



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. IV  
Audit Group I – Oriental Mindoro Province  
Provincial Capitol Complex, Camilmil, Calapan City

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May 21, 2011

**Hon. Maria Angeles C. Casubuan**  
Municipal Mayor  
Naujan, Oriental Mindoro

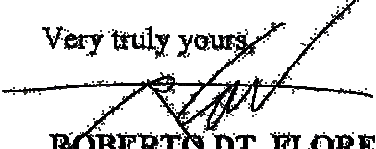
Dear Mayor Casubuan:

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, 2010. The report was prepared by Ms. Eden G. Salazar, Audit Team Leader, under the supervision of Mr. Roberto DT. Flores, OIC-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 presentation of the 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 one month from receipt hereof.

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

Very truly yours,  
  
**ROBERTO DT. FLORES**  
OIC – Supervising Auditor

Copy furnished:

- The Regional Director  
Department of Interior and Local Government, Region IV-B
- The Regional Director  
Department of Budget and Management, Region IV-B
- The Regional Director  
Bureau of Local Government Finance, Region IV-B
- The Secretary  
Sangguniang Bayan of Naujan, Oriental Mindoro



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

# **ANNUAL AUDIT REPORT**

**on the**

**MUNICIPALITY OF NAUJAN  
Province of Oriental Mindoro**

**For the Year Ended December 31, 2010**

**PART I**

**AUDITED FINANCIAL STATEMENTS**

## **PART II**

### **DETAILED FINDINGS AND RECOMMENDATIONS**

### **PART III**

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

**PART IV**  
**ANNEXES**

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

Municipality of Naujan, one of the oldest town in the province of Oriental Mindoro was established in 1639 by virtue of a Royal Decree promulgated by King Philip II of Spain and was confirmed by Philippine Commission on January 4, 1905 under Act. No. 1280.

It aimed at uplifting the quality of life of its constituents through a municipal-wide programs and projects planned for the year. These programs and projects are divided into sectoral components such as economic sector, social services, infrastructure and local administration.

There was a new set of officials brought by the May 2010 national and local election, headed by Honorable Maria Angeles Caranzo-Casubuan. She won as the Vice Mayor of Naujan, however, due to the sudden death of the winning Mayor, Honorable Romar G. Marcos, she assumed office as Municipal Mayor on July 2010.

### **FINANCIAL HIGHLIGHTS**

The main sources of funds of the Municipality are local taxes, permits and licenses, service and business income, and internal revenue allotment. For Calendar Year 2010, the Municipality generated a total income of ₱140.86 million. The funds obligated for the year amounted to ₱117.16 million out of the total current appropriation of ₱160.80 million. Of the 32.13 million continuing appropriations, 14.76 million was obligated during the year.

### **SCOPE OF 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 2010. 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.

## 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 2010:

1. The balance of ₱162.16 million of the *Property, Plant & Equipment* account is of doubtful validity because of the Municipality's failure to render the Report on Physical count of Property, Plant & Equipment in violation of Section 124 of the NGAS Manual, Volume 1.

We recommended that the GSO maintain and update the stock cards and the Municipal Accountant maintain the ledger cards to facilitate the conduct of the physical inventory taking and render the RPCPPE not later than January 31 of each year.

2. Copies of Contracts/Purchase Orders/Letter Orders/Job Orders, together with their supporting documents and Notice of Deliveries of procured equipment, spare parts and construction materials were not submitted to the Commission on Audit for review and evaluation and inspection within the prescribed period contrary to COA Circular Nos. 2009-001 and 95-006 dated February 12, 2009 and May 18, 1995, respectively, thereby depriving the management of the opportunity to be informed of the deficiencies, if any, at the earliest time possible.

We recommended that the procuring office should comply with the regulations and furnish the Auditor with the required copies of contract documents/purchase/letter/job orders and their supporting documents as well as notice of deliveries of procured items within the prescribed period for the timely review, evaluation and inspection of the same.

3. 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 reiterated our previous year's recommendation that the Municipal Planning and Development Office should adhere strictly with the provisions of Joint Memorandum Circular No. 1 s. 2005 of the DILG and DBM and the guidelines on the appropriation and utilization of the 20% of the Annual Internal Revenue Allotment (IRA) for development projects. The Municipal Accountant should charge the proper expense/account for proper presentation in the financial statements.

Other audit findings are discussed in detail in Part II of this report.

The audit findings and recommendations contained in the report were discussed with concerned municipal officials and staff. Management's views and reactions were considered in the report, where appropriate.

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

Of the ten (10) prior year's audit recommendations embodied in the 2009 Annual Audit Report, four (4) were fully implemented, one (1) was partially implemented and the remaining five (5) were not implemented by the municipality. These are discussed in detail in Part III of the report.

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## AUDIT CERTIFICATE

**Hon. Maria Angeles C. Casubuan**

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, 2010, 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 of Naujan's management. Our responsibility is to express our 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 generally accepted state 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/s. Our audit involved examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements. It also included 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.

Validity and reliability of the balances of the account *Property, Plant and Equipment* valued at ₱162.16 million could not be ascertained due to inability of management to complete the physical inventory thereof. Due to the inadequacy of the Municipality's records, we were unable to satisfy ourselves as to the carrying value of the property 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 been able to examine evidence regarding the matters discussed 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, 2010, 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:

  
EDEN G. SALAZAR  
Audit Team Leader

February 2, 2011

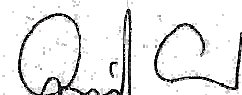


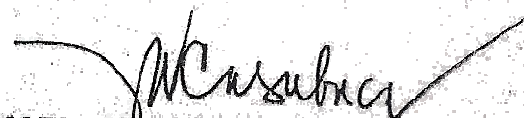
Republic of the Philippines  
Province of Oriental Mindoro  
**MUNICIPALITY OF NAUJAN**

### **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, 2010 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

  
**MARIA ANGELES CARANZO-CASUBUAN**  
Municipal Mayor

**Province of Oriental Mindoro**  
**MUNICIPALITY OF NAUJAN**  
**BALANCE SHEET**  
As of December 31, 2010  
(With Comparative Figures for CY 2009)

