



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. IV  
Commonwealth Avenue, Quezon City, Philippines

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June 22, 2009

**Hon. Romar G. Marcos**  
Municipal Mayor  
Naujan, Oriental Mindoro

Dear Mayor Marcos:


Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, we transmit herewith the report on the financial, compliance and value for money audits on the accounts and operations of the Municipality of Naujan, Oriental Mindoro for the year ended **December 31, 2008**. The report was prepared by Ms. Babynor G. Laudencia, Audit Team Leader, under the supervision of Mr. Melchor P. Borja, Supervising Auditor.

The audit was conducted to ascertain the propriety of financial transactions, compliance with prescribed rules and regulations and the economical, efficient and effective utilization of resources. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of financial statements.

We request that the comments and observations contained in the said report be fully addressed and we would appreciate being informed of the actions taken in this regard within 60 days from receipt hereof.

We acknowledge the cooperation extended to the audit team by the officials and staff of that agency.

Thank you.

Very truly yours,  
  
**LEONARDO E. JAMORALIN**  
Regional Director

Copy furnished:

- The Regional Director  
Department of Interior and Local Government, Region IV-B
- The Regional Director  
Department of Budget and Management Regional Office
- The Regional Director  
Bureau of Local Government Finance, Region IV-B
- The Secretary



Munipalidad of Naujan, Oriental Mindoro Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. IV  
Local Government Sector

**Audit Team 1, Province of Oriental Mindoro**  
Provincial Capitol Complex, Calapan City

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June 02, 2009

**The Regional Director**

Commission on Audit  
Regional Office No. IV  
Commonwealth Ave., Quezon City

**Thru: The Supervising Auditor**

Local Government Sector

**Sir:**

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree No. 1445, we conducted a Financial, Compliance and Value-for-Money Audit on the accounts and operations of the **Municipality of Naujan**, Oriental Mindoro for the year ended **December 31, 2008**.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of presentation of the financial statements.

Our attached report consists of four parts: Part I, the Audited Financial Statements; Part II, the Detailed Findings and Recommendations which were discussed with concerned management officials and staff; Part III, the Status of Implementation of Prior Year's Recommendations; and Part IV, the Annexes.

Except for the effect of any adjustment as might have been determined to be necessary had we obtained adequate evidential matter regarding the integrity of the *Property, Plant and Equipment* valued at ₱150 million and comprising 66.43% of the total assets, there is reasonable assurance that the financial statements are free of material misstatement/s and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with generally accepted state auditing standards and we believe that it provides reasonable basis for the results of audit.

Very truly yours,



**BABYNOR G. LAUDENCIA**  
State Auditor IV  
Team Leader

## **EXECUTIVE SUMMARY**

### **HIGHLIGHTS OF FINANCIAL OPERATION**

For Calendar Year 2008, the Municipality generated a total income of ₱121,592,956.92 from local taxes, permits and licenses, service and business income and internal revenue allotment. The total funds utilized for the year amounted to ₱105.48 million out of the total appropriation of ₱142.58 million.

### **SCOPE OF THE AUDIT**

Financial, compliance and value for money audits were conducted on the accounts and operations of the Municipality of Naujan, Oriental Mindoro for Calendar Year 2008. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the agency to laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

### **AUDIT OPINION ON THE FINANCIAL STATEMENTS**

The Supervising Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality due to the effects of the noted deficiencies on the balances of some accounts, as discussed in detail in Part II of the Report.

### **SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

The following is the summary of significant audit findings and recommendations in the audit of the Municipal Government of Naujan, Oriental Mindoro for the year 2008:

1. The balance of P150.65 million of the *Property, Plant & Equipment* account is of doubtful validity because of the Municipality's inability to complete the physical inventory of its fixed assets.

We recommend that the agency should facilitate the completion of the physical inventory taking and rendering a complete inventory report. On the other hand, the unserviceable properties should be identified and transferred to *Other Assets* account.

2. Part of the balance of the account *Supplies Inventory* of P1.79 million is of doubtful validity due to the absence of subsidiary records.

We recommend that the Municipal Accountant and the General Services Officer should initiate an action to verify whether or not the semi-expendable supplies of P1.65 million still exist. Also, the General Services Officer should maintain stock/property cards for all supplies/property acquired. The Municipal Accountant should record all such acquisitions in the appropriate ledger cards.

3. The Receivables account totaling P2,413,169.96 was of doubtful validity due to non-setting of receivables from Real Property Taxes and Special Education Taxes at the beginning of the year, contrary to Section 20, NGAS Manual, Volume I.

We recommend that the Municipal Treasure shall coordinate with the Assessor's Office in preparing the certified list of taxpayers that could serve as basis of accountant to set up the correct RPT and SET receivables at the beginning of the year.

4. The implementation of infrastructure projects "by administration" had resulted in deficiencies and had not, therefore, been advantageous to the municipal government.

We recommend that management should comply with the provisions of R.A. 9184 in the implementation of its infrastructure projects. It should also weigh the advantages and the disadvantages of a "*by administration*" scheme and straight contracting and thereafter favor what is most advantageous to the government.

5. There is a risk that procurements of 21,000 bags of cement costing ₱3.7million in the year 2007 and 7,000 bags of cement costing ₱1.6million in the year 2008, for distribution to various barangays in the form of assistance to their development programs/projects might result in wastage of government funds because of lack of judicious planning and coordination with targeted recipient barangays.

We recommend immediate monitoring and validation whether the other cement had been utilized by the barangays for their intended purpose, that is, developmental projects. Henceforth, a thorough study on the viability of certain program/projects should first be conducted before actually undertaking the same.

6. Utilization of the 20% Development Fund was not in accordance with the "development" objectives envisioned in Joint Memorandum Circular No. 1 s. 2005 of the DILG and DBM, thereby depriving the constituents of the

Municipality of the immediate benefit that could be obtained from the mandated developmental programs and projects.

We recommend that for the ensuing year, the municipal government should adhere strictly to the provisions of Joint Memorandum Circular No. 1, s. 2005 of the DILG and DBM, guidelines on the appropriation and utilization of the 20% of the Annual Internal Allotment (IRA) for development projects.

7. The Municipality failed to institutionalize Gender and Development (GAD) and formulate related plans, programs and budget contrary to Executive Order No. 373 and DBM-NEDA Joint Circular No. 2004-1.

The audit team recommends the institutionalization of GAD in the Municipality and the integration thereof to its overall annual plans, programs and budget. Proper GAD implementation and the required funding of at least 5% of the total budget appropriation should also be observed in compliance with the provisions of DBM-NEDA Joint Circular No. 2004-1.

8. The Municipality could have delivered more value to its constituents had it programmed and implemented substantial and much-needed projects rather than providing several material assistance totaling ₱2,144,947.44 to selected beneficiaries.

We recommend that the Municipality should intensify its planning and execution procedures relative to its projects, specifically in the selection of priority one, to facilitate delivery of better service to the people.

## **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the 7 prior year's audit recommendations embodied in the 2007 Annual Audit Report, 3 were partially implemented and 4 were not implemented by the municipality.

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**PART I – AUDITED FINANCIAL STATEMENTS**





Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. IV  
Commonwealth Avenue, Quezon City

## **A U D I T   C E R T I F I C A T E**

**The Municipal Mayor**  
Naujan, Oriental Mindoro

Pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, we have audited the accompanying Balance Sheet of the **Municipality of Naujan** as of December 31, 2008, and the related Statement of Income and Expenses and Statement of Cash Flows, for the year then ended. These financial statements are the responsibility of the Municipality. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with laws and COA and Generally Accepted Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit involves examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements. It also includes assessment of accounting principles used and review of significant estimates made by the Municipality, as well as the evaluation of the overall financial statements presentation. We believe that our audit provides reasonable basis for our opinion.

As discussed in our Detailed Findings and Recommendations, the Municipality was not able to render and submit a complete inventory report that would substantiate the balances of its *Property, Plant and Equipment* and *Inventory* accounts of ₱150,654,289.78 and ₱1,790,307.11 respectively. Due to the inadequacy of the Municipality's records, we were unable to satisfy ourselves as to the validity of the quantities and valuation of the aforementioned properties by means of other auditing procedures.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we obtained adequate and competent evidential matter regarding the integrity of its properties referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the **Municipality of Naujan** as of December 31, 2008, and the results of its operations and its cash flows for the year then ended, in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

COMMISSION ON AUDIT

By:

  
for: **MELCHOR P. BORJA**  
Supervising Auditor

February 27, 2009



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Province of Oriental Mindoro  
MUNICIPALITY OF NAUJAN

## Statement of Management Responsibility for Financial Statements

The Management of the Municipal Government of Naujan, Oriental Mindoro is responsible for all information and representation contained in the Balance Sheet as of December 31, 2008 and the related Statement of Income and Expenses and Statement of Cash Flows for the period then ended. The Financial Statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimates and informed judgement of management with an appropriate consideration of materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal control to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities recognized.

