.

5.10 The Accountant took note of the above observations.

5.11 We recommended that the Accountant reconcile the difference of P2,083,186.69 noted between the Due to Other Funds and Due from Other Funds accounts and prepare the necessary adjusting entries to balance the two accounts and ensure the fair presentation of the Corporation's financial statements.

6. Except for the Due to BIR account, the accuracy of the other reported Inter-Agency Payables accounts with a total reported balance of P240,356.32 is doubtful due to non-reconciliation of the subsidiary ledger balances with those of the general ledger balances which showed an unreconciled difference of P195,219.62.

6.1 The Manual on the New Government Accounting System (NGAS) – Corporate provides that Subsidiary Ledgers (SLs) shall be kept for each control account in the General Ledger. At the end of each month, the totals of the subsidiary ledger balances shall be reconciled with the corresponding controlling account. Thus, at the end of each month, the SL balance shall be reconciled with the corresponding controlling account, and any discrepancies shall be immediately verified and adjusted.

6.2 Comparison of the General Ledger (GL) balances of the following Inter-Agency Payable accounts with a total reported year-end balance of P240,356.32 and the balance of the corresponding SLs disclosed a difference of P195,219.62, as shown below:

Account	Balance per GL	Balance per SL	Difference
Due to SSS	145,584.06	1,299.20	144,284.86
Due to Pag-ibig	82,439.74	13,250.00	69,189.74
Due to Philhealth	12,332.52	30,587.50	(18,254.98)
Totals	240,356.32	45,136.70	195,219.62

6.3 The SL balance of the Due to SSS amounting to P1,299.20 were errors in the agency's system printout covering employer's and employees' share for remittance in 2017.

6.4 The SL balance of the Due to Pag-IBIG account of P13,250.00, on the other hand, pertained to unremitted employer's share for the month of December 2016 amounting to P13,100.00 and an error in computation amounting to P150.00 but was adjusted in 2017. Both amounts were remitted in January 2017.

6.5 The SL balance in the Due to PhilHealth account of P30,587.50 represented the amounts withheld in December 2016 totaling P29,825.00, and errors in the computation of employer's and employees' share of P762.50. The total amount of P30,587.50 was remitted in January 9, 2017.

6.6 The difference between the two records had not been corrected to date. Had the Accountant regularly reconciled the GL balance of the above accounts with the SL

balances, any difference between the two records would have been immediately detected and adjusted accordingly.

- 6.7 In view of the foregoing, the reliability of the Inter-Agency Payables with a total reported year-end balance of ₱240,356.32 is doubtful.
 - 6.8 According to the Accountant, these remained unreconciled due to lack of documents.
 - 6.9 **We recommended that the Accountant account for the difference of ₱195,219.62 between the general ledger balance and the subsidiary ledger balances for the Inter-Agency Payable accounts with a reported balance ₱240,356.32, and to prepare the necessary adjusting entries to reflect the correct balance of the said accounts.**
7. **Taxes totaling ₱3,658,322.99 were withheld from payments of employees' compensation and from payments to suppliers of goods and services of which the amount of ₱3,309,285.90 was remitted during the year. The balance of ₱349,037.09 consisted of taxes withheld in December 2016 of ₱299,425.63 and the tax credit granted by BIR of ₱49,611.46. The tax credit was not taken up in the books, thereby overstating the Due to BIR account by the same amount.**
- 7.1 Revenue Regulations No. 2-98 authorizes the designated Treasurer, Chief Accountants and other persons holding similar positions of government agencies as withholding agents of income taxes, value added tax (VAT) and percentage taxes. On the other hand, Revenue Memorandum Circular No. 56-2009 dated August 10, 2009 prescribes the Updated Government Money Payment Chart to implement the provisions of Revenue Regulations No. 2-98 on withholding of taxes.
 - 7.2 Section 2.79 of the same Revenue Regulation that the employer must withhold from compensation paid, an amount computed in accordance with these regulations.
 - a. Bureau of Internal Revenue (BIR) Revenue Memorandum Circular (RMC) No. 23-007 dated March 23, 2007 provides the updated computation of withholding taxes and other requirements on government money payments due or payable to suppliers of goods and/or services, in connection with the implementation of Republic Act No. 9337 or the E-Vat Law, as amended, and other related laws and regulations.
 - b. BIR Revenue Regulations (RR) No. 10-2008 dated September 24, 2008 provides the amended guidelines relative to the withholding of Income Tax on compensation, increase of personnel and additional exemptions, compensation received by Minimum Wage Earners (MWEs) and other concerns.