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
<b>CASH (Note 3)</b>		
Cash on Hand		
Cash in Vault	₱ -	₱ 431,007.94
Cash-Collecting Officers	43,263.21	43,262.81
Cash in Banks-Local Currency		
Cash in Bank -Local Currency, Current Account	14,912,831.94	8,860,655.42
Cash in Bank -Local Currency, Time Deposits	74,100,946.39	67,100,946.39
Total Cash	<u><b>89,057,041.54</b></u>	<u><b>76,435,872.56</b></u>
<b>RECEIVABLES (Note 4)</b>		
Receivable Accounts		
Accounts Receivable	200,857.07	233,308.54
Due from Officers and Employees	(2.82)	
Inter-agency Receivables		
Due from NGAs	961,925.90	961,925.90
Due from LGUs	556,730.44	556,730.44
Due from NGOs/Pos	35,500.00	39,666.00
Intra-agency Receivables		
Due from Other Funds	335,040.00	335,040.00
Other Receivables		
Receivables - Disallowances/Charges	104,816.36	104,816.36
Other Receivables	129,001.48	105,087.73
Total Receivables	<u><b>2,323,868.43</b></u>	<u><b>2,336,574.97</b></u>
<b>INVENTORIES</b>		
Supplies		
Office Supplies Inventory	1,790,307.11	1,790,307.11
Total Inventories	<u><b>1,790,307.11</b></u>	<u><b>1,790,307.11</b></u>
<b>OTHER CURRENT ASSETS</b>		
Guaranty Deposits	902,156.95	902,156.95
Other Current Assets	40,000.00	
Total Other Current Assets	<u><b>942,156.95</b></u>	<u><b>902,156.95</b></u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>94,113,374.03</b></u>	<u><b>81,464,911.59</b></u>
<b>PROPERTY, PLANT AND EQUIPMENT (Net of Depreciation) (Note 5)</b>		
<b>LAND AND LAND IMPROVEMENTS</b>		
Land	6,655,365.46	6,655,365.46
Land Improvements	27,477,333.62	28,292,142.50
Electrification, Power and Energy Structures	8,152,340.65	5,785,683.62
Total Land and Land Improvements	<u><b>42,285,039.73</b></u>	<u><b>40,733,191.58</b></u>
<b>BUILDINGS</b>		
Office Buildings	29,839,515.00	30,115,969.96
School Buildings	12,655,424.55	11,926,280.50
Hospitals and Health Centers	2,402,117.29	2,438,769.61
Markets and Slaughterhouses	8,040,556.97	8,275,288.11
Other Structures	11,260,410.12	9,091,089.28
Total Buildings	<u><b>64,198,023.93</b></u>	<u><b>61,847,397.46</b></u>
<b>OFFICE EQUIPMENT, FURNITURE AND FIXTURES</b>		
Office Equipment	2,969,579.57	2,846,302.83
Furniture and Fixtures	7,287,814.09	7,236,086.03
IT Equipment and Software	3,744,452.15	3,260,381.89
Library Books	7,787.15	1,164.87

**Province of Oriental Mindoro**  
**MUNICIPALITY OF NAUJAN**  
**BALANCE SHEET**  
As of December 31, 2010  
(With Comparative Figures for CY 2009)

	<b>2010</b>	<b>2009</b>
Total Office Equipment, Furniture and Fixtures	<b>14,009,632.96</b>	<b>13,343,935.62</b>
<b>MACHINERIES AND EQUIPMENT</b>		
Agricultural, Fishery and Forestry Equipment	798,714.14	718,690.38
Communication Equipment	1,692,488.09	1,733,552.16
Construction and Heavy Equipment	8,364,618.67	7,097,423.67
Firefighting Equipment and Accessories	86,559.34	108,503.86
Medical, Dental and Laboratory Equipment	134,193.11	151,713.11
Military and Police Equipment	18,186.06	22,162.74
Sports Equipment	18,856.25	21,106.25
Technical and Scientific Equipment	2,490,603.41	2,851,905.77
Other Machineries and Equipment	1,262,479.04	1,358,357.03
Total Machineries and Equipment	<b>14,866,698.11</b>	<b>14,063,414.97</b>
<b>TRANSPORTATION EQUIPMENT</b>		
Motor Vehicles	20,908,500.07	19,712,707.04
Watercrafts	485,368.47	449,627.12
Total Transportation Equipment	<b>21,393,868.54</b>	<b>20,162,334.16</b>
<b>OTHER PROPERTY, PLANT AND EQUIPMENT</b>		
Other Property, Plant and Equipment	1,449,733.97	1,335,062.61
Total Other Property, Plant and Equipment	<b>1,449,733.97</b>	<b>1,335,062.61</b>
<b>PUBLIC INFRASTRUCTURES</b>		
Roads, Highways and Bridges	-	5,240,934.50
Artesian, Wells, Reservoirs, Pumping Stations and Conduits	-	1,376,178.00
Irrigation, Canals and Laterals	-	2,139,936.66
Flood Controls	-	46,499.00
Total Public Infrastructure	<b>-</b>	<b>8,803,548.16</b>
<b>REFORESTATION PROJECTS</b>		
Reforestation - Upland	24,222.00	24,222.00
Total Reforestation Projects	<b>24,222.00</b>	<b>24,222.00</b>
<b>CONSTRUCTION IN PROGRESS</b>		
Public Infrastructures/Reforestation Projects		
Construction in Progress -Roads, Highways and Bridges	46,620.00	1,277,848.50
Construction in Progress -Plazas, Parks and Monuments	193,755.00	
Construction in Progress -Artesian, Wells, Reservoirs, Pumping Stations and Conduits	2,709,394.10	429,836.00
Construction in Progress - Irrigation, Canals and Laterals	156,843.82	341,947.82
Construction in Progress - Flood Controls	755,165.50	789,085.00
Construction in Progress - Waterways, Aqueducts, Seawalls River Walls and Others	69,825.00	110,044.00
Construction in Progress - Other Public Infrastructures		244,788.22
Total Construction in Progress	<b>3,931,603.42</b>	<b>3,193,549.54</b>
Total Property, Plant and Equipment	<b>162,158,822.66</b>	<b>163,506,656.10</b>
<b>OTHER ASSETS</b>		
Other Assets (Note 6)	132,869.56	132,869.56
Total Other Assets	132,869.56	132,869.56
<b>TOTAL ASSET</b>	<b>P 256,405,066.25</b>	<b>P 245,104,437.25</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES (Note 7)</b>		
Payable Accounts		
Accounts Payable	P 8,884,521.38	P 11,484,448.00

**Province of Oriental Mindoro**  
**MUNICIPALITY OF NAUJAN**  
**BALANCE SHEET**  
As of December 31, 2010  
(With Comparative Figures for CY 2009)