**CARINA A. CORRO**  
Municipal Accountant

  
**ROMAR G. MARCOS**  
Municipal Mayor

Municipality of **Naujan**  
Province of Oriental Mindoro  
**Consolidated Balance Sheets**  
As of December 31, 2008  
(With Comparative Figures for 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 5)	₱ 70,901,854.63	₱ 45,045,042.76
Receivables (Note 6)	2,413,169.96	7,604,618.58
Inventories (Note 7)	1,790,307.11	1,886,086.08
Other Current Assets (Note 8)	902,156.95	902,156.95
Total Current Assets	<u>₱ 76,007,488.65</u>	<u>₱ 55,437,904.37</u>
<b>Property, Plant and Equipment (net of Depreciation) (Note 9)</b>		
Land and Land Improvements	₱ 40,268,067.03	₱ 41,159,132.72
Buildings	60,080,275.38	60,190,247.02
Office Equipment, Furniture and Fixtures	12,934,064.42	12,606,627.98
Machineries and Equipment	13,101,406.60	10,238,708.15
Transportation Equipment	19,380,566.60	18,608,372.51
Other Property, Plant and Equipment	1,344,429.57	1,338,771.04
Public Infrastructures	100,453.25	-
Reforestation Projects	24,222.00	24,222.00
Construction in Progress	3,420,804.93	1,752,924.64
Total Property, Plant & Equipment	<u>₱ 150,654,289.78</u>	<u>₱ 145,919,006.06</u>
<b>Other Assets</b>	<u>₱ 132,869.56</u>	<u>₱ 132,869.56</u>
<b>TOTAL ASSETS</b>	<u><u>₱ 226,794,647.99</u></u>	<u><u>₱ 201,489,779.99</u></u>
 <b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities (Note 10)</b>	₱ 31,366,339.28	₱ 20,116,991.17
<b>Deferred Credits (Note 11)</b>	1,654,704.64	6,737,283.68
Total Liabilities	<u>₱ 33,021,043.92</u>	<u>₱ 26,854,274.85</u>
<b>EQUITY (Note 12)</b>		
Government Equity, Beginning	174,635,505.14	167,250,940.82
Add/Deduct:		
Retained Operating Surplus	24,748,889.82	17,552,636.38
Prior Year's Adjustments	(1,345,556.00)	(793,970.13)
Transfer to Registry	(4,265,234.89)	(9,374,101.93)
Government Equity, End	<u>₱ 193,773,604.07</u>	<u>₱ 174,635,505.14</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>₱ 226,794,647.99</u></u>	<u><u>₱ 201,489,779.99</u></u>

(See Accompanying Notes to Financial Statements and details at Annex 1)

Municipality of **Naujan**  
Province of Oriental Mindoro  
**Consolidated Statements of Income and Expenses**  
As of December 31, 2008  
(With Comparative Figures for 2007)

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Income</b>		
Local Income	P 7,229,369.06	P 7,318,185.73
Permits and Licenses	1,401,748.81	1,554,761.67
Service Income	875,140.85	916,110.01
Business Income	3,929,577.00	5,097,890.75
Other Income	108,157,121.20	90,873,291.39
Total Income	<u>P 121,592,956.92</u>	<u>P 105,760,239.55</u>
Less: Expenses		
Personal Services	P 43,713,368.30	P 41,437,154.75
Maintenance and Other Operating Expenses	52,981,169.08	46,618,158.68
Total Expenses	<u>P 96,694,537.38</u>	<u>P 88,055,313.43</u>
Operating Income	<u>P 24,898,419.54</u>	<u>P 17,704,926.12</u>
Income before Subsidies and Extraordinary Items	P 24,898,419.54	P 17,704,926.12
Add: Subsidy Income	-	500,000.00
Total	<u>P 24,898,419.54</u>	<u>P 18,204,926.12</u>
Less: Subsidies to LGUs, NGOs and POs	P -	P 259,257.00
Net Income before Extraordinary Items	<u>P 24,898,419.54</u>	<u>P 17,945,669.12</u>
<b>NET INCOME</b>	<u><b>P 24,898,419.54</b></u>	<u><b>P 17,945,669.12</b></u>

(See accompanying Notes to Financial Statements and details at Annex 2)

Municipality of **Naujan**  
Province of Oriental Mindoro  
**Consolidated Statements of Cash Flows**  
As of December 31, 2008  
(With Comparative Figures for 2007)

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Cash Inflows		
Collection from Taxpayers	P 15,672,511.28	P 6,181,036.13
Share from Internal Revenue Collections	104,899,849.79	88,537,464.12
Share from National Wealth	4,831.00	2,391.00
Interest Income	1,027,080.05	672,789.36
Other Receipts	34,466,188.65	36,011,426.48
Total Cash Inflow	<u>P 156,070,460.77</u>	<u>P 131,405,107.09</u>
Cash Outflows		
Payments -		
To Suppliers/Creditors	P 49,357,510.13	P 47,751,885.52
To Employees	28,651,194.59	31,846,606.54
Other Payments	38,212,541.41	25,354,117.64
Total Cash Outflow	<u>P 116,221,246.13</u>	<u>P 104,952,609.70</u>
Net Cash from Operating Activities	<u>P 39,849,214.64</u>	<u>P 26,452,497.39</u>
Cash Flows from Investing Activities:		
Cash Inflows		
Total Cash Inflow	-	-
Cash Outflows		
Cash Purchase of Property, Plant & Equipt.	13,992,402.77	19,884,237.24
Net Cash From Investing Activities	<u>P (13,992,402.77)</u>	<u>P (19,884,237.24)</u>
Cash Flows from Financing Activities:	-	-
Total Cash From Operating, Investing and Financing Activities	P 25,856,811.87	P 6,568,260.15
Cash at the Beginning of the Period	P 45,045,042.76	P 38,476,782.61
Cash at the End of the Period	<u>P 70,901,854.63</u>	<u>P 45,045,042.76</u>

(Please see details at Annex 3)

## NOTES TO FINANCIAL STATEMENTS

### Note 1. General/Agency Profile

**Naujan**, previously called *Nauhang* by Europeans, was established as a town in 1639 by virtue of a Royal Decree promulgated by King Philip II of Spain. The Philippine Commission under Act No. 1280 on January 4, 1905 confirmed it.

Like any other LGUs, the Municipal Government of Naujan thrusts on programs and projects that continuously uphold the promotion of municipal-wide or countryside development aimed at uplifting the quality of life of its constituents. These projects are divided into **sectoral components**, such as: *economic sector* which includes agriculture, livelihood projects, tourism and environment-related projects; *social services* which aims to respond to the needs of indigent families as victim of man-made and natural calamities; *infrastructure* that includes various projects which will facilitate the transport of prime commodities, construction of school buildings and other structures necessary for the good of the community; and *local administration* which ensures that the LGU provide effective fiscal management and administration.

The Municipality maintains three funds, namely, General Fund, Special Education Fund and Trust Fund. Under the General Fund, there are five special accounts, namely, the 20% Development Fund, Market, Slaughterhouse, Cemetery and Bahay Tuklasan.

### Note 2. Basis of Financial Statements Presentation

These financial statements have been prepared based on the New Government Accounting System, and is in accordance with generally accepted state accounting principles and standards. In February 2007, the Municipality adopted the electronic NGAS.

### Note 3. Summary of Significant Accounting Policies

- 3.1 The Modified Obligation System is used to record allotment received and obligation incurred. Separate registries are maintained to control allotments and obligations for each class of allotment.
- 3.2 *Property, Plant, and Equipment* are carried at historical cost. Infrastructures under construction in-progress are valued following the construction period theory. All related expenses incurred during the construction of a project are

capitalized and those incurred after the construction are charged against the operating cost.

- 3.3 Properties of the government which are used by the general public are accounted for under the Public Infrastructures. These are dropped from the *Property, Plant & Equipment* account and recorded in the Registry of Public Infrastructure.
- 3.4 The straight-line method of depreciation is used in depreciating the *Property, Plant and Equipment* with estimated useful lives ranging from five to fifty years. A residual value, computed at ten percent of the cost of asset, is set and depreciation starts on the second month after purchase.
- 3.5 Payable accounts are recognized and recorded in the books of accounts only upon acceptance of the goods/inventory/other assets and rendition of services to the agency.
- 3.6 Share from Internal Revenue Collections are accounted for under the accrual method and Real Property Taxes and all other taxes, fees and charges are accounted using the cash method of accounting.

#### Note 4. Correction of Fundamental Errors

Fundamental errors of prior years are corrected by using the Prior Year's Adjustment account. Errors affecting current year's operation are charged to the current year's account.