- c. BIR RR No. 2-98 also requires the remittance of taxes withheld not later than the tenth day of the following month except for taxes withheld in December, which shall be filed/remitted not later than January 25 of the following year.

7.3 Audit disclosed that for CY 2016, the Corporation withheld the total amount of ₱3,658,322.99 from employees' compensation and from payments made to suppliers/contractors of goods and services in compliance with the above regulations. The amount of ₱3,309,285.90 was remitted during the year leaving a year-end balance of ₱349,037.09.

7.4 Analysis of the tax remittances revealed that the taxes withheld during the months of January to December 2016 were remitted to the BIR within the period prescribed under BIR RR No. 2-98, as shown in the following table:

Month Withheld	Amount Withheld	Date Remitted	Amount Remitted	Remarks
January 2016	283,014.66	February 5, 2016	233,403.20	The difference represents tax credit amounting to ₱49,611.46 which was allowed by BIR.
February 2016	286,143.32	March 7, 2016	286,143.32	- do -
March 2016	350,849.34	April 8, 2016	350,849.34	- do -
April 2016	289,835.16	May 10, 2016	289,835.16	- do -
May 2016	283,214.11	June 13, 2016	283,214.11	- do -
June 2016	391,584.81	July 5, 2016	391,584.81	- do -
July 2016	309,965.37	August 8, 2016	309,965.37	- do -
August 2016	300,723.27	Sept. 8, 2016	300,723.27	- do -
September 2016	301,964.97	October 7, 2016	301,964.97	- do -
October 2016	267,401.55	Nov. 7, 2016	267,401.55	- do -
November 2016	294,200.80	Dec. 7, 2016	294,200.80	- do -
December 2016	299,425.63		0.00	Remitted on 1/9/2017
Totals	₱3,658,322.99		₱3,309,285.90	Balance, as of December 31, 2016 is ₱349,037.09

7.5 The year-end balance of ₱349,037.09 consisted of taxes withheld in December 2016 of ₱299,425.63 and the tax credit granted by BIR of ₱49,611.46. The taxes withheld in December 2016 of ₱299,425.63 were remitted on January 9, 2017. The tax credit, however, was not taken up in the books, thereby overstating the Due to BIR account by the same amount. The said balance pertained only to taxes withheld from compensation and from payments to suppliers and contractors and did not include the other taxes due to the BIR such as income taxes, VAT input taxes, Fringe Benefit taxes and other taxes and licenses.

- 7.6 The Accountant acknowledged that the amount remitted in February 2016 was net of the tax credit of ₱49,611.46 and the entry made was a debit to the Due to BIR account for ₱233,403.20 and a credit to Cash for the same amount.
- 7.7 The correct amount that should have been debited to the Due to BIR account is ₱283,014.66 instead of only ₱233,403.20. The difference of ₱49,611.46, representing the tax credit, should have been credited to an appropriate income account. Below is a comparison of the entry made by the Accountant and the entry that should have been made to record the remittance of taxes withheld in January 2015:

Entry made			Correct Entry		
	Debit	Credit		Debit	Credit
Due to BIR	233,403.20		Due to BIR	283,014.66	
Cash in Bank		233,403.20	Cash in Bank		233,403.20
			Income		49,611.46

- 7.8 Had the correct entry been made, the resulting balance of the Due to BIR account as of December 31, 2016 would have been ₱299,425.63, which is equal to the amount of taxes withheld in December 2016 from compensation and from payments to suppliers of goods and services for remittance in the ensuing year.
- 7.9 Notwithstanding, the Corporation's compliance with the pertinent tax laws and BIR regulations provided the government with additional funds.
- 7.10 **We commended Management for complying with tax laws, rules and regulations.**
- 7.11 **We recommended that the Accountant recognize in the books the tax credit amounting to ₱49,611.46 by debiting the Due to BIR account and crediting the appropriate income account to reflect the true year-end balance pertaining to taxes withheld from compensation and from payments to suppliers of goods and services.**
- 8. Mandatory amounts withheld from employees' salaries including the corresponding employers' share in CY 2016 were remitted within the prescribed deadlines to the SSS, Pag-ibig and Philhealth.**

- 8.1 The following are the rules and regulations on remittance of mandatory deductions to the SSS, Pag-Ibig and Philhealth:
- a. The Social Security Law prescribes the following are the due dates of for the remittance of SSS contributions withheld from employees' salaries:

For Regular Employers	
If the 10 th digit of the 13-digit ER number ends in:	Payment Deadline (following the applicable month)
1 or 2	10 th day of the month
3 or 4	15 th day of the month
5 or 6	20 th day of the month
7 or 8	25 th day of the month
9 or 0	Last day of the month