	<b>2010</b>	<b>2009</b>
Due to Officers and Employees	1,547,441.42	641,191.81
Inter-Agency Payables		
Due to National Treasury	4,360.00	6,489.25
Due to BIR	844,519.81	863,561.02
Due to GSIS	905,096.72	778,697.39
Due to PAG-IBIG	171,221.80	151,206.96
Due to PHILHEALTH	17,257.03	17,257.03
Due to Other NGAs	89,230.08	89,230.08
Due to Other GOCCs	6,275.15	4,685.10
Due to LGUs	2,952,501.84	2,647,646.70
Intra-Agency Payables		
Due to Other Funds	499,133.89	355,507.92
Other Liability Accounts		
Guaranty Deposits Payable	355,840.00	441,819.79
Performance/Bidders/Bail Bonds Payable	498,705.92	762,122.17
Other Payables	3,601,921.70	2,368,605.94
Total Current Liabilities	<b>20,378,026.74</b>	<b>20,612,469.16</b>
<b>TOTAL LIABILITIES</b>	<b>20,378,026.74</b>	<b>20,612,469.16</b>
<b>DEFERRED CREDITS</b>		
Other Deferred Credits	1,654,704.64	1,654,704.64
Total Deferred Credits	<b>1,654,704.64</b>	<b>1,654,704.64</b>
<b>EQUITY</b>		
Government Equity - Beg.	222,837,263.45	193,773,604.07
Add: Retained Operating Surplus:		
Current Operations	25,607,891.05	29,232,295.29
Prior Year's Adjustments	2,553,982.79	(21,500.00)
Less: Transfer to Registry		
Public Infrastructures	(16,473,123.53)	
Prior Year's Adjustments		(147,135.91)
Other Adjustments	(153,678.89)	
Government Equity, End (Note 8)	<b>234,372,334.87</b>	<b>222,837,263.45</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱ 256,405,066.25</b>	<b>₱ 245,104,437.25</b>

(See accompanying Notes to Financial Statements)

**Province of Oriental Mindoro**  
**MUNICIPALITY OF NAUJAN**  
**STATEMENT OF INCOME AND EXPENSES**  
**For the Year Ended December 31, 2010**  
**(With Comparative Figures for CY 2009)**

	<b>2010</b>	<b>2009</b>
<b>TAX REVENUE</b>		
Local Taxes		
Amusement Tax		-
Business Tax	P 1,701,529.07	P 1,521,871.20
Community Tax	801,225.22	796,425.96
Franchise Tax	68,690.00	90,314.00
Real Property Tax	2,132,560.73	2,068,789.11
Less: Discount on Real Property Tax	(127,507.64)	(121,436.51)
Special Education Tax	2,516,371.56	2,514,883.65
Tax on Delivery Trucks and Vans	-	650,995.03
Tax on Sand, Gravel and Other Quarry Products	660,612.84	-
Other Local Taxes	-	2,000.00
Fines and Penalties- Local Taxes	109,782.51	106,340.25
Total Local Taxes	<u><b>7,863,264.29</b></u>	<u><b>7,630,182.69</b></u>
<b>GENERAL INCOME ACCOUNTS</b>		
Internal Revenue Allotment	125,344,718.00	118,131,272.00
Permits and Licenses		
Fees on Weights and Measures	51,527.00	56,339.00
Permit Fees	979,325.03	918,474.58
Registration Fees	497,740.00	488,410.00
Total Permits and Licenses	<u><b>126,873,310.03</b></u>	<u><b>119,594,495.58</b></u>
Service Income		
Clearance and Certification Fees	546,402.00	549,080.00
Garbage Fees	44,900.00	39,916.00
Inspection Fees	152,549.84	125,000.00
Other Services Income	78,448.25	113,538.63
Total Service Income	<u><b>822,300.09</b></u>	<u><b>827,534.63</b></u>
Business Income		
Income from Cemetery Operations	100,475.00	99,275.00
Income from Dormitory Operations	447,200.00	599,300.00
Landing and Parking Fees	197,561.00	163,439.00
Income from Markets	856,476.25	908,110.00
Income from Slaughterhouse	553,596.80	589,093.00
Income from Transportation System	14,004.00	7,002.00
Rent Income	-	1,000.00
Tuition Fees	66,560.00	13,970.00
Other Business Income	239,322.00	529,646.00
Total Business Income	<u><b>2,475,195.05</b></u>	<u><b>2,910,835.00</b></u>
Other Income		
Income from Grants and Donations	-	1,065,000.00
Interest Income	1,543,320.19	1,295,247.69
Share from PAGCOR/PCSO	701,887.51	987,082.86
Miscellaneous Income	577,048.10	309,531.51
Total Other Income	<u><b>2,822,255.80</b></u>	<u><b>3,656,862.06</b></u>
<b>TOTAL OPERATING INCOME (Note 9)</b>	<u><b>P 140,856,325.26</b></u>	<u><b>P 134,619,909.96</b></u>
<b>EXPENSES</b>		
PERSONAL SERVICES		
Salaries and Wages		
Salaries and Wages - Regular	P 29,096,870.65	P 24,685,425.08
Salaries and Wages - Casual	2,115,003.62	3,629,710.40

**MUNICIPALITY OF NAUJAN**  
**STATEMENT OF INCOME AND EXPENSES**  
**For the Year Ended December 31, 2010**  
**(With Comparative Figures for CY 2009)**

	<b>2010</b>	<b>2009</b>
Salaries and Wages - Contractual	-	7,276.85
Personnel Economic Relief Allowance (PERA)	4,263,871.52	963,088.99
Additional Compensation (ADCOM)	-	3,103,294.61
Representation Allowance (RA)	1,598,490.00	1,572,390.00
Transportation Allowance (TA)	1,504,620.00	1,506,780.00
Clothing/Uniform Allowance	716,000.00	708,000.00
Subsistence, Laundry and Quarter Allowance	316,276.94	308,371.20
Productivity Incentive Allowance	292,000.00	210,000.00
Honoraria	-	3,600.00
Hazard Pay	1,084,809.20	967,299.95
Overtime and Night Pay	345,000.00	147,294.42
Cash Gift	995,875.00	1,284,156.40
Year End Bonus	2,449,159.32	2,480,032.00
Personnel Benefits Contributions		
Life and Retirement Insurance Contributions	3,485,164.97	2,960,448.85
PAG-IBIG Contributions	665,998.26	553,925.11
PHILHEALTH Contributions	351,162.50	295,303.75
ECC Contributions	195,045.78	181,420.27
Other Personnel Benefits		
Terminal Leave Benefits	1,524,820.17	340,896.17
Other Personnel Benefits	1,710,000.00	1,529,898.77
<b>Total Personal Services</b>	<b>52,710,167.93</b>	<b>47,438,612.82</b>
<b>MAINTENANCE AND OTHER OPERATING EXPENSES</b>		
Travelling Expenses		
Travelling Expenses - Local	1,718,662.03	1,829,515.12
Training and Scholarship Expenses		
Training Expenses	495,918.75	639,616.00
Supplies and Material Expenses		
Office Supplies Expense	3,056,936.56	2,559,100.77
Accountable Forms Expenses	139,687.90	169,911.08
Animal/Zoological Supplies Expenses	24,028.00	1,120.00
Drugs and Medicines Expenses	1,562,560.60	1,492,033.25
Medical, Dental and Laboratory Supplies Expenses	603,913.50	344,596.00
Gasoline, Oil and Lubrication Expenses	6,107,895.88	6,192,710.17
Agricultural Supplies Expenses	197,619.53	439,012.34
Textbooks and Instructional Materials Expenses	411,472.80	1,829,454.05
Other Supplies Expenses	278,712.75	710,101.42
Utility Expenses		
Water Expenses	371,977.35	421,388.80
Electricity Expenses	2,902,139.98	2,734,833.01
Cooking Gas Expenses	22,163.48	2,280.00
Communication Expenses		
Postage and Deliveries	2,226.00	315.00
Telephone Expenses - Landline	233,063.44	237,627.91
Telephone Expenses - Mobile	526,719.06	538,247.62
Internet Expenses	39,891.23	25,051.22
Cable, Satellite, Telegraph and Radio Expenses	24,987.24	21,504.00
Membership Dues and Contributions to Organizations	86,000.00	25,000.00
Advertising Expense	195,000.00	195,000.00
Printing and Binding Expenses	288,976.50	97,000.00
Rent Expenses	5,000.00	75,400.00