#### Note 5. Cash and Other Cash Accounts

This account is broken down as follows:

	<u>2008</u>	<u>2007</u>
Cash in Vault	P 268,102.91	P 2,002,213.32
Cash - Collecting Officer	159,381.88	0.00
Cash - Disbursing Officer	0.00	105,000.02
Cash in Bank – LCCA	18,373,423.45	14,036,883.03
Cash in Bank – Time Deposit	<u>52,100,946.39</u>	<u>28,900,946.39</u>
<b>Total</b>	<b><u>P 70,901,854.63</u></b>	<b><u>P 45,045,042.76</u></b>

*Cash in Vault* and *Cash - Collecting Officer* represent cash collections in the last week of December 2008 which were remitted and deposited in January 2009.



**Note 6. Receivables**

This account includes the following:

	<u>2008</u>	<u>2007</u>
Accounts Receivable	P266,569.53	P327,537.11
Due from Officers and Employees	0.00	3500.00
Real Property Tax Receivable	0.00	2,593,306.71
Special Education Tax Receivable	0.00	2,489,272.33
Due from NGAs	961,925.90	961,925.90
Due from LGUs	556,730.44	556,730.44
Due from NGOs and Pos	73,000.00	105,500.00
Due from Other Funds	345,040.00	345,040.00
Receivable-Disallowances & Charges	104,816.36	104,816.36
Other Receivables	<u>105,087.73</u>	<u>116,989.73</u>
<b>Total</b>	<b><u>P 2,413,169.96</u></b>	<b><u>P 7,604,618.58</u></b>

*Accounts Receivable* represents receivable from ORMECO for the cost of materials for the construction of a single phase extension line of the following barangays:

Barangay Masaguing	P 195,443.74
Sitio Centro, Nag-iba 2	<u>71,125.79</u>
Total	<b><u>P 266,569.53</u></b>

The costs of materials were advanced by the Municipality of Naujan. The advance payment will be returned to the municipal government by offsetting 10% of the municipal monthly power bill and 10% of the distribution charge of the monthly power bill for Barangays Masaguing and Nag-iba 2, respectively, until such time that the total amount is fully reimbursed.

*Due from NGAs* represents the balance of IRA for the year 2001 and over remittance of national collection.

*Due from LGUs* includes receivables from SEF and barangay for the purchase of sound system and dump trucks, respectively, and KKK livelihood assistance to recipients under the Trust Fund.

*Due from NGOs/POs* represents the balance of loans granted to cooperatives and other registered peoples organizations, such as:

BADECO	P 35,500.00
RIC, General Esco	<u>37,500.00</u>
Total	<b><u>P 73,000.00</u></b>

*Receivables – Disallowance and Charges* pertains to claims for cash shortages of a former municipal employee and claims for disallowed payments in the amount of ₱72,970.00 and ₱31,846.36, respectively, which have become final and executory. Decision has already been rendered by the Sandiganbayan on the claims for cash shortages ordering the accused to pay the said amount. However, collection could not be effected because the subject had absconded.

*Other receivables* represent loans granted to various persons under the Self-Employment Assistance Program and Poverty Reduction Program.

**Note 7. Inventories**

**₱1,790,307.11**

This includes long outstanding Semi-expendable Supplies, Containers and Property under the old GAS totaling ₱1,654,704.44 which was reclassified to this account to conform to the new government chart of accounts.

**Note 8. Other Current Assets**

**₱902,156.95**

This account represents guaranty deposits.

**Note 9. Property, Plant and Equipment**

This account consists of the following:

	<b>Balance Dec. 31, 2007</b>	<b>Net Addition/ (Reduction)</b>	<b>Balance Dec. 31, 2008</b>
Land	₱ 6,655,365.46	₱ -	₱ 6,655,365.46
Land Improvements	32,659,296.69	906,000.41	33,565,297.10
Electrification, Power & Energy	3,786,903.07	807,711.41	4,594,614.21
Buildings & Structures	60,930,535.11	1,506,871.50	62,437,406.61
Office equipment, Furniture & Fixtures	10,307,832.83	811,445.63	11,119,278.46
Machineries & Equipment	18,552,662.17	4,857,902.00	23,410,564.17
Transportation Equipment	19,701,914.26	1,227,767.86	20,929,682.12
Other Property, Plant & Equipment	1,407,476.18	7,270.00	1,414,746.18
Public Infrastructure	-	100,453.25	100,453.25
Reforestation Projects	24,222.00	-	24,222.00
Construction in Progress	1,752,924.64	1,667,880.29	3,420,804.93
<b>Total</b>	<b>₱ 155,779,132.41</b>	<b>₱ 11,893,302.08</b>	<b>₱ 167,672,434.49</b>
<b>Less: Accumulated Depreciation</b>	<b>₱ 9,860,126.35</b>	<b>₱ 7,158,018.36</b>	<b>₱ 17,018,144.71</b>
<b>Net amount</b>	<b>₱ 145,919,006.06</b>	<b>₱ 4,735,283.72</b>	<b>₱ 150,654,289.78</b>

## Note 10. Current Liabilities

This account consists of:

	2008	2007
Accounts Payable	P 7,647,809.07	P 6,642,968.46
Due to National Treasury	4,256.00	2,751.15
Due to Officers & Employees	398,902.52	775,527.52
Due to BIR	893,451.84	763,308.93
Due to GSIS	706,473.73	907,903.07
Due to PAG-IBIG	151,733.89	154,593.93
Due to Philhealth	19,082.03	85,657.03
Due to Other NGAs	89,230.08	94,188.31
Due to Other GOCCs	108,747.45	168,304.61
Due to LGUs	2,726,019.20	3,365,751.09
Due to Other Funds	6,209,344.77	6,129,168.09
Guaranty Deposits Payable	421,021.63	150,500.00
Performance/Bidder/Bail Bond Payable	645,265.22	256,447.27
Other Payables	<u>11,345,001.85</u>	<u>619,921.71</u>
Total	<u>P 31,366,339.28</u>	<u>P 20,116,991.17</u>

Composition of the *Accounts Payable* of P7,647,809.07 in 2008 are payables due to various suppliers in the General Fund and Special Education Fund.

*Due to Officers and Employees* are those payable to various officers and employees of the municipality, consisting of P398,902.52.

Mandatory employees' payroll deductions payable to various government agencies such as GSIS, Pag-ibig, Phil Health and withholding taxes were remitted in January 2009.

*Due to NGAs* are payables to COMELEC and KKK.

*Due to GOCCs* are composed of employees' loan repayments with DBP, LBP, UCPB, Quedancor and NADECO.

*Due to LGUs* represents payables to the Provincial Government, the Barangays and Municipal Governments of Pola and Socorro, both of this Province. The Accounting Department is still in the process of tracing and reconciling them with the records of the said LGUs.

*Guaranty Deposit Payables* are retention money withheld from various contractors.

*Other Payables* are livelihood repayments and the like and share in the small town lottery operating in the municipality.

**Note 11. Deferred Credits****₱1,654,704.64**

Deferred Credits consist of *Other Deferred Credits* of ₱1,654,704.64, a contra-account of *Office Supplies Inventory* which arose as a result of reclassification of accounts to conform with the new chart of accounts.

**Note 12. Government Equity**

Composition of this accounts are as follows:

	<u>2008</u>	<u>2007</u>
Beginning Balance, 12/31/06	₱174,635,505.14	₱167,250,940.82
Retained Operating Surplus	24,748,889.82	17,552,636.38
Prior Year Adjustments	(1,345,556.00)	(793,970.13)
Public Infrastructures	<u>(4,265,234.89)</u>	<u>(9,374,101.93)</u>
Ending Balance, 12/31/07	<u>₱ 193,773,604.07</u>	<u>₱174,635,505.14</u>

We noted some errors in the taking up of prior year adjustment of ₱1,975.80; the inclusion of the account Income and Expense Summary of ₱391,056.94 at the electronic hard copy of Pre-Closing Trial Balance; and the erroneous adjustment of Subsidy accounts at the Trust Fund in 2006 which should have been transferred to Due to LGUs and Due to Other Funds. These accounts affect the presentation of the Government Equity, beginning balance during the roll out of e-NGAS.

Prior year's adjustments were result of prior year's transaction wherein adjustment needed for the transaction to be recognized.

Liquidation of cash advance	P 3,500.00
Withdrawal of advance market stall rentals	34,000.00
Adjustments on PTO prior years collection	<u>1,308,056.00</u>
	<b><u>₱ 1,345,556.00</u></b>

Completed public infrastructure projects were transferred to each registry. It can be noted that there are accounts in the Post-closing trial balance as of December 31, 2008 amounting to P3,300.00 for Roads, Highways and Bridges, and P97,153.25 for Irrigation, Canals and Laterals which were inadvertently overlooked in the process of transferring Public Infrastructure to Government Equity account. Such were noted only after the post closing trial balance was made. These public infrastructure accounts will be transferred to each registry in the succeeding year.

**Note 13. Income**

These are composed of the following:

	<u>2008</u>	<u>2007</u>
Local Taxes	P 7,229,369.06	P 7,318,185.73
Permits and Licenses	1,401,748.81	1,554,761.67
Service Income	875,140.85	916,110.01
Business Income	3,929,577.00	5,097,890.75
Other Income	<u>108,157,121.20</u>	<u>90,873,291.39</u>
Total Income	<b><u>P 121,592,956.92</u></b>	<b><u>P 105,760,239.55</u></b>

Other income includes cost of multicab given by Cong. Rodolfo G. Valencia, and Tamaraw FX given by the City of Makati amounting to P159,900.00 and P100,000.00, respectively.