- b. Section E of Home Development Mutual Fund (HDMF) Circular No. 275 dated January 22, 2010 provides, among others, that employers shall remit the required monthly employer and employee contributions to the nearest Pag-IBIG branch or its authorized collecting banks, together with the duly accomplished Membership Contribution Form (MCRF), in accordance with the following remittance schedule:

First Letter of employer's name	Due Date
A to D	10 th to the 14 th day of the month following the period covered
E to L	15 th to the 19 th day of the month following the period covered
M to Q	20 th to the 24 th day of the month following the period covered
R to Z, Numeral	25 th to the end of the month following the period covered

- c. PhilHEALTH Circular No. 0001, s. 2014, states that, *The monthly premium contribution of employed members shall be remitted by the employer on or before the date prescribed by the Corporation,* as follows:

	New Payment Schedule
Employers with PENs ending in 0-4	Every 11 th – 15 th day of the month following the applicable period
Employers with PENs ending in 5-9	Every 16 th – 20 th day of the month following the applicable period

- 8.2 Audit disclosed that the JHMC withheld the mandatory deductions from employees' salaries and remitted the same together with the employer's share and loan amortizations to the concerned Office within the prescribed deadlines. Below is the table showing the amounts withheld and remitted in 2016 and the balance as of December 31, 2016

Account Title	Amount Withheld	Amount Remitted	Balance, Dec. 31, 2016
Due to SSS	₱1,188,139.20	₱1,186,840.00	₱1,299.20
Due to Pag-IBIG	156,250.00	143,000.00	13,250.00
Due to Philhealth	357,837.50	327,250.00	30,587.50
Totals	₱1,702,226.70	₱1,657,090.00	₱45,136.70

- 8.3 The prompt remittance of the above deductions ensures that the employees concerned will be able to avail of the benefits from the Offices concerned on a timely manner.

8.4 We recommended that Management continue to remit mandatory deductions from the employees' salaries together with the corresponding employer's share and loan amortizations to the SSS, Pag-ibig and Philhealth within the prescribed period for the advantage of employees concerned.

9. The amount allotted for GAD programs, projects, and activities for CY 2016 of ₱1 Million was not optimized as only ₱447,571.25 was spent. Moreover, the Accomplishment Report in the prescribed format was not submitted rendering difficulty in assessing whether the activities conducted had addressed the issues and concerns identified in the GPB.

- 9.1. Section 34 of the General Provisions of the General Appropriations Act (GAA) for 2016, or RA No. 10717, provides that all agencies of the government formulate a GAD Plan designed to address gender issues within their concerned sectors or mandate which shall be integrated in the regular activities of the agencies.
- 9.2. Joint Circular No. 2012-01 of the PCW, NEDA, and DBM sets the guidelines and procedures for the formulation, development, submission, implementation, monitoring and evaluation including accounting of results of agency annual GAD Plans and Budgets (GPBs), and GAD Accomplishment Report to implement the Magna Carta of Women (MCW). Its policy guidelines state that Agency Heads shall formulate GAD Plans in accordance with RA No. 9710 and the GAA and within the context of their mandates to mainstream gender perspective in their policies, programs and projects. The GAD plan shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five percent (5%) of the agency's total annual budget.
- 9.3. Section 10 of the same Joint Circular requires the GAD Focal Point System to prepare the annual GAD Accomplishment Report (ARs) based on the PCW-endorsed GPB or the GPB adjusted to the approved GAA following the form prescribed in Annex B therein.
- 9.4. The prescribed GAD AR shows, among others, the following information:
 - a. GAD activities or interventions that were undertaken by the agency in response to the identified gender issues, concerns and GAD mandates;
 - b. Performance Indicators and Targets identified in the previous GPB which the agency committed to achieve within a specific period;
 - c. Actual Results/Outputs of the GAD activities that were conducted and or implemented together with a description of the change that has occurred after implementing a particular GAD activity; and

- d. The total Agency Approved Budget and the Actual Cost or Expenditure in implementing the identified GAD activities of the previous GPB, and the variance or deviation from the identified results, activities and targets. The agency shall also cite the reasons for the deviation as well as the factors that have facilitated or hindered the implementation of the agency's PCW-endorsed GPB.
- 9.5. COA Circular No. 2014-001 requires the Audited Agency to submit a copy of the Annual GPB to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or Central Offices, as the case maybe. Likewise, a copy of the corresponding AR shall be furnished to the said Audit Team within five (5) working days from the end of January of the preceding year.
- 9.6. Audit revealed that the agency allocated the total amount of ₱1 million to implement the identified GAD programs, projects and activities (PAPs) outlined in the GAD Plan and Budget (GPB) for the year. A copy of the JHMC's GPB for FY 2016 was submitted to the Audit Team, but the corresponding AR in the prescribed format was not submitted contrary to COA Circular No. 2014-001.
- 9.7. Notwithstanding, evaluation of the submitted reports disclosed that the JHMC implemented the following GAD Activities during the year at the total cost of ₱447,571.25:

GAD Activities	Amount
Attendance to GAD symposia and / or fora	₱ 100,087.88
Seminars/Trainings/Workshops related to GAD	131,695.30
Implementation of GAD Photo contest	98,553.00
Implementation of GAD project re: Establishment of Lactation Station	31,125.00
Salaries of the GAD Coordinator (contractual)	86,110.07
Total	₱ 447,571.25

- 9.8. The amount spent is equivalent to only 44.76 percent of the GAD budget; hence, the amount allotted for the GAD activities for the year of ₱1 million was not optimized to address the identified GAD concerns and issues.
- 9.9. The non-submission of the required AR in the prescribed format rendered difficulty in evaluating whether activities conducted have addressed the issues and concerns identified in the GPB.
- 9.10. **We recommended that Management implement the GAD activities outlined in the GPB to address the identified gender issues and concerns; and to prepare the corresponding annual GAD Accomplishment Report for the year using the prescribed form to facilitate review and evaluation.**

10. Settlement of Audit Suspensions, Disallowances and Charges (SASDC)

10.1 Disallowances totaling ₱2,728,562.07 remained unsettled as of year-end as these were all appealed with the COA.

10.2 Below is the Status of Audit Suspensions, Disallowances and Charges as of December 31, 2016:

Particular	Beginning Balance (Dec. 31, 2015)	Issuance This Period (Jan. – Dec.)	Settlement This Period (Jan. – Dec.)	Ending Balance (Dec. 31, 2015)
Notice of Suspension	-	-	-	-
Notice of Disallowance	₱ 2,130,772.68	₱ 597,789.39.00	₱ 0.00	₱ 2,728,562.07
Notice of Charge	-	-	-	-

B. Value for Money Audit

11. **The Corporation paid the Social Security System (SSS) the total amount of ₱151,749.58 in penalties and interest for (a) delayed remittance of contributions totaling ₱1,344,747.00 for the period January 2010 to January 2016, (b) arrears from May 1995 to February 10, 2010 of ₱35,644.82, and (c) past due loan of ₱2,056.02, instead of collecting the same from the responsible officials.**

11.1. Section 2 of PD 1445 provides that “It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.”

11.2. Section 103 of the same PD states that, “*Expenditures of government funds in violation of law or regulations shall be a personal liability of the official or employee found to be responsible therefor.*”

11.3. Sound fiscal management dictates that obligations shall be settled on or before due dates to avoid penalties and charges. As far as remittance of SSS contributions is concerned, Section 22 of Republic Act No. 8282, known as the Philippine Social Security Act of 1997, provides that contributions shall be remitted to the SSS within the first ten (10) days of each calendar month following the month for which they are applicable or within such time as the Social Security Commission (Commission) may prescribe. Every employer required to deduct and to remit such contributions shall be liable for their payment and if any contribution is not paid to the SSS as herein prescribed, he shall pay

besides the contribution a penalty thereon of three percent (3%) per month from the date the contribution falls due until paid.

11.4. For SSS loans, the SSS provides, among others, that the employer shall be responsible for the collection and remittance to the SSS of the amortization due on the member-borrower's salary loan through payroll deduction. The loan amortization shall be remitted following the prescribed schedule of payments which is in accordance with the 10th digit of the Employer ID Number. Loan amortization not remitted on due date shall bear a penalty of 1% per month until the loan is fully paid. In addition, an interest of 10 percent of the outstanding principal balance shall be imposed until fully paid.