**MUNICIPALITY OF NAUJAN**  
**STATEMENT OF INCOME AND EXPENSES**  
**For the Year Ended December 31, 2010**  
**(With Comparative Figures for CY 2009)**

	<b>2010</b>	<b>2009</b>
Representation Expenses	-	29,610.00
Transportation and Delivery Expenses	2,092.96	2,384.40
Subscriptions Expenses	200.00	4,900.00
<b>Total</b>	<b>19,297,845.54</b>	<b>20,617,712.16</b>
Professional Services		-
Legal Services		-
Auditing Services	84,912.91	75,324.50
Environment/Sanitary Services	603,337.58	817,667.76
General Services	1,242,217.93	844,590.73
Janitorial Services	996,780.05	492,535.75
Security Services	315,376.18	466,813.42
Other Professional Services	1,182,497.02	808,963.28
<b>Total Professional Services</b>	<b>4,425,121.67</b>	<b>3,505,895.44</b>
Repairs and Maintenance		
Land and Improvements		
Repairs and Maintenance - Electrification, Power and Energy Structures	110,898.50	104,163.50
Buildings		
Repairs and Maintenance - Office Buildings	542,012.48	347,042.86
Repairs and Maintenance - School Buildings	217,374.00	382,738.86
Repairs and Maintenance - Hospitals and Health Centers	-	88,963.00
Repairs and Maintenance - Markets and Slaughterhouses	107,285.61	411,473.64
Repairs and Maintenance - Other Structures	482,009.10	705,559.75
Leasehold Improvements		
Office Equipment, Furniture and Fixtures		
Repairs and Maintenance - Office Equipment	40,700.97	41,559.00
Repairs and Maintenance - Furniture and Fixtures	71,700.00	7,319.00
Repairs and Maintenance - IT Equipment and Software	20,410.00	54,340.00
Machineries and Equipment		
Repairs and Maintenance - Agricultural, Fishery and Forestry Equipment	58,731.50	47,092.00
Repairs and Maintenance - Communication Equipment	29,370.00	4,270.00
Repairs and Maintenance - Construction and Heavy Equipment	4,302,718.30	3,735,295.65
Repairs and Maintenance - Medical, Dental and Laboratory Equipment	1,700.00	-
Repairs and Maintenance - Other Machineries and Equipment	13,790.00	72,546.00
Transportation Equipment		
Repairs and Maintenance - Motor Vehicles	1,309,061.81	1,256,009.18
Repairs and Maintenance - Watercrafts	-	10,846.50
<b>Total Repair and Maintenance</b>	<b>7,307,762.27</b>	<b>7,269,218.94</b>
Other Property, Plant and Equipment		
Repairs and Maintenance - Other Property, Plant and Equipment		-
Public Infrastructures		
Repairs and Maintenance - Roads, Highways and Bridges	1,834,755.74	2,542,887.74
Repairs and Maintenance - Plazas, Parks and Monuments	232,313.13	20,610.00
Repairs and Maintenance - Other Public Infrastructures	16,870.00	6,000.00
<b>Total Public Infrastructures</b>	<b>2,083,938.87</b>	<b>2,569,497.74</b>
Confidential, Intelligence, Extraordinary and Miscellaneous Expenses		-
Confidential Expenses	40,203.00	32,789.00
Miscellaneous Expenses	-	88,080.50
Fidelity Bond Premiums	23,241.50	23,972.75
Insurance Expenses	477,025.06	369,653.44

**MUNICIPALITY OF NAUJAN**  
**STATEMENT OF INCOME AND EXPENSES**  
**For the Year Ended December 31, 2010**  
**(With Comparative Figures for CY 2009)**

	<b>2010</b>	<b>2009</b>
Total	<b>540,469.56</b>	<b>514,495.69</b>
Non-Cash Expenses		
Depreciation		
Land Improvements		
Depreciation - Land Improvements	2,405,385.98	2,333,619.56
Depreciation - Electrification, Power and Energy Structures	653,711.52	415,240.84
Buildings		
Depreciation - Office Buildings	667,968.46	647,951.96
Depreciation - School Buildings	297,851.08	268,100.95
Depreciation - Hospitals and Health Centers	36,652.32	36,652.32
Depreciation - Markets and Slaughterhouses	296,008.09	294,968.88
Depreciation -Other Structures	731,514.22	520,947.18
Office Equipment, Furniture and Fixtures		
Depreciation -Office Equipment	231,362.26	182,383.78
Depreciation -Furniture and Fixtures	319,256.30	259,699.34
Depreciation - IT Equipment	1,102,007.74	953,828.38
Depreciation -Library Books	1,551.72	80.28
Machineries and Equipment		
Depreciation - Agricultural, Fishery and Forestry Equipment	60,456.24	46,324.74
Depreciation -Communication Equipment	112,037.07	71,550.35
Depreciation -Construction and Heavy Equipment	1,130,805.00	895,230.00
Depreciation -Firefighting Equipment and Accessories	21,944.52	21,944.52
Depreciation - Medical, Dental and Laboratory Equipment	17,520.00	13,057.74
Depreciation - Military and Police Equipment	3,976.68	3,976.68
Depreciation - Sports Equipment	2,250.00	4,800.00
Depreciation - Technical and Scientific Equipment	361,302.36	361,302.36
Depreciation -Other Machineries and Equipment	215,722.99	209,635.24
Transportation and Equipment		
Depreciation - Motor Vehicles	410,909.91	299,262.67
Depreciation -Watercrafts	42,296.65	32,007.77
Other Property, Plant and Equipment		
Depreciation- Other Property, Plant and Equipment	105,395.64	88,916.96
Total Non-Cash Expenses	<b>9,227,886.75</b>	<b>7,961,482.50</b>
Other Maintenance and Operating Expenses		
Other Maintenance and Operating Expenses	14,012,288.06	9,859,901.57
<b>TOTAL OPERATING EXPENSES (Note 10)</b>	<b>109,605,480.65</b>	<b>99,736,816.86</b>
<b>INCOME FROM OPERATIONS</b>	<b>31,250,844.61</b>	<b>34,883,093.10</b>
Income before Subsidies, Donations and Extraordinary Items		
Add: Subsidy from Other National Government Agencies (Note 9)	550,000.00	4,120,250.00
Total	<b>550,000.00</b>	<b>4,120,250.00</b>
Less: Subsidy to National Government Agencies		
Subsidy to Local Government Units	70,000.00	70,000.00
Subsidy to NGOs/Pos	50,000.00	312,800.00
Donations	6,072,953.56	9,388,247.81
Total (Note 10)	<b>6,192,953.56</b>	<b>9,771,047.81</b>
Income before Extraordinary Items	(5,642,953.56)	(5,650,797.81)
<b>NET INCOME</b>	<b>P 25,607,891.05</b>	<b>P 29,232,295.29</b>