**Note 14. Expenses**

These are composed of the following:

	<u>2008</u>	<u>2007</u>
Personal Services	P 43,713,368.30	P 41,437,154.75
Maintenance and Other		
Operating Expenses	<u>52,981,169.08</u>	<u>46,618,158.68</u>
Total Expenses	<b><u>P 96,694,537.38</u></b>	<b><u>P 88,055,313.43</u></b>

**PART II – DETAILED FINDINGS AND RECOMMENDATIONS**

## DETAILED FINDINGS AND RECOMMENDATIONS

### I. FINANCIAL AND COMPLIANCE AUDIT

- 1. The balance of P150.65 million of the *Property, Plant & Equipment* account is of doubtful validity because of the Municipality's inability to complete the physical inventory of its fixed assets.**

As embodied in Section 124 of the NGAS Manual Volume I, an annual physical inventory taking of property shall be conducted and reported in the Report of Physical Count of Property, Plant and Equipment. This is an indispensable procedure for checking the integrity of property custodianship.

Audit report of the previous years already contained the same observation but as of this date, still no Report of Physical Count of Property, Plant and Equipment as of any given date has been submitted to the audit team.

It was also noted that the PPE accounts still included unserviceable items such as heavy equipments and service vehicles with an estimated undepreciated cost of ₱4.07 million (See Annex 5) which the agency intends to dispose of. These should have been classified as *Other Assets* awaiting disposal, pursuant to the prescribed use of the accounts under COA Circular 2004-008 dated September 20, 2004.

Interview with the General Services Officer disclosed that, in response to previous year's audit recommendation, they have conducted the physical count of the properties of the Municipality in June 2008. It was unfortunate, however, that due to malfunctioning of their computer unit, they were unable to finish the Inventory Report then under preparation.

Due to the absence of updated inventory report, reconciliation of balances per book and inventory reports was not made possible.

Since the Municipality was unable to render a complete inventory report as of year-end, there was no alternative measure that could be applied to verify the integrity of the *Property, Plant and Equipment* account balance of ₱150,654,289.78 which comprises 66.43% of the total assets as of CY 2008.

We recommend that the agency should facilitate the completion of the physical inventory taking and rendering a complete inventory report. On the other hand, the unserviceable properties should be identified and transferred to *Other Assets* account

Likewise, it is recommended that proper form as specified by Section 24 of Volume I of the Manual on New Government Accounting System be followed in reporting the physical count of Property Plant and Equipment by type to expedite the reconciliation with the accounting records.

**2. Part of the balance of the account *Supplies Inventory* of P1.79 million is of doubtful validity due to the absence of subsidiary records.**

Sections 70 and 72 of the NGAS Manual, Vol. I, require the maintenance of a subsidiary schedule of general ledger accounts balances. Among these are the different inventory accounts for accountable forms, medical, dental and laboratory supplies, constructions materials, livestock, and other supplies.

Verification of the Municipality's accounting records disclosed that the account *Other Supplies Inventory* with a balance of ₱1,552,928.30 under the General Fund and ₱237,378.81 under the Special Education Fund was not supported with any subsidiary record. The account pertains to the accumulated value of semi-expendable supplies as of the time of conversion from the old accounting system to the NGAS in the year 2002.

Management failed to keep an inventory of the items and to adjust the records as the supplies became unserviceable. Maintenance of Stock/Ledger Cards, where receipt and withdrawals of supplies may be properly controlled; and preparation of a monthly Summary of Supplies and Materials Issued, for adjustments of the stock/ledger cards to determine actual balances of supplies, were not also done. Lack of such records prevented the verification of their actual existence. Considering that the life span or usefulness of semi-expendable items is for only about a year their value as reflected in the Balance Sheet may no longer be true and accurate. Management gave an assurance that the ongoing inventory-taking by the Municipal Inventory Committee would include the Inventories account.

We recommend that the Municipal Accountant and the General Services Officer should initiate an action to verify whether or not the semi-expendable supplies of P1.79 million still exist. Also, the General Services Officer should maintain stock/property cards for all supplies/property acquired. The Municipal Accountant should record all such acquisitions in the appropriate ledger cards.



**3. The Receivables account totaling P2,413,169.96 was of doubtful validity due to non-setting of receivables from Real Property Taxes and Special Education Taxes at the beginning of the year, contrary to Section 20, NGAS Manual, Volume I.**

Section 20 of the NGAS Manual provides that based on Treasurer's certified list showing the name of taxpayers and the amount due and collectible for the year, the local accountant shall draw a journal entry voucher (JEV) to record the debit to Real Property Tax Receivable and crediting to Deferred Real Property Tax Income the total amount collectible. Upon collection of taxes, the account Deferred Real Property Tax Receivable shall be debited while the Real Property Tax Income is credited.

Verification of the balances of accounts Real Property Tax Receivables and Special Education Tax Receivables disclosed that both accounts were stated at zero balances at year-end. The audit team also noted that receivables for Real Property Taxes (Basic and Special Education Tax) were not set-up at the beginning of the year, which is contrary to the above-mentioned regulation.

During the year, collections for RPT and SET were directly credited to Real Property Tax Income and Special Education Tax Income accounts. This accounting procedure is disclosed in the notes to financial statements.

The Treasurer admitted that she was unable to prepare the Real Property Tax Account Register showing the complete list of taxpayers and the taxes due from them, which would serve as basis for setting-up of the Real Property Tax and Special Education Tax Receivables.

The non-setting up of receivables from Real Property Taxes (Basic and Special Education) resulted in understatement of the Receivables account and the Deferred Real Property Tax Income account.

We recommend that the Municipal Treasure shall coordinate with the Assessor's Office in preparing the certified list of taxpayers that could serve as basis of the Accountant to set up the correct RPT and SET receivables at the beginning of the year.

**4. The implementation of infrastructure projects “by administration” had resulted in deficiencies and had not, therefore, been advantageous to the municipal government.**

GPPB Resolution No. 013-2005, by way of amending R.A. 9184, provides that: “By administration” refers to the procedure by which the implementation of an infrastructure project is carried out under the administration and supervision of the concerned agency through its own personnel. The conditions and requirements for the use of this scheme are as follows:

- The implementing agency should have a track record of having completed a project by administration or by contract, similar to or with a cost of at least 50% of the project at hand;
- The implementing agency should own tools and construction equipment to be used or have access to such tools and equipment owned by other government agencies;
- No contractor shall be used by the procuring entity, directly or indirectly;
- Prior approval by the agency head is required;
- Except as otherwise provided by law, ceiling of amount is P5million, provided that, in case of LGUs, total amount for all projects undertaken shall not exceed 50% of the fund allotted for infrastructure;
- Labor component may be undertaken in-house, by job order, or through pakyaw contract where labor shall be drawn from the Barangay where the project is located. Ceiling for pakyaw labor is P500,000 per pakyaw group;
- Project cost shall be billed based on actual cost of labor, materials, equipment, insurance, taxes, etc., plus an agreed percentage for overhead and profit.

The Municipality of Naujan adopted the scheme “*by administration*” in implementing majority of its infrastructure projects. Among those projects are the following:

<b>Project Name</b>	<b>Project Cost</b>
1. Concreting of Road at General Esco (materials cost only)	₱673,100.84
2. Construction of Concrete Sheet Piles at Barangay Estrella	₱1,000,000.00

Inspection and evaluation conducted by COA Technical Audit Specialist to determine reasonableness of materials procured for the project road concreting and to validate the reported accomplishment to determine compliance with the plans and specifications disclosed deficiencies amounting to ₱39,318.77.

Moreover, the construction of concrete sheet piles with a project cost of P1 million and started by the Municipal Engineering Office as early as March 2007 was found to be unfinished and abandoned as of this reporting. The accounting records showed that total materials procured and labor paid for the project totaled ₱747,416.50. The Municipal Engineer herself disclosed that the materials not put in place were the following:

<b>Quantity</b>	<b>Particulars</b>	<b>Whereabouts/Condition</b>
170 bags	Portland Cement	Left on project site, hardened
397 bags	Portland Cement	Borrowed by Gawad Kalinga
17 sheets	¼" marine plywood	Deposited with Gawad Kalinga
12 pcs.	G.I. coupling 2"Ø	Deposited with Gawad Kalinga
151 pcs.	16mm Ø RSB	Deposited with Gawad Kalinga
46 pcs.	10mm Ø RSB	Deposited with Gawad Kalinga
14 pcs.	G.I. pipe 2" Ø sch. 40	Deposited with Gawad Kalinga
8 pcs.	Sheet pile	Left on project site

It was also observed that either the programming of several projects by administration had not been thoroughly prepared or that materials requirement had not been properly controlled and/or utilized. This is so because of claims for additional materials.