11.5. Audit disclosed that the Corporation had been delayed in the remittance of SSS contributions totaling ₱1,344,747.00 for the period January 2010 to January 2016, had unpaid contributions (arrears) for the period May 1995 to February 2010 totaling ₱35,634.82, and an unremitted loan amortization that was deducted from the salaries of the employee concerned amounting to ₱2,056.02 based on the Statements of Accounts (SOA) dated September 22, 2016 and October 5, 2016 that were issued to the Corporation. As a consequence, penalties and interest totaling ₱151,978.48 were imposed by the SSS, as shown below:

Date of SOA/Particulars	Total Amount	No. of Days Delay		Amount of Penalty		Total Amount Due
		On Remittance of Contributions	On Arrears (Unpaid contributions)	On Delayed Remittance	On Arrears	
September 22, 2016						
• Delayed remittance of contributions for the period Jan. 2010 to Jan. 2016 of ₱1,344,747.00		1 to 184		5,873.70		5,873.70
• Arrears from May 1995 to February 10, 2010	35,644.82		2,360 to 7,670		145,616.44	181,261.26
Total Amount of SOA	35,644.82			5,873.70	145,616.44	187,134.96
October 4, 2016						
• Past due salary loan (with interest and penalty amounting to ₱127.54 and ₱131.90 respectively)	2,056.02			259.44		2,315.46
Total Amount of SOA	2,056.02			259.44		2,315.46
Grand Total	37,700.84			151,749.58		189,450.42

11.6. The total amount of ₱189,450.42, which included the penalties/interest totaling ₱151,749.58 was paid under two Disbursement Vouchers (DVs), as follows:

DV No.	Check No.	Date	Name of Payee	Particulars	Gross Amount
2016-08-0963	53840081	9/5/2016	SSS	Initial payment	P 114,132.12
2016-09-1082	53840206	10/5/2016	SSS	Additional payment	75,318.30
Total					P 189,450.42

- 11.7. The penalties totaling P151,749.58 were recorded under the expense account "Taxes, Duties and Licenses".
- 11.8. The payment of penalties charged against the funds of the Corporation due to non-compliance with SSS regulations on the remittance of contributions and loan amortizations within the prescribed period is considered an unnecessary expenditure, as defined under COA Circular No. 2012-003 dated October 29, 2012. According to the Circular, an unnecessary expenditure pertains to expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service.
- 11.9. The incurrence of these unnecessary expenditures is an apparent wastage of government funds and is not in accordance with the principle of sound management of government resources, as required in PD 1445. Had management complied with the pertinent SSS regulations, and had it properly monitored the prompt remittance of the contributions and loan amortizations, the payment of penalties could have been avoided and the amount could have been utilized by the Corporation for other beneficial development programs.
- 11.10. Management explained that there was an urgent need to pay SSS to avoid further increase of the penalties on late payment of arrears. Moreover, the payments were made under protest.
- 11.11. Notwithstanding, the JHMC should collect the amount of penalties due from the responsible officers.
- 11.12. **We recommended that Management identify the officers/personnel directly and/or indirectly responsible for the delayed remittance of contributions and unpaid accounts, and require them to refund to the Corporation the penalties amounting to P151,749.58 pursuant to Section 103 of PD 1445.**

PART III

**STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT
RECOMMENDATIONS**

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 35 prior years' audit recommendations, 17 were fully implemented, 17 were partially implemented, and 1 was not implemented as detailed below:

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>1. Accuracy of the Accounts Payable account could not be ascertained due to long outstanding balances totaling ₱17,786,847.75 and the presence of negative balances totaling ₱1,557,080.01, contrary to Sections 111 and 112 of Presidential Decree (P.D.) No. 1445.</p> <p>Recommendations:</p> <p>a. Institute or enhance the policy on accounts payable as regards its recognition with complete documentation, settlement, and reversion in accordance with the above-cited provisions of PD 1445;</p> <p>b. Verify and revert to retained earnings payables accounts and long term liabilities that have been outstanding for two years or more and without valid documents. Adjust negative balances, when warranted;</p> <p>c. Consider the possibility of offsetting the payable accounts of persons who, at the same time, have</p>	<p>2015 AAR page 50</p>	<p>Management is in the process of verifying its records in order to gradually decrease the amount of outstanding payables. Payables which could be established as no longer valid claims will be reverted to retained earnings.</p>	<p>Partially Implemented.</p> <p>Reiterated in observation no. 4, Part II of this Report.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>receivable accounts;</p> <p>d. Consider hiring additional job order/contractual personnel to help in the validation of payables;</p> <p>e. Strictly comply with the provisions of Sections 111 and 112 of PD 1445 in order to have a better presentation of this account in the financial statements;</p> <p>f. Stop the practice of setting-up payables without valid supporting documents.</p>		<p>Management already stopped the practice of setting up payables without valid supporting documents.</p>	<p>Partially Implemented</p> <p>Partially Implemented</p> <p>Fully Implemented</p>
<p>2. Disbursement vouchers totaling ₱516,887.53, representing payment for the salaries of an employee who has not been reporting for work, were processed and paid without supporting documents, contrary to the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (PD 1445) dated June 11, 1978, thereby, rendering said disbursements to be irregular and which might result in the loss of government funds, hence, were disallowed in audit.</p>	<p>2015 AAR page 53</p>		