(See accompanying Notes to Financial Statements)

**Province of Oriental Mindoro**  
**MUNICIPALITY OF NAUJAN**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2010**  
**(With Comparative Figures for CY 2009)**

	<b>2010</b>	<b>2009</b>
Cash Flows From Operating Activities		
Cash Inflows		
Share from Internal Revenue Allotment	₱ 125,344,718.00	₱ 118,131,272.00
Collection from Taxpayers	22,204,281.16	21,903,880.43
Receipts from sale of goods and services	1,543,320.19	-
Interest Income	-	1,295,247.69
Dividend Income	-	-
Other Receipts	11,077,537.54	21,723,553.66
Total Cash Inflows	<u><b>160,169,856.89</b></u>	<u><b>163,053,953.78</b></u>
Cash Outflows		
Payments to -		
Suppliers/Creditors	29,960,968.25	43,725,925.46
Employees	53,975,600.61	47,116,549.97
Interest Expenses	-	-
Other Disbursements	40,295,673.87	47,878,976.94
Total Cash Outflows	<u><b>124,232,242.73</b></u>	<u><b>138,721,452.37</b></u>
Cash Provided by (Used In)	<u><b>35,937,614.16</b></u>	<u><b>24,332,501.41</b></u>
Cash Flows From Investing Activities		
Cash Inflows		
Sale of Property, Plant and Equipment	-	-
Sale of Debt Securities of Other Entities	-	-
Collection of Principal on Loans to Other Entities	-	-
Total Cash Inflows	<u>-</u>	<u>-</u>
Cash Outflows		
Purchase of Property, Plant and Equipment and Public Infrastructures	23,316,445.18	18,798,483.48
Purchase of Debt Securities of Other Entities	-	-
Grant/Loans to Other Entities	-	-
Total Cash Outflows	<u><b>23,316,445.18</b></u>	<u><b>18,798,483.48</b></u>
Cash Provided by (Used In)	<u><b>(23,316,445.18)</b></u>	<u><b>(18,798,483.48)</b></u>
Cash Flows From Financing Activities		
Cash Inflows		
Issuance of Debt Securities	-	-
Acquisition of Loan	-	-
Total Cash Inflows	<u>-</u>	<u>-</u>
Cash Outflows		
Retirement/Redemption of Debt Securities	-	-
Payment of Loan Amortization	-	-
Total Cash Outflows	<u>-</u>	<u>-</u>

Cash Provided by (Used In)	-	-
Net Cash Provided By (Used In)	<b>12,621,168.98</b>	<b>5,534,017.93</b>
Cash at the Beginning of the Period	76,435,872.56	70,901,854.63
<b>Cash at the End of the Period (Note 3)</b>	<b>P 89,057,041.54</b>	<b>P 76,435,872.56</b>

(See accompanying Notes to Financial Statements)

## NOTES TO FINANCIAL STATEMENTS

### 1. 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 confirmed it on January 4, 1905 under Act No. 1280.

Like other LGUs, the Municipal Government of Naujan thrust on programs and projects that will continuously uphold the promotion of municipal-wide or countryside development aimed at uplifting the quality of life of its constituents. These priority projects are divided into sectoral components like economic sector, social services, infrastructure and local administration. Economic sector includes agriculture and livelihood projects, tourism, environment related projects and those which are related to commerce and industry. Social services are focused on the needs of indigent families as victim of man-made and natural calamities. It also includes provision of quality health services, promote sanitation and nutrition in the grassroots level, provide facilities for sports and other recreational activities, and involvement of the youth and children to ensure the sustainability of Sports Development Program. On the other hand, Infrastructure includes various projects which will facilitate the transport of prime commodities from the barangay to the nearest commercial center; construction of school buildings for elementary and secondary as well as other structure necessary for the good of the community. Lastly, Local Administration aims to ensure that the management provide effective fiscal management and administration.

There was a new set of officials brought by the May 2010 national and local election, headed by Honorable Maria Angeles Caranzo-Casubuan who won as Vice-Mayor but, as she was always saying, became the Municipal Mayor of Naujan thru *Divine Intervention* due to the unexpected death of the winning Mayor, late Honorable Romar G. Marcos.

The Municipality's fund is composed of the 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Financial Statements Preparation

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. The denomination used is the Philippine Currency which is Peso.

## **2.2 Accounting Policy Observed for each Account**

2.2.1 The Municipality uses the accrual method of accounting on Real Property Taxes where at the start of the year, receivables are being set up for estimated tax revenues.

2.2.2 *Property, Plant, and Equipment* are carried at historical cost. Infrastructures under construction in-progress are valued following the construction period theory.

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* accounts and recorded in the Registry of Public Infrastructure/Reforestation projects.

The straight line method of depreciation is followed. For equipment, vehicles and other assets subject to depreciation, a residual value computed at ten percent (10%) of the cost of asset is set and depreciation is charged on the month following the date of purchase.

2.2.3 Accounts Payable account is used to record unpaid obligations to suppliers/creditors which payment were not effected in the current year.

Due to Officers and employees is used to record obligations due to employees for transactions which were not paid in the current year.

Due to GSIS, Pag-IBIG and other agencies is used to record mandatory employees' payroll deductions and government shares which will be paid in the succeeding period.

Due to GOCC's is used to record employees loan accounts with DBP, LBP, UCPB and other financial institutions.

2.2.4 Other deferred credits are contra-account of the Office Supplies Inventory which arise as a result of reclassification to conform with the new chart of account used in NGAS. This account is not used for a long period.

2.2.5 Prior year's adjustments were used to adjust prior year's transaction. Current year's adjustments are charged to appropriate accounts.