Management justified that when doing projects by administration the Municipality was able to save the cost of overhead/contingencies/miscellaneous (OCM) expenses and profit due a private contractor. We contend, however, that because of the incurrance of such deficiencies and wastage, it is apparent that the Municipality had not attained its objective of saving resources.

Moreover, it may also be well to point out that under the "by administration" scheme, the "check and balance" which should be present

within the agency is disregarded, contrary to the principles of internal control. It is because all phases of technical activities involved in an infrastructure project, that is, from the preparation of the program of work down to certification of project completion, are lodged in the Municipal Engineering Office. In case a certain project is found to be sub-standard or with deficiencies, no one is accountable or liable, unlike when the project is through straight contract when the management could pinpoint the liability against the contractor.

We recommend that management should comply with the provisions of R.A. 9184 in the implementation of its infrastructure projects. It should also weigh the advantages and the disadvantages of a “*by administration*” scheme and straight contracting and thereafter favor what is most advantageous to the government.

As to projects with deficiencies and/or unfinished and abandoned, the Municipal Engineering Office should be required to immediately act on them to avoid wastage of government funds.

5. **There is a risk that procurements of 21,000 bags of cement costing ₱3.7million in the year 2007 and 7,000 bags of cement costing ₱1.6million in the year 2008, for distribution to various barangays in the form of assistance to their development programs/projects might result in wastage of government funds because of lack of judicious planning and coordination with targeted recipient barangays.**

The implementing rules of Republic Act No. 9184 states that consistent with government fiscal discipline measures, only those projects considered crucial to the efficient discharge of government functions shall be included in the annual procurement plan and shall be prosecuted (Sec. 7.2). Judicious planning including timing/phasing, detailed engineering and impact to the beneficiaries should be considered.

In 2007, the Municipal Government procured 21,000 bags of cement costing around ₱3.7 million for distribution to the 70 barangays allegedly as a sort of assistance (donation) to their developmental programs/projects. In a random verification of how the barangays utilized these bags of cement, the following deficiencies were discussed in previous year’s audit report:

- a. Majority of the Barangays had not implemented any project out of the donated construction materials.

- b. The cement were either given for free to requesting residents, or loaned out, or left to harden.
- c. With the change of administration after the local elections of October 29, 2007 the new set of barangay officials finds it difficult to recover said bags of cement.

For the year 2008, the Municipality also procured 7,000 bags of cement costing P 1,609,650 for distribution to 35 barangays for the same purpose.

However, in spite of the communicated deficiencies noted in last year's procurement, the audit team again noted, based on the related Status Report as of December 2008, that only 22 out of 35 barangays has completed the projects using this construction material.

These observations tend to show the absence or lack of study on the viability of such project. It is also unfortunate that, in 2007, the distribution almost coincided with the local elections thus the act appeared to be tainted with political color.

We recommend immediate monitoring and validation whether the other cement had been utilized by the barangays for their intended purpose, that is, developmental projects.

Henceforth, a thorough study on the viability of certain program/projects should first be conducted before actually undertaking the same.

**6. Utilization of the 20% Development Fund was not in accordance with the "development" objectives envisioned in Joint Memorandum Circular No. 1 s. 2005 of the DILG and DBM, thereby depriving the constituents of the Municipality of the immediate benefit that could be obtained from the mandated developmental programs and projects.**

Section 287 of Republic Act 7160, otherwise known as the Local Government Code of 1991, requires each local government unit (LGU) to appropriate in the annual budget at least 20% of the Internal Revenue Allotment (IRA) for development projects.

Likewise, Section 2.3 of Joint Memorandum Circular No. 1, s. 2005 of the DILG and DBM, provides that all projects to be funded shall contribute to the attainment of desirable socio-economic development and environmental management outcomes; partake the nature of investment and capital expenditures; and take into consideration cost recovery and

entrepreneurship. Section 3 of the same Joint Memorandum Circular enumerates the projects for social development, economic development and environmental management for which the 20% development fund should be utilized.

With reference to the mentioned guideline, it maybe noted that projects under 20% Development Fund relate to those which are funded as “capital outlays”. Under Section 306(d) of the Local Government Code, capital outlays refer to appropriations for purchase of goods or services, the benefits of which extend beyond the fiscal year and which add to the assets of the LGU concerned, including investments in public utilities such as public market and slaughterhouses.

Review and evaluation of the Statement of Income and Expenses of the Local Development Fund for the year ended December 31, 2008 (Annex 6) revealed that a substantial amount of the LDF was not actually utilized for development projects as mandated by the aforecited law, but were used for other expenses appropriately chargeable against Maintenance and Other Operating Expenses (MOOE). Disbursements for CY 2008 under 20% DF included, among others, the expenditures on the following:

Supplies and Material Expenses	P 1,760,818.26
Subsidies and Donations	1,529,396.00
Other MOOE	<u>3,015,415.35</u>
	<u>P 6,305,629.61</u>

*Other Maintenance and Operating Expenses* pertains to the cost of other expenses not otherwise classified under any specific expense accounts, while *Supplies Expense* relates to the cost of consumable items and accounting forms purchased for use in the ordinary course of government operation. *Subsidies and donations* is one of the budget items under MOOE.

Almost all programs under the 20% Development Fund included these items and as at year-end a total expenditures of P6.3million was noted thereon.

These expenditures are proper charges in the General Fund and had therefore unreasonably reduced the funds for priority programs/projects of the 20% DF.

Had the Municipal government adhered strictly to the general policies and guidelines on the appropriation and utilization of the 20%DF,

the constituents of the Municipality could have been benefited by such viable and sustainable developmental programs and projects, rather than other expenses appropriately chargeable against the MOOE of the LGU. Likewise, economic development was hampered due to failure of the Agency to utilize these funds for development projects.

While the Local Government Code empowers local authorities to manage their own internal affairs pursuant to the mandate of local autonomy, LGUs must be equally held responsible and accountable for their acts of deviating from the expressed provision of law. It cannot be over emphasized that one of the primary concerns of the national government is to ensure that public funds, like the 20% Development Fund, shall be spent judiciously and only for the very purpose or purposes for which such funds are intended (DILG Memo Circular No. 95-216 dated December 14, 1995).

We recommend that for the ensuing year, the municipal government should adhere strictly to the provisions of Joint Memorandum Circular No. 1, s. 2005 of the DILG and DBM, guidelines on the appropriation and utilization of the 20% of the Annual Internal Allotment (IRA) for development projects.

**7. The Municipality failed to institutionalize Gender and Development (GAD) and formulate related plans, programs and budget contrary to Executive Order No. 373 and DBM-NEDA Joint Circular No. 2004-1.**

Government agencies are mandated to institutionalize Gender and Development (GAD) in government and to incorporate and reflect GAD concerns in their agency performance commitment, annual budget proposals, and work and financial plans pursuant to RA 7192 otherwise known as “Women in Development and Nation-Building Act” and Executive Order No. 273 dated September 8, 1995.

Section 2.4 of DBM and NEDA Joint Circular No. 2004-1 which prescribes guidelines in the implementation of GAD-related programs and activities, provides further that:

*Pursuant to the Annual General Appropriations Act, agencies are tasked to formulate a GAD plan and to implement the same by utilizing at least five percent (5%) of their total budget appropriations. (Emphasis supplied)*

The Municipality appropriated ₱100,000.00 in their annual budget for 2008 for GAD, however this is far below the mandated amount of at least 5% of their total budget appropriations of ₱129,783,424.68 or a total of ₱6,489,171.23.

Though the Municipal Mayor created the GAD focal point, it is also far beyond the description cited in the regulation which says that GAD Focal Point is the group of people within the agency who will advocate for, coordinate and monitor the development and implementation of the agency's GAD plan and GAD-related programs, projects and activities in the Municipality. Most of the expenses incurred were intended for women and children activities and trainings.

The audit team, therefore, recommends the institutionalization of GAD in the Municipality and the integration thereof to its overall annual plans, programs and budget.

Proper GAD implementation and the required funding of at least 5% of the total budget appropriation should also be observed in compliance with the provisions of DBM-NEDA Joint Circular No. 2004-1.

## **II. Value for Money Audit**

### **8. The Municipality could have delivered more value to its constituents had it programmed and implemented substantial and much-needed projects rather than providing several material assistance totaling ₱2,144,947.44 to selected beneficiaries.**

Section 16 of the Local Government Code require every local government unit to exercise the powers expressly granted, those necessarily implied therefrom, as well as powers necessary, appropriate, or incidental of its efficient and effective governance, and those which are essential to the promotion of the general welfare.

For the current year 2008, the Municipality disbursed a total of ₱2,144,947.44 as material assistance to selected claimants. Materials, in the form of Jetmatic pump, RCPCs, toilet bowls and various construction materials was procured and donated to selected barangays and schools.

In the verification of accounts, the audit team noted that there were a total of 116 disbursement transactions for material assistance.