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>Recommendations:</p> <p>a. Strictly comply with the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (PD 1445) dated June 11, 1978, as well as COA Circular No. 2012-001 in order to avoid the incurrence of unsupported disbursements; and</p> <p>b. Direct the persons liable to settle immediately the said disallowance or file an appeal within six months from receipt of the Notice of Disallowance, otherwise, the same shall become final and executory as prescribed under Sections 48 and 51 of Presidential Decree No. 1445.</p>		<p>Management filed their Appeal with the Commission on Audit within the prescribed period in order to settle the disallowance.</p>	<p>Fully Implemented.</p> <p>No similar transactions were paid in CY 2016.</p> <p>Partially Implemented.</p> <p>Notice of Disallowance (ND) No. 2016-001(2015) dated February 12, 2016 was issued for the subject transaction amounting to ₱516,887.53, but this was appealed with COA.</p> <p>Included in the Status of Disallowances, observation no. 10. Part II of this Report.</p>
<p>3. Verification of Bank Reconciliation Statements for the period January to December 2015 revealed that a total of three checks totaling ₱8,500.00 remain outstanding as of December 31, 2015, thereby, the year-end balances of the accounts Cash in Bank</p>	<p>2015 AAR page 55</p>		

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>and Prior Years' Adjustment are overstated by the same amount.</p> <p>Recommendations:</p> <p>a. Communicate with the payees to determine the reasons why these checks have not been encashed;</p> <p>b. Require the payees to surrender the said checks for possible replacement, if necessary; and</p> <p>c. Make an adjusting entry to revert back the amount of ₱ 8,500.00 to the Cash in Bank account and to credit the Prior Years' Adjustment account in order to reflect the correct balances of the said accounts at year-end, after the first two recommendations mentioned above have been settled or done.</p>		<p>Management has complied with the audit recommendations.</p> <p>The necessary adjusting entry was made under JEV No. 2016-03-036 dated March 31, 2016.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>
<p>4. Audit of the funds and disbursements of the Corporation relative to its Gender and Development (GAD) fund for the period January 1, 2015 to November 30, 2015 disclosed the following:</p> <p>a. The allotted funds for the Corporation's GAD projects were short of the required allocation which should be at least five per cent (5%) of the</p>			

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>total budget appropriations.</p> <p>b. The allotted funds for the said GAD programs and projects were not fully utilized since only two out of the four activities/programs scheduled therein were carried out during the year.</p> <p>c. The programs and projects identified were not only geared towards development of the agency's personnel but also for the development of facilities to cater to gender-sensitive clients and partnership with neighboring communities.</p> <p>d. Disbursements for the items needed for the community projects and seminars/trainings were purchased in accordance with auditing and accounting rules and regulations.</p>			
<p>Recommendations:</p>			
<p>a. Strictly comply with the provisions of Philippine Commission on Women (PCW) and Executive Order (E.O.) No. 273 as regards the preparation of programs, projects and activities geared towards development of both of the agency's personnel as well as its clients, as well as its approval.</p> <p>b. Implement early or carry</p>		<p>Management prepared the 2016 GAD Plan and Budget (GDP) in accordance with the pertinent rules and regulations and Executive Order No. 273.</p> <p>The GAD projects</p>	<p>Fully Implemented</p> <p>Fully Implemented.</p>

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
out as scheduled, continuing GAD plans and projects.		and activities that were outlined in the 2016 GDP were carried out accordingly.	
<p>5. The consultancy services entered into by the Corporation with the Benguet State University on the Prevention and/or Control of Pest and Disease Infestation/Infection within Camp John Hay's Forest Watershed Area in the amount of P220,000.00 remain not fully completed by the consultant, as of year-end, despite the lapse of two years from the Notice to Proceed, resulting in the apparent loss of the funds paid and the non-completion of the project which is detrimental to the preservation of the Camp John Hay's forest watershed area.</p> <p>We recommended that Management require the concerned personnel to require the submission of the Terminal Report and assess and evaluate the same as to full compliance with the terms embodied in the said MOA, with recommendations also with regard to the completion of the project.</p>		Management submitted the required Terminal Report, which was evaluated by Management in 2016.	Fully Implemented
<p>6. Settlement of Audit Suspensions, Disallowances and Charges (SASDC)</p> <p>Records of settlement show that audit suspensions and</p>	2014 AAR, page 46		