**3. Cash** **₱ 89,057,041.54**

This account is broken down as follows:

	<u><b>2010</b></u>	<u><b>2009</b></u>
General Fund		
Cash in Vault	₱ 0.00	₱ 431,007.94
Cash-Collecting Officer	43,263.21	43,262.81
Cash in Bank		
DBP Current Account No. 0605-012989-030	9,801,426.97	4,885,897.52
Time Deposit Accounts(Renewable monthly)	<u>71,840,174.58</u>	<u>64,840,174.58</u>
TOTAL	<u>81,684,864.76</u>	<u>70,200,342.85</u>
Special Education Fund		
Cash in Bank		
DBP Current Account No. 0605-012996-030	1,185,350.68	926,718.23
Time Deposit Accounts(Renewable monthly)	<u>1,500,000.00</u>	<u>1,500,000.00</u>
TOTAL	<u>2,685,350.68</u>	<u>9,426,718.23</u>
Trust Fund		
Cash in Bank		
DBP Current Account No. 0605-012996-030(LGU)	3,630,201.17	2,115,620.01
DBP Current Account No. 0605-012997-030(Brgy)	202,122.64	843,643.28
DBP Current Account No. 0605-012990-030(CDF)	93,730.48	88,776.38
Time Deposit Accounts (renewable monthly)	<u>760,771.81</u>	<u>760,771.81</u>
TOTAL	<u>4,686,826.10</u>	<u>3,808,811.48</u>
<b>TOTAL</b>	<u><b>₱ 89,057,041.54</b></u>	<u><b>₱ 76,435,872.56</b></u>

*Cash, Collecting Officer* represents cash collections in the last days of December 2010 which were remitted and deposited on January 3, 2011.

**4. Receivables** **₱ 2,323,868.43**

This account includes the following:

	<u><b>2010</b></u>	<u><b>2009</b></u>
General Fund	₱ 2,208,540.14	₱ 2,221,246.68
Special Education Fund	107.00	107.00
Trust Fund	<u>115,221.29</u>	<u>115,221.29</u>
<b>TOTAL</b>	<u><b>₱ 2,323,868.43</b></u>	<u><b>₱ 2,336,574.97</b></u>

**5. Property, Plant and Equipment** **₱ 162,158,822.72**

This account consists of the following:

	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>Land and Land Improvements</b>		
General Fund	₱ 52,613,007.37	₱ 48,002,061.72
Special Education Fund	0.00	0.00
Trust Fund	27,200.00	27,200.00
<b>Buildings</b>		
General Fund	₱ 61,342,268.24	₱ 57,139,235.40

Special Education Fund	1,379,905.14	1,202,317.34
Trust Fund	7,631,597.24	7,631,597.24
<b>Office Equipment, Furniture &amp; Fixtures</b>		
General Fund	17,912,686.50	15,673,167.14
Special Education Fund	2,642,502.45	2,572,502.45
Trust Fund	0.00	0.00
<b>Machineries &amp; Equipment</b>		
General Fund	23,358,221.02	20,658,666.02
Special Education Fund	50,943.00	21,200.00
Trust Fund	0.00	0.00
<b>Transportation and Equipment</b>		
General Fund	23,001,158.12	21,973,020.12
Special Education Fund	0.00	0.00
Trust Fund	0.00	0.00
<b>Other Property, Plant and Equipment</b>		
General Fund	1,714,363.18	1,494,296.18
Special Education Fund	69,700.00	69,700.00
Trust Fund	0.00	0.00
<b>Reforestation Projects</b>		
General Fund	24,222.00	24,222.00
Special Education Fund	0.00	0.00
Trust Fund	0.00	0.00
<b>Public Infrastructure</b>		
General Fund	0.00	8,803,548.16
Special Education Fund	0.00	0.00
Trust Fund	0.00	0.00
<b>Construction in Progress</b>		
General Fund	3,931,603.42	3,193,549.54
Special Education Fund	0.00	0.00
Trust Fund	<u>0.00</u>	<u>0.00</u>
<b>Gross Totals</b>		
General Fund	₱ 183,897,529.85	₱ 176,961,766.28
Special Education Fund	4,143,050.59	3,865,719.79
Trust Fund	<u>7,658,797.24</u>	<u>7,658,797.24</u>
Totals	<u>₱ 195,699,377.68</u>	<u>₱ 188,486,283.31</u>
Less: Accumulated Depreciation		
General Fund	₱ 32,963,924.71	₱ 24,568,687.04
Special Education Fund	576,630.25	410,940.17
Trust Fund	<u>0.00</u>	<u>0.00</u>
Total Accumulated Depreciation	<u>₱ 33,540,554.96</u>	<u>₱ 24,979,627.21</u>
<b>NET BOOK VALUE:</b>		
General Fund	₱ 150,933,605.14	₱ 152,393,079.24
Special Education Fund	3,566,420.34	3,454,779.62
Trust Fund	<u>7,658,797.24</u>	<u>7,658,797.24</u>
Totals	<u>₱ 162,158,822.72</u>	<u>₱ 163,506,656.10</u>

Increase in PPE was due to purchase of two (2) light vehicles, procurement of computers and other office equipment distributed in different departments, and

construction/renovation of municipal buildings, while decreases were due to the provision for depreciation in some PPE.

**6. Other Assets P 132,869.56**

	<u>2010</u>	<u>2009</u>
General Fund	P 132,869.56	P 132,869.56

This account was maintained but no information is available as to its nature.

**7. Current Liabilities P20,378,026.74**

	<u>2010</u>	<u>2009</u>
General Fund	P 15,306,031.76	P 16,346,237.41
Special Education Fund	217,610.09	289,861.48
Trust Fund	4,854,384.89	3,976,370.27
Total	<u>P 20,378,026.74</u>	<u>P 20,612,469.16</u>

**8. Government Equity P 234,372,334.87**

This account includes the following:

	<u>2010</u>	<u>2009</u>
Government Equity, Beginning		
General Fund	P 209,639,060.34	P 181,287,636.82
Special Education Fund	5,591,743.37	4,879,507.51
Trust Fund	7,606,459.74	7,606,459.74
Sub-totals	<u>222,837,263.45</u>	<u>193,773,604.07</u>
Add: Retained Operating Surplus		
General Fund	25,011,687.60	28,372,923.52
Special Education Fund	596,203.45	859,371.77
Trust Fund	0.00	0.00
Sub-totals	<u>25,607,891.05</u>	<u>29,232,295.29</u>
Add: Prior Year's Adjustment		
General Fund	2,553,982.79	21,500.00
Special Education Fund	0.00	0.00
Trust Fund	0.00	0.00
Sub-totals	<u>2,553,982.79</u>	<u>21,500.00</u>
Total		
General Fund	237,204,730.73	209,639,060.34
Special Education Fund	6,187,946.82	5,738,879.28
Trust Fund	7,606,459.74	7,606,459.74
Sub-totals	<u>250,999,137.29</u>	<u>222,984,399.36</u>
Less: Transfer to Registry		
General Fund	16,473,123.53	0.00
Special Education Fund	0.00	0.00
Trust Fund	0.00	0.00
Sub-totals	<u>16,473,123.53</u>	<u>0.00</u>
Prior Year's Adjustments		
General Fund	0.00	0.00
Special Education Fund	153,678.89	147,135.91