In addition, it was observed that these material assistances comprised the majority of the reported accomplishments of the Municipality. Only few were construction projects initiated by the Municipality.

The projects, out of these material assistances, tend to benefit the chosen few inhabitants of the Municipality. This circumstance is inconsistent to the mandate on promotion of general welfare as cited above.

To analyze further, the accumulated amount of ₱2,144,947.44 for these grants is sufficient to fund some much-needed project such as public infrastructure or repair and maintenance of municipal building.

Had the municipality programmed and implemented a substantial and much-needed project instead of these material assistances, the Municipality could have delivered more value to its constituents.

We recommend that the Municipality should intensify its planning and execution procedures relative to its projects, specifically in the selection of priority one, to facilitate delivery of better service to the people.

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

## Status of Implementation of Prior Year's Audit Recommendations

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>1. The balance of P145.9 million of the <i>Property, Plant &amp; Equipment</i> account is of doubtful validity because of the Municipality's inability to complete the physical inventory of its fixed assets.</p>	<p>The agency should facilitate the completion of the physical inventory taking and reconcile immediately the books of accounts with the actual existence of property. Likewise, the unserviceable ones should be identified and transferred to <i>Other Assets</i> account</p>	<p>AAR</p>	<p>Actual physical inventory was conducted in June 2008.</p>	<p>Partially implemented</p>	<p>Report of Physical Count of PPE was not rendered due to malfunctioning of computer units.</p>
<p>2. Part of the balance of the account <i>Supplies Inventory</i> of P1.65 million is of doubtful validity due to the absence of subsidiary records.</p>	<p>The Municipal Accountant and the General Services Officer should initiate an action to verify whether or not the semi-expendable supplies of P1.65 million still exist. Also, the General Services Officer should maintain stock/property cards for all supplies/property acquired. The Mun. Accountant should record all such acquisitions in the appropriate ledger cards.</p>			<p>Not implemented</p>	<p>Incompleteness of records and documents pertaining to Supplies Inventory made the verification of its existence difficult.</p>
<p>3. Real Property Tax Receivable of P2.59 million for General Fund and P2.49 million for Special Education Tax Receivable remained uncollected as of year end due to the Municipality's failure to undertake more effective collection strategies and to institute legal action against delinquent taxpayers, thus, depriving the constituents of the benefits which could have been derived from it.</p>	<p>Exert effort in order to collect real property taxes. Undertake more effective collection strategies and institute legal action against delinquent taxpayers. Try to locate those property owners with unknown addresses by seeking help from other national agencies like National Statistics Office.</p> <p>Moreover, require the Municipal Assessor to</p>		<p>The Municipality of Naujan ranked 5<sup>th</sup> in the Real Property Tax Collection Performance - By Municipalities at 87.12 percentage of collection.</p>	<p>Partially implemented</p>	<p>The Report on Real Property Tax Assessment was not rendered by the Municipal Assessor due to the ongoing reconciliation of data used in the computerization program on RPT assessment.</p>

<p>4. The implementation of infrastructure projects “by administration” had resulted in deficiencies and had not, therefore, been advantageous to the municipal government.</p> <p>5. There is a risk that the procurement of 21,000 bags of cement costing <u>₱3.7million</u> for distribution to 70 barangays in the form of assistance to their development programs/ projects might result in wastage of government funds because of lack of judicious planning and coordination with targeted recipient barangays.</p>	<p>complete his Report on Real Property Assessment to be able to have a reliable basis in taking up RPT Receivable at the beginning of the ensuing year.</p> <p>Management should comply with the provisions of R.A. 9184 in the implementation of its infrastructure projects. It should also weigh the advantages and the disadvantages of a “<i>by administration</i>” scheme and straight contracting and thereafter favor what is most advantageous to the government.</p> <p>As to projects with deficiencies and/or unfinished and abandoned, the Municipal Engineering Office should be required to immediately act on them to avoid wastage of government funds.</p> <p>Immediate monitoring and validation whether the other cement had been utilized by the barangays for their intended purpose, that is, developmental projects.</p> <p>Henceforth, a thorough study on the viability of certain program/projects should first be conducted before actually undertaking the same.</p>		<p>Monitoring Report on utilization of cement was prepared by the Municipal Engineer’s Office in CY2008.</p>	<p>Not implemented</p> <p>Partially implemented.</p>	<p>No justification was given by management; hence, ND would be prepared.</p> <p>According to LCE, they have started to implement stricter measure in the distribution of cement. Considering, however the unsettled deficiencies regarding this observation, the audit team needs to follow-up the implementation of the audit recommendation.</p>
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<p>6. Utilization of the 20% Development Fund was not in accordance with the objectives envisioned in Local Budget Circular No. 70 dated March 14, 2000. Various expenditures charged against majority of the approved programs were not in pursuance of “development” objectives.</p>	<p>Refrain from charging expenditures not among those allowed in the 20% Development Fund programs as stated under LBC No. 70.</p> <p>Management is therefore earnestly enjoined to adhere to the developmental objectives by which the 20% Development Fund has been created.</p>			<p>Not implemented</p>	<p>In the view of the audit team, the planning function was not effectively discharged due to high turnover rate of MPDC appointments.</p>
<p>7. The Municipality failed to institutionalize Gender and Development (GAD) and formulate related plans, programs and budget contrary to Executive Order No. 373 and DBM-NEDA Joint Circular No. 2004-1.</p>	<p>The audit team recommends the institutionalization of GAD in the Municipality and the integration thereof to its overall annual plans, programs and budget.</p> <p>Proper GAD implementation and the required funding of at least 5% of the total budget appropriation should also be observed in compliance with the provisions of DBM-NEDA Joint Circular No. 2004-1.</p>			<p>Not implemented</p>	<p>The management alleged that they focus on the program for women, nevertheless, the women in Naujan still needed motivation.</p>

## **PART IV - ANNEXES**

**Municipality of Naujan**  
**Balance Sheets**  
As of December 31, 2008  
All Funds

	General Fund	Special Education Fund	Trust Fund	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	₱ 50,493,492.59	₱ 1,826,494.55	₱ 18,581,867.49	₱ 70,901,854.63
Receivables	2,297,841.67	107.00	115,221.29	2,413,169.96
Inventories	1,552,928.30	237,378.81	-	1,790,307.11
Other Current Assets	902,156.95	-	-	902,156.95
Total Current Assets	<u>₱ 55,246,419.51</u>	<u>₱ 2,063,980.36</u>	<u>₱ 18,697,088.78</u>	<u>₱ 76,007,488.65</u>
<b>Property, Plant and Equipment (net of Depreciation)</b>				
Land and Land Improvements	₱ 40,240,867.03	-	₱ 27,200.00	₱ 40,268,067.03
Buildings	51,299,730.80	1,148,947.34	7,631,597.24	60,080,275.38
Office Equipment, Furniture and Fixtures	10,909,279.59	2,024,784.83	-	12,934,064.42
Machineries and Equipment	13,085,689.10	15,717.50	-	13,101,406.60
Transportation Equipment	19,380,566.60	-	-	19,380,566.60
Other Property, Plant and Equipment	1,294,325.57	50,104.00	-	1,344,429.57
Public Infrastructures	100,453.25	-	-	100,453.25
Reforestation Projects	24,222.00	-	-	24,222.00
Construction in Progress	3,420,804.93	-	-	3,420,804.93
Total Property, Plant & Equipment	<u>₱ 139,755,938.87</u>	<u>₱ 3,239,553.67</u>	<u>₱ 7,658,797.24</u>	<u>₱ 150,654,289.78</u>
Other Assets	₱ 132,869.56	-	-	₱ 132,869.56
<b>TOTAL ASSETS</b>	<u><u>₱ 195,135,227.94</u></u>	<u><u>₱ 5,303,534.03</u></u>	<u><u>₱ 26,355,886.02</u></u>	<u><u>₱ 226,794,647.99</u></u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
	₱ 12,430,265.29	₱ 186,647.71	₱ 18,749,426.28	₱ 31,366,339.28
<b>Deferred Credits</b>				
	1,417,325.83	237,378.81	-	1,654,704.64
Total Liabilities	<u>₱ 13,847,591.12</u>	<u>₱ 424,026.52</u>	<u>₱ 18,749,426.28</u>	<u>₱ 33,021,043.92</u>
<b>EQUITY</b>				
Government Equity, Beginning	₱ 163,058,050.84	₱ 3,970,994.56	₱ 7,606,459.74	₱ 174,635,505.14
Add/Deduct:				
Retained Operating Surplus	23,840,376.87	908,512.95	-	24,748,889.82
Prior Year's Adjustments	(1,345,556.00)	-	-	(1,345,556.00)
Transfer to Registry	(4,265,234.89)	-	-	(4,265,234.89)
Government Equity, End	<u>₱ 181,287,636.82</u>	<u>₱ 4,879,507.51</u>	<u>₱ 7,606,459.74</u>	<u>₱ 193,773,604.07</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>₱ 195,135,227.94</u></u>	<u><u>₱ 5,303,534.03</u></u>	<u><u>₱ 26,355,886.02</u></u>	<u><u>₱ 226,794,647.99</u></u>