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>disallowances issued in previous years have not yet been settled.</p> <p>Recommendations:</p> <p>a. Management to notify the persons liable and persons responsible and request for the settlement of their disallowances and suspensions, respectively.</p> <p>b. Management to constantly communicate with the concerned persons for a possible full settlement of the recorded disallowances.</p>		<p>All disallowances issued in the prior years have been appealed with the Commission on Audit.</p>	<p>Partially implemented.</p> <p>Records shows that as of December 31, 2016, disallowances issued in the prior years totaling P2,130,772.68 were appealed with COA.</p> <p>Partially Implemented.</p> <p>Discussed in the Status of Disallowances, observation no.10, Part II of this Report.</p>
<p>Value-for-Money Audit</p> <p>7. Collection inefficiency and incomplete documentation resulted in the accumulation of long-term accounts receivable amounting to P7.03 million, thereby, depriving the agency of the much needed cash for its operations.</p> <p>Recommendations:</p> <p>a. Establish claims on these receivables by working back and, if necessary, reconstruct supporting documents of valid claims</p>	<p>2014 AAR, page 46</p>	<p>Management commented that the reconstruction of accounting records relative to</p>	<p>Partially implemented.</p>

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>like bills and statement of accounts or gather all pertinent documents to support claims; and</p> <p>b. Enforce the collection of valid accounts by sending demand letters or withhold payment of money claims due the concerned employees and other persons.</p>		<p>these accounts is currently being undertaken by JHMC.</p> <p>Demand letters were sent to debtors with identified addresses.</p>	Partially Implemented
<p>8. Property and equipment (PE) account is overstated as it includes office building with net book value of ₱15.349 million belonging to BCDA. As such, depreciation expense of ₱3.711 million for the year is overstated and the reported net profit of ₱3.036 million is understated, both by the amount of ₱0.739 million.</p> <p>We have recommended that Management coordinate with BCDA and adjust its books to take up the reversion of the office building amounting to ₱22.168 million to BCDA.</p>	2013 AAR, page 25	<p>The subject office building was established to be owned by JHMC and not by BCDA; thus, there is no need for a reversing entry.</p>	Fully Implemented
<p>9. Unserviceable property and equipment totaling ₱11.283 million remain undisposed as of December 31, 2013, occupying space which could have been used by JHMC for other useful purposes and the proceeds from sale of which could have augmented Management resources that could have been available for</p>	2013 AAR, page 26		

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>worthwhile undertakings.</p> <p>We recommended that Management conduct the disposal of the unserviceable property and equipment, in accordance with Section 79 of the Government Auditing Code of the Philippines (P.D. 1445) which provides that when government property has become unserviceable, it may be destroyed, or if found to be valuable, it may be sold at public auction to the highest bidder.</p>		<p>The Board of Directors approved the disposal of unserviceable property on April 13, 2016. As of December 31, 2016, the said property has already been disposed.</p>	Fully Implemented
<p>10. Collection inefficiency and incomplete documentation resulted in the accumulation of long-term accounts receivable (net) to P10.781 million.</p> <p>Recommendations:</p> <p>a. Establish claims on long-term accounts receivable by working back, and , if necessary, reconstruct supporting documents of valid claims like bills and statement of accounts;</p> <p>b. Provide allowance for doubtful accounts and request for write-off of uncollectible accounts with the COA; and</p>	2013 AAR, page 27	<p>Management has identified the debtors; however, it has a hard time reconstructing the records.</p> <p>The Accountant has already provided an Allowance for Doubtful Accounts (<i>now Allowance for Impairment</i>). The request for write-off is in</p>	<p>Partially Implemented</p> <p>Partially Implemented</p>

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>c. Enforce the collection of valid accounts. Send demand letters or withhold payment of money claims due to affected employees and others.</p>		<p>process as of December 31, 2016.</p> <p>Management has sent demand letters or Notices of Collection to debtors with known addresses.</p>	<p>Partially Implemented</p>
<p>11. JHMC Policy No. 012-2004 on the Retirement of Officers and Employees provides a Compulsory Retirement Program entitling qualified employees to 200 per cent of his/her salary for every year of service while the Early Retirement Program shall be equivalent to 50 per cent of the monthly salary for every year of service for the first 5 years with an additional 10 per cent of the monthly salary for each succeeding year but not to exceed 150 per cent.</p> <p>In the absence of prior approval from the Office of the President, we have recommended that JHMC Retirement Policy No. 012-2004 be set aside and instead apply the amount equivalent to one-half (1/2) month salary for every year of service in accordance with RA 7641, the Retirement Pay Law. Any excess payment of retirement pay shall be disallowed in audit.</p>	<p>2013 AAR, page 28</p>	<p>Management has a pending request filed with the Office of the President for the approval of the new Retirement Policy.</p> <p>As of December 31, 2016, Management did not receive any communication from the Office of</p>	<p>Partially Implemented</p>