Trust Fund	0.00	0.00
Sub-totals	<u>153,678.89</u>	<u>147,135.91</u>
<b>Government Equity, End</b>	<b>220,731,607.20</b>	<b>209,639,060.34</b>
<b>Special Education Fund</b>	<b>6,034,267.93</b>	<b>5,591,743.37</b>
<b>Trust Fund</b>	<b>7,606,459.74</b>	<b>7,606,459.74</b>
<b>Sub-totals</b>	<b><u>P234,372,334.87</u></b>	<b><u>P 222,837,263.45</u></b>

**9. Income Accounts** **P 141,406,325.26**

These include the following:

	<u>2010</u>	<u>2009</u>
General Fund	P 138,889,953.70	P 136,225,276.31
Special Education Fund	<u>2,516,371.56</u>	<u>2,514,883.65</u>
Total	<u>P 141,406,325.26</u>	<u>P 138,740,159.96</u>
Operating Income	P 140,856,325.26	
Subsidy Income	<u>550,000.00</u>	
Total	<u>P 141,406,325.26</u>	

**10. Expense Accounts** **P 115,798,434.21**

These are comprised of the following:

	<u>2010</u>	<u>2009</u>
General Fund	P 113,878,266.10	P 107,852,352.79
Special Education Fund	<u>1,920,168.11</u>	<u>1,655,511.88</u>
Total	<u>P 115,798,434.21</u>	<u>P 109,507,864.67</u>
Operating Income	P 109,605,480.65	
Subsidy Income	<u>6,192,953.56</u>	
Total	<u>P 115,798,434.21</u>	

**11. Sources and Applications of Funds**

	<u>2010</u>	<u>2009</u>
Current Appropriation		
Appropriations	P 160,796,482.26	P 130,695,998.00
Allotments	<u>160,796,482.26</u>	<u>124,522,712.50</u>
Allotment Balances	0.00	6,173,285.50
Obligations	<u>117,159,537.70</u>	<u>102,261,260.62</u>
Unobligated Balances	<u>43,636,944.56</u>	<u>22,261,451.88</u>
Continuing Appropriation		
Appropriations	<u>32,127,068.32</u>	<u>15,517,740.51</u>
Allotments	<u>32,127,068.32</u>	<u>15,418,051.51</u>
Allotment Balances	0.00	99,689.00
Obligations	<u>14,762,652.27</u>	<u>6,991,759.52</u>
Unobligated Balances	<u>17,364,416.05</u>	<u>8,426,291.99</u>
Totals		
Appropriations	<u>P 192,923,550.58</u>	<u>P 146,213,738.51</u>
Allotments	<u>P 192,923,550.58</u>	<u>P 139,940,764.01</u>
Allotment Balances	0.00	6,272,974.50
Obligations	<u>131,922,189.97</u>	<u>109,253,020.14</u>
Unobligated Balances	<u>P 61,001,360.61</u>	<u>P 30,687,743.87</u>

## DETAILED FINDINGS AND RECOMMENDATIONS

### I. FINANCIAL AND COMPLIANCE AUDIT

#### Non-Completion of Property, Plant and Equipment Inventory

1. **The balance of ₱162.16 million of the *Property, Plant & Equipment* account is of doubtful validity because of the Municipality's failure to conduct the physical inventory of its fixed assets in violation of Section 124 of the NGAS Manual, Volume 1.**

For the past several years, provision of Section 124 of the NGAS Manual, Volume 1, requiring the periodic physical inventory of property, has been disregarded, thus the reiteration of this observation this year.

The former Municipal Mayor created a new team to conduct physical inventory when the former team failed to complete its undertaking in 2009, however, it was unfortunate that due to change in local administration brought by May 2010 election, the team again failed to complete its inventory taking.

The Municipal Accountant brought this to the attention of the Municipal Mayor but due to other equally important tasks, this activity has not been given preferential attention.

Non-rendition of a complete inventory report as of year-end and maintenance of Property Stock Cards made it impossible for the audit team to perform alternative measures to verify the validity of the *Property, Plant and Equipment* account balance of ₱162,158,822.66 which comprises 63.24% of the total assets as of CY 2010.

We recommended that the General Services Officer maintain and update the stock cards and the Municipal Accountant maintain the ledger cards to facilitate the conduct of the physical inventory taking and render the RPCPPE not later than January 31 of each year.

#### Inclusion of Unserviceable Property in the Property, Plant and Equipment account

2. **Unserviceable property such as heavy equipments and service vehicles with estimated undepreciated cost of ₱4.07 million were still included in the *Property, Plant and Equipment (PPE)* account of the Municipality contrary to COA Circular 2004-008 dated September 20, 2004, resulting to overstatement of total PPE.**

COA Circular 2004-008 dated September 20, 2004 prescribes the use of accounts which includes a provision that all unserviceable properties awaiting disposal shall be classified as *Other Assets*.

Upon verification it was found out that heavy equipments and service vehicles with estimated costs of ₱4,074,900.00 acquired since 1986 and had been unserviceable for several years are still included in the PPE account of the Municipality. The subject property are also carried at cost (See Annex 5).

Failure of the agency to depreciate and reclassify them as *Other Assets* resulted in overstatement of *PPE* account of the Municipality, as well as the Government Equity account.

The Municipal Accountant reasoned out that she wasn't able to apply depreciation on the property due to absence of documents that she could use as bases for depreciation, and the transfer of the amounts to the Other Assets account was not made in CY 2010 because the municipality already planned and prepared for the disposal of the aforementioned unserviceable property. But due to documentary requirements the disposal was not made during the year. She promised, however, to effect the transfer of the amounts to Other Assets account in the ensuing year.

We reiterated our recommendation that the Municipal Accountant should effect the transfer of unserviceable property with estimated cost of ₱4.07 million to *Other Assets* account and the Municipal General Services Officer to complete the documentary requirements for the disposal of said unserviceable vehicles and heavy equipments.

#### **Absence of Supplies Inventory's subsidiary records**

### **3. Part of the balance of the account *Supplies Inventory* of ₱1.79 million is of doubtful validity due to the absence of subsidiary records in violation of Sections 70 and 72 of the NGAS Manual, Volume I resulting in overstatement of Supplies Inventory account.**

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 subsidiary records thus balance sheet figure is of doubtful validity. These pertain 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.

Despite our repeated recommendation to identify such semi-expendable items, this has not been acted upon by management. However, the committee conducting the inventory at the time assured us that they will adjust the records once they have determined all those unserviceable items and shall maintain stock/ledger cards for the identified items which are still usable.

Failure of the Accountant to maintain subsidiary records and the General Services Officer to maintain supply ledger cards and reconcile balance with the Supplies Inventory account shows doubtful account presented in the financial statements of the Municipality.

We recommended that the Municipal Accountant and General Services Officer should take action to verify whether or not the semi-expendable supplies of P1.79 million still exist. After which, proper accounting thereof should be made.