Municipality of **Naujan**  
**Statements of Income and Expenses**  
For the Year Ended December 31, 2008  
All Funds

	<b>General Fund</b>	<b>Special Education Fund</b>	<b>Total</b>
Income			
Local Income	P 4,582,913.59	P 2,646,455.47	P 7,229,369.06
Permits and Licenses	1,401,748.81	-	1,401,748.81
Service Income	875,140.85	-	875,140.85
Business Income	3,929,577.00	-	3,929,577.00
Other Income	108,157,121.20	-	108,157,121.20
Total Income	<u>P 118,946,501.45</u>	<u>P 2,646,455.47</u>	<u>P 121,592,956.92</u>
Less: Expenses			
Personal Services	P 42,878,448.29	P 834,920.01	P 43,713,368.30
Maintenance and Other Operating Expenses	52,227,676.29	753,492.79	52,981,169.08
Total Expenses	<u>P 95,106,124.58</u>	<u>P 1,588,412.80</u>	<u>P 96,694,537.38</u>
<b>NET INCOME</b>	<u><u>P 23,840,376.87</u></u>	<u><u>P 1,058,042.67</u></u>	<u><u>P 24,898,419.54</u></u>



Municipality of Naujan  
**Statements of Cash Flows**  
For the Year Ended December 31, 2008  
All Funds

	<b>General Fund</b>	<b>Special Education Fund</b>	<b>Trust Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>				
Cash Inflows:				
Collection from taxpayer	₱ 12,882,042.99	₱ 2,790,468.29	-	₱ 15,672,511.28
Share from Internal Revenue Collection	104,899,849.79	-	-	104,899,849.79
Share from National Wealth	4,831.00	-	-	4,831.00
Interest Income	1,027,080.05	-	-	1,027,080.05
Other Receipts	13,093,224.50	24,220.89	₱ 21,348,743.26	34,466,188.65
<b>Total Cash Inflow</b>	<b>₱ 131,907,028.33</b>	<b>₱ 2,814,689.18</b>	<b>₱ 21,348,743.26</b>	<b>₱ 156,070,460.77</b>
Cash Outflows:				
Payments -				
To Suppliers/Creditors	₱ 48,599,876.93	₱ 757,633.20	-	₱ 49,357,510.13
To Employees	28,229,785.21	421,409.38	-	28,651,194.59
Other Payments	26,686,148.80	575,644.70	10,950,747.91	38,212,541.41
<b>Total Cash Outflow</b>	<b>₱ 103,515,810.94</b>	<b>₱ 1,754,687.28</b>	<b>₱ 10,950,747.91</b>	<b>₱ 116,221,246.13</b>
<b>Cash Provided by Operating Activities</b>	<b>₱ 28,391,217.39</b>	<b>₱ 1,060,001.90</b>	<b>₱ 10,397,995.35</b>	<b>₱ 39,849,214.64</b>
<b>Cash Flow from Investing Activities</b>				
Cash Inflows:				
Total Cash Inflow	-	-	-	-
Cash Outflows:				
Purchase of Property, Plant & Equipt.	₱ 13,933,274.47	₱ 59,128.30	-	₱ 13,992,402.77
<b>Total Cash Outflow</b>	<b>13,933,274.47</b>	<b>59,128.30</b>	<b>-</b>	<b>13,992,402.77</b>
<b>Cash Provided by Investing Activities</b>	<b>₱ (13,933,274.47)</b>	<b>₱ (59,128.30)</b>	<b>-</b>	<b>₱ (13,992,402.77)</b>
<b>Cash Provided by Financing Activities</b>				
<b>Total Cash Provided by Operating, Investing, Financing Activities</b>	<b>₱ 14,457,942.92</b>	<b>₱ 1,000,873.60</b>	<b>₱ 10,397,995.35</b>	<b>₱ 25,856,811.87</b>
<b>Add: Cash at the Beginning of the Period*</b>	<b>36,035,549.67</b>	<b>825,620.95</b>	<b>8,183,872.14</b>	<b>45,045,042.76</b>
<b>Cash at the End of the Period</b>	<b>₱ 50,493,492.59</b>	<b>₱ 1,826,494.55</b>	<b>₱ 18,581,867.49</b>	<b>₱ 70,901,854.63</b>

Republic of the Philippines  
Province of Oriental Mindoro  
**MUNICIPALITY OF NAUJAN**  
**STATUS OF APPROPRIATIONS, ALLOTMENTS AND OBLIGATIONS**  
(Current Legislative Appropriations)  
As of December 31, 2008

**General Fund**

Function/Program/Project/Activity	Appropriations	Allotment		Obligation	Unobligated Balance
<b>GENERAL PUBLIC SERVICES</b>					
<b>Executive Services (Mayor)</b>					
General Administration					
Personal Services	₱ 6,928,460.52	₱ 6,928,460.52	₱ -	₱ 6,712,140.80	₱ 216,319.72
Maintenance and Other Operating Expenses	16,484,018.00	16,484,018.00	-	15,330,371.29	1,153,646.71
Capital Outlay	252,884.00	252,884.00	-	160,118.70	92,765.30
<b>Vice-Mayor</b>					
Personal Services	6,519,967.01	6,519,967.01	-	6,432,028.80	87,938.21
Maintenance and Other Operating Expenses	1,781,000.00	1,781,000.00	-	1,465,191.63	315,808.37
Capital Outlay	1,200,000.00	1,200,000.00	-	978,167.86	221,832.14
<b>Administrative Services</b>					
General Administration					
Personal Services	727,181.47	727,181.47	-	686,807.89	40,373.58
Maintenance and Other Operating Expenses	192,000.00	192,000.00	-	136,874.55	55,125.45
<b>Mun. Planning and Dev't Coordination</b>					
General Administration					
Personal Services	1,752,578.88	1,752,578.88	-	1,504,888.18	247,690.70
Maintenance and Other Operating Expenses	225,000.00	225,000.00	-	133,045.87	91,954.13
Capital Outlay	38,000.00	38,000.00	-	30,965.00	7,035.00
<b>Civil Registry (Civil Registrar)</b>					
General Administration					
Personal Services	1,123,324.00	1,123,324.00	-	1,120,280.78	3,043.22
Maintenance and Other Operating Expenses	136,429.00	136,429.00	-	109,205.21	27,223.79
Capital Outlay	30,000.00	30,000.00	-	29,915.00	85.00
<b>General Services Administration</b>					
General Administration					
Personal Services	1,210,178.13	1,210,178.13	-	1,174,562.13	35,616.00
Maintenance and Other Operating Expenses	136,500.00	136,500.00	-	108,584.65	27,915.35
<b>Budgeting Service (Budget Officer)</b>					
General Administration					
Personal Services	1,343,202.00	1,343,202.00	-	1,334,941.15	8,260.85
Maintenance and Other Operating Expenses	198,000.00	198,000.00	-	135,499.47	62,500.53
Capital Outlay	63,200.00	63,200.00	-	26,599.99	36,600.01
<b>Accounting Services (Accountant)</b>					
General Administration					
Personal Services	1,490,722.00	1,490,722.00	-	1,355,277.40	135,444.60
Maintenance and Other Operating Expenses	203,900.00	203,900.00	-	154,123.51	49,776.49
Capital Outlay	62,000.00	62,000.00	-	47,300.00	14,700.00
<b>Treasury Services (Treasurer)</b>					
General Administration					
Personal Services	3,447,135.95	3,447,135.95	-	3,353,253.64	93,882.31
Maintenance and Other Operating Expenses	590,000.00	590,000.00	-	493,426.79	96,573.21
Capital Outlay	421,500.00	421,500.00	-	362,000.00	59,500.00
<b>Assessment of Real Property Tax (Assessor)</b>					
General Administration					
Personal Services	1,783,074.00	1,783,074.00	-	1,757,616.12	25,457.88
Maintenance and Other Operating Expenses	170,000.00	170,000.00	-	112,705.06	57,294.94
Capital Outlay	50,000.00	50,000.00	-	34,620.00	15,380.00