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
		the President regarding the matter.	
<p>12. Inadequate allowance for doubtful accounts; collection inefficiency; and erroneous documentation of accounts receivable</p> <p>Recommendation:</p> <p>a. Adjust or correct erroneous or negative entries.</p>	2012 AAR, page 23	Negative and erroneous entries were already adjusted as of December 31, 2016.	Fully Implemented
<p>13. Due to Home Office and Other Long-term liabilities amounting to ₱2.310 million and ₱3.743 million respectively, unreliable due to incomplete documentation.</p> <p>Recommendation:</p> <p>Instruct the Finance Department to properly document the accounts affected in order to establish their authenticity in compliance with the provisions of PD No. 1445.</p>	2012 AAR	Verification of unsupported payables is still on-going as of December 31, 2016.	Partially Implemented. Reiterated in observation no. 4, Part II of this Report.
<p>14. Health insurance coverage paid to Fortune Medicare, Inc. in the amount of ₱458,298 without legal basis.</p> <p>We have recommended that Management obtain an authority from the Office of</p>	2013 AAR, page 20	Management has appealed the matter to the COA	Not Implemented ND No. 2014-01

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
the President.		Regional Office.	<p>dated January 10, 2014 was issued.</p> <p>Also, COA Decision No. 2013 – 049 was issued in 2013, re: ND for Life and Health Insurance Benefits 1997-2004.</p> <p>Included in the Status of Disallowances, observation no. 10, Part II of this Report.</p>
<p>15. Salary differential paid in the amount of P50,759 not in concurrence with the provisions of JHMC Policy No. 003-2004.</p> <p>Recommendations:</p> <p>a. Refund the salary differential amounting to P50,759; and</p>	2012 AAR	The matter was endorsed to the DOLE where the advisory opinion rendered is in the affirmative based on the appointment paper when the employee actually assumed the duties and responsibilities of a Cashier.	<p>Partially Implemented</p> <p>An ND was issued in the prior year. The concerned employee had refunded the amount of P6,500 in CY 2012; however, no additional refunds were made ever since 2012 because the matter was referred to the DOLE.</p>
16. Continuous occupancy of informal settlers in the 677 hectares of the John Hay	2012 AAR, page		

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>reservation area.</p> <p>Recommendation:</p> <p>a. Design a monitoring mechanism to validate effectiveness of the policies and its implementation; and</p> <p>b. Conduct comprehensive survey within the reservation area to identify the actual number of informal settlers.</p>	<p>23</p>	<p>Data gathered from the results of the relocation with structure survey and utility survey for the 13 barangays within the John Hay Reservation Area (JHRA), with Military Cut-off and Outlook Drive for further validation as to its inclusion into the JHRA, were used to establish guidelines for the following:</p> <ul style="list-style-type: none"> • Preservation of delineated forest covers and watersheds; • Retention of open areas by BCDA/JHMC to be proposed for master planning for investment possibilities; • Updated census for actual occupants within the 	<p>Fully Implemented</p> <p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
		<p>JHRA; and</p> <ul style="list-style-type: none"> Prevention of entry of illegal settlers into non-segregated areas. <p>Management conducts yearly survey to identify the actual number of informal settlers for appropriate action.</p>	
<p>17. JHMC Stock and Transfer Book not updated.</p> <p>Recommendations:</p> <p>a. Expedite the issuance of stock certificates to present members of the JHMC board of directors, so as not to compromise the authority of the members of the Board to exercise corporate powers and conduct business; and</p> <p>b. Cancel stock certificates of separated members of the Board.</p>	<p>2012 AAR</p>	<p>Stock Certificates were already issued as of December 31, 2016.</p> <p>Stock Certificates of separated members of the Board were cancelled in 2015.</p>	<p>Fully Implemented</p> <p>Fully Implemented.</p>
<p>18. JHMC stock certificates issued in excess of the authorized capital stock not approved by the Securities and Exchange Commission</p>			

Observations and Recommendations	Ref.	Management's Action	Status of Implementation
<p>(SEC).</p> <p>Recommendation:</p> <p>Request the Corporate Secretary to seek the approval of the SEC on the increase in authorized capital stock.</p>	<p>2012 AAR, page 33</p>	<p>The SEC approved the increase in the authorized capital stock on June 9, 2016.</p>	<p>Fully implemented.</p>