Function/Program/Project/Activity	Appropriations		Allotment		Obligation	Unobligated Balance
<b>Administration of Justice</b>						
Maintenance and Other Operating Expenses	₱ 117,000.00	₱ 117,000.00	₱ -	₱ -	₱ -	₱ 117,000.00
<b>Police Services Administration</b>						
Maintenance and Other Operating Expenses	142,680.00	142,680.00	-	-	142,680.00	-
<b>Fire Protection Services Administration</b>						
Maintenance and Other Operating Expenses	39,000.00	39,000.00	-	-	39,000.00	-
<b>HEALTH SERVICES</b>						
<b>Health Services (Health Officer)</b>						
General Administration						
Personal Services	7,501,363.61	7,501,363.61	-	-	7,068,287.66	433,075.95
Maintenance and Other Operating Expenses	1,327,000.00	1,327,000.00	-	-	1,171,533.05	155,466.95
Capital Outlay	11,600.00	11,600.00	-	-	-	11,600.00
<b>SOCIAL WELFARE SERVICES</b>						
Social Welfare Services (Social Welfare and Development Officer)						
General Administration						
Personal Services	1,329,729.51	1,329,729.51	-	-	1,294,889.76	34,839.75
Maintenance and Other Operating Expenses	3,780,000.00	3,762,000.00	18,000.00	-	3,622,984.91	139,015.09
Capital Outlay	50,000.00	50,000.00	-	-	48,040.00	1,960.00
<b>ECONOMIC SERVICES</b>						
Agricultural Services (Agriculturist)						
General Administration						
Personal Services	4,696,840.38	4,696,840.38	-	-	4,592,321.12	104,519.26
Maintenance and Other Operating Expenses	865,169.00	865,169.00	-	-	611,926.74	253,242.26
Capital Outlay	16,180.00	16,180.00	-	-	16,180.00	-
<b>Engineering Services (Engineer)</b>						
General Administration						
Personal Services	2,478,150.43	2,478,150.43	-	-	2,393,287.71	84,862.72
Maintenance and Other Operating Expenses	11,267,670.33	11,267,670.33	-	-	8,402,177.29	2,865,493.04
Financial Expenses	185,000.00	185,000.00	-	-	-	185,000.00
Capital Outlay	7,028,769.00	7,028,769.00	-	-	4,791,841.02	2,236,927.98
<b>Maintenance of Roads and Bridges</b>						
Personal Services	700,791.10	700,791.10	-	-	460,732.14	240,058.96
Maintenance and Other Operating Expenses	1,820,000.00	1,820,000.00	-	-	1,798,324.97	21,675.03
<b>Calamity Fund</b>						
Maintenance and Other Operating Expenses	4,385,794.00	2,200,000.00	2,185,794.00	-	999,407.25	1,200,592.75
Capital Outlay	1,800,000.00	1,800,000.00	-	-	955,810.00	844,190.00
<b>Loan Amortization - Domestic</b>						
Financial Expenses	2,087,890.00	2,087,890.00	-	-	-	2,087,890.00
<b>Aids to National Government Agencies</b>						
Maintenance and Other Operating Expenses	103,680.00	103,680.00	-	-	103,680.00	-
<b>Special Accounts</b>						
<b>Slaughterhouse</b>						
Personal Services	248,284.36	248,284.36	-	-	212,127.52	36,156.84
Maintenance and Other Operating Expenses	98,052.00	98,052.00	-	-	60,289.26	37,762.74
Capital Outlay	21,127.00	21,127.00	-	-	19,352.78	1,774.22
<b>Market</b>						
Personal Services	999,275.00	999,275.00	-	-	982,601.91	16,673.09
Maintenance and Other Operating Expenses	420,563.00	420,563.00	-	-	289,066.70	131,496.30
<b>Cemetery</b>						
Personal Services	201,574.00	201,574.00	-	-	160,341.87	41,232.13

Function/Program/Project/Activity	Appropriations	Allotment		Obligation	Unobligated Balance
<b>Bahay Tuklasan</b>					
Personal Services	₱ 348,628.00	₱ 348,628.00	₱ -	₱ 347,777.20	₱ 850.80
Maintenance and Other Operating Expenses	3,468,300.00	3,468,300.00	-	3,101,711.79	366,588.21
Bahay Tuklasan	13,000.00	13,000.00		12,686.00	314.00
<b>20% Development Fund</b>					
Maintenance and Other Operating Expenses	10,316,656.00	10,316,656.00	-	5,454,332.99	4,862,323.01
Capital Outlay	11,051,420.00	11,051,420.00	-	5,656,699.72	5,394,720.28
Special Education Fund					
<b>Education, Culture, Sports and Manpower Development - Public Education</b>					
Personal Services	997,972.00	997,972.00		944,904.40	53,067.60
Maintenance and Other Operating Expenses	992,547.00	892,547.00	100,000.00	644,223.21	248,323.79
Capital Outlay	311,464.00	311,464.00		57,395.00	254,069.00
<b>GRAND TOTAL</b>	<b>₱ 129,783,424.68</b>	<b>₱ 127,479,630.68</b>	<b>2,303,794.00</b>	<b>₱ 101,737,125.44</b>	<b>₱ 25,742,505.24</b>

Republic of the Philippines  
Province of Oriental Mindoro  
**MUNICIPALITY OF NAUJAN**  
**STATUS OF APPROPRIATIONS, ALLOTMENTS AND OBLIGATIONS**  
Continuing Allotment  
As of December 31, 2008

**General Fund**

Function/Program/Project/Activity	Appropriations	Allotment		Obligation	Unobligated Balance
<b>GENERAL PUBLIC SERVICES</b>					
<b>Executive Services (Mayor)</b>					
General Administration					
Capital Outlay	₱ 647,746.80	₱ 647,746.80	₱ -	₱ 263,810.80	₱ 383,936.00
<b>Vice-Mayor</b>					
Capital Outlay	64,069.00	64,069.00	-	11,609.00	52,460.00
<b>Administrative Services</b>					
General Administration					
Capital Outlay	54,239.00	54,239.00	-	52,610.00	1,629.00
<b>Mun. Planning and Dev't Coordination</b>					
General Administration					
Capital Outlay	20,000.00	20,000.00	-	-	20,000.00
<b>Civil Registry (Civil Registrar)</b>					
General Administration					
Capital Outlay	3,180.00	3,180.00	-	-	3,180.00
<b>Budgeting Service (Budget Officer)</b>					
General Administration					
Capital Outlay	15,000.00	15,000.00	-	-	15,000.00
<b>Accounting Services (Accountant)</b>					
General Administration					
Capital Outlay	46,280.00	46,280.00	-	37,650.00	8,630.00
<b>Treasury Services (Treasurer)</b>					
General Administration					
Capital Outlay	25,000.00	25,000.00	-	24,800.00	200.00
<b>Assessment of Real Property Tax (Assessor)</b>					
General Administration					
Capital Outlay	26,936.00	26,936.00	-	-	26,936.00
<b>HEALTH SERVICES</b>					
<b>Health Services (Health Officer)</b>					
General Administration					
Capital Outlay	101,070.00	101,070.00	-	77,797.00	23,273.00
<b>Engineering Services (Engineer)</b>					
General Administration					
Capital Outlay	4,555,908.39	4,555,908.39	-	317,455.70	4,238,452.69
<b>OPERATION OF BAHAY TUKLASAN</b>					
Capital Outlay	20,488.00	-	20,488.00	-	-
<b>20% Development Fund</b>					
Maintenance and Other Operating Expenses	3,747,091.79	3,747,091.79	-	1,171,539.09	2,575,552.70
Capital Outlay	3,464,590.33	3,464,590.33	-	1,780,731.11	1,683,859.22
<b>Total</b>	<b>₱ 12,791,599.31</b>	<b>₱ 12,771,111.31</b>	<b>₱ 20,488.00</b>	<b>₱ 3,738,002.70</b>	<b>₱ 9,033,108.61</b>

Province of Oriental Mindoro  
MUNICIPALITY OF NAUJAN  
**List of Unserviceable Service Vehicles and Heavy Equipments**

No.	Date Acquired	Vehicle	Plate Number	Make/Model	Type of Body	Unit Cost	Remarks	Condition When Acquired
1.	1986	Motorcycle, RS-100	MCSA-4793	Yamaha/1986	Motorcycle	₱ 25,000.00	Donated	Brand New
2.	-	Mitsubishi Lancer	None	-	Car	-	Donated	Reconditioned
3.	-	Nissan Automatic	None	-	Car	-	Donated	Reconditioned
4.	-	Nissan Conventional	None	-	Car	-	Donated	Reconditioned
5.	1995	Motorcycle, Yamaha	MCSC-9689	Yamaha/1995	DT - 125 Wonderbike	70,900.00	Donated	Brand New
6.	-	PNP Patrol Car	SDH-472	-	Car	-	Donated	Brand New
7.	09/19/97	Besta KIA Ambulance	None	Besta KIA/1997	Ambulance	-	Donated	Brand New
8.	1994	Hino Dump Truck	SBX-793	Hino/1994	Dump Truck	1,629,000.00	Donated	Brand New
9.	03/14/95	Isuzu DH - 100	ACP-358	Isuzu/1994	Dump Truck	600,000.00	Donated	Reconditioned
10.	-	Road Grader	None	Mitsubishi LG 2H	-	1,350,000.00	Donated	Reconditioned
11.	-	Backhoe	None	Komatsu	Crawler Type	-	Donated	Reconditioned
12.	-	Bulldozer (old)	None	Komatsu D50	-	-	Donated	Reconditioned
13.	-	Isuzu Dump Truck	None	-	Dump Truck	400,000.00	Donated	Reconditioned
						<b>4,074,900.00</b>		