#### **Non-setting up of RPT/SET Receivable**

**4. Real Property Taxes (RPT) and Special Education Taxes (SET) Receivables were not set up at the beginning of the year, contrary to Section 20 of the Manual on New Government Accounting System, Volume I.**

As in the previous years, the Municipality failed to comply with the provisions of Section 20 of the Manual on New Government Accounting System, Volume I, on the setting up of the Real Property Tax Receivable at the start of the year and crediting to Deferred Real Property Taxes.

During the year, the Municipal Accountant implemented the cash method of accounting for RPT/SET Collections. Though this procedure was disclosed in the notes to financial statements, still the provision of Section 19 (b) of Manual on the NGAS, a regulation prescribing the modified accrual method of accounting for real property taxes was disregarded.

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. However, she reasoned out that her failure to prepare RPT Account Register was due to the failure of the Assessor to update the tax mapping and to continue its computerization of Real Property Taxes.

The municipality failed to appreciate the importance of the provision that it would be a guide for setting up targets for collections that would drive the Treasury department to exert efforts and strategize to increase collections and benefit the constituents at the end.

We reiterated previous year's recommendation that the Municipal Treasurer shall coordinate with the Municipal Assessor 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.

#### **Non-submission of Copies of Contracts and Purchase Orders**

**5. Copies of Contracts/Purchase Orders/Letter Orders/Job Orders, together with their supporting documents and Notice of Deliveries of procured equipment, spare parts and construction materials were not submitted to the Commission on Audit for review and evaluation and inspection within the prescribed period, contrary to COA Circular Nos. 2009-00, 2009-002 and 95-006 dated February 12, 2009, May**

**18, 2009 and May 18, 1995, respectively, thereby depriving the management of the opportunity to be informed of the deficiencies, if any, at the earliest time possible.**

Commission on Audit Circular No. 2009-001 dated February 12, 2009 requires the submission of all contracts/purchase/letter orders, together with their supporting documents to the Commission on Audit within five (5) days after the perfection thereof for review and evaluation of the same. Paragraph 4.1 of the same Circular states that:

*“Any unjustified failure of the officials and employees concerned to comply with the requirements herein imposed shall be subject to the administrative disciplinary action provided in (a) Section 127 of Presidential Decree No. 1445; (b) Section 55, Title I-B, Book V of the Revised Administrative Code of 1987; and (c) Section 11 of Republic Act No. 6713.”*

Moreover, COA Circular No. 95-006 dated May 18, 1995 enumerates the duties and responsibilities of agency officials. Section 6.06 provides that:

*“the officials responsible for and in charge of accepting deliveries of procured items shall, within twenty-four (24) hours from such acceptance, notify the Auditor of the time and date of scheduled deliveries.”*

This is further emphasized in Section 6.9 of COA Circular No. 2009-002 dated May 18, 2009 requiring the agency officials concerned to furnish the Auditor with copies of delivery documents within twenty-four (24) hours after acceptance of deliveries of goods and services, **regardless of whether or not the transaction is subject to pre-audit.**

It was noted that copies of contracts/purchase/letter orders and their supporting documents were not submitted to the Auditor five (5) days after the perfection thereof for review and evaluation of the same. Most of the time, copies of contracts were submitted to COA only when the projects were about to finish or the contractors demanded for payment of the completed projects.

Management likewise failed to notify the Auditor of deliveries of procured equipment, spare parts and construction materials for timely inspection of the same. Documents pertaining to said procurement reached the office of the Auditor only upon submission of accounts as basic attachments to the disbursement vouchers or upon submission of vouchers subject to pre-audit.

Non-compliance with the above-cited regulations hindered the audit team to perform its duties relating to the evaluation of the transactions at the most appropriate time and manner. .

We recommended that the procuring office comply with the regulations and furnish the Auditor with the required copies of contract documents/purchase/letter/job orders and their supporting documents as well as notice of deliveries of procured items

within the prescribed period for the timely review, evaluation and inspection of the same.

## **20% Development Fund**

- 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 guidelines, 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.

Despite our reminder to refrain from utilizing the 20% development fund for maintenance and other operating expenses, the municipality still continued to charge such expenditure accounts, hence this reiteration.

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 appropriate, viable and sustainable developmental programs and projects, authorized under the fund. Likewise, economic development was hampered due to failure of the Agency to utilize these funds for development projects.

Management officials admitted the lapses and assured us that appropriate action shall be taken to correct the deficiency in the ensuing year.

We reiterated our previous year's recommendation that the Municipal Planning and Development Officer should adhere strictly with the provisions of Joint Memorandum Circular No. 1, s. 2005 of the DILG and DBM and the guidelines on the appropriation and utilization of the 20% of the Annual Internal Allotment (IRA) for programming for development projects. The Municipal Accountant should charge the proper expense/asset accounts for proper presentation in the financial statements.

**7. The Municipality incurred an expense of ₱440,665.00 for the repair of ten-wheeler dump truck with Plate No. WCJ-478 equivalent to 88.13% of the carrying value of ₱500,000.00 during the year which is considered beyond economic repair as emphasized under COA Circular 85-55A.**

The principle of economy and efficiency as explained under COA Circular No. 85-55A would mean that expenses on repair of heavy equipments may be considered beyond economic repair had they exceeded 50% of the value of the property.

During the year the municipality incurred an expense of ₱440,665.00 for the repair of ten-wheeler dump truck with Plate No. 478 which is equivalent to 88.13% of the carrying value of the said vehicle amounting to ₱500,000.00. In 2009, we noted this deficiency on the same property having an expense of ₱473,880.00 or 94.78% of its carrying value. We brought this to the attention of the concerned officials by issuing an Audit Observation Memorandum (AOM) No. 10-003 dated February 17, 2010, however, the management still continue to disregard our observation. Instead of providing fund for the purchase of one (1) new dump truck they again spent too much for the repair without any guaranty that the dump truck could be used for a longer time.

Had the municipality stopped spending for the repair of this heavy equipment and opted to dispose the same thru public auction, they could have saved a total amount of ₱914,545.00 for the repair and the proceeds from sale of this asset could have been used as additional fund for the purchase of a new unit.

We recommended that the agency refrain from incurring expenses for the repair of the ten-wheeler dump truck with Plate No. WCJ-478. We likewise suggested its disposal thru public auction and the proceeds on sale of this asset be used as additional fund to purchase a new unit in order to minimize expense on the part of the municipality.

**8. The General Services Officer and the Municipal Engineer failed to monitor the purchase of spare parts for heavy equipments which resulted in incurrence of expense amounting to ₱240,605.00 representing purchase of tires which could have been saved had the management been cautious enough to determine that the heavy equipment where said spare parts will be installed is still within the one-year warranty period.**

The General Services Officer (GSO) is required under Section 45, Volume II of New Government Accounting System Manual to maintain Property Card for each class of property, plant and equipment (PPE).

The Municipality purchased a Prime Mover self loader worth ₱834,000.00 with Plate No. RJK 830 on December 2009, however, we found out that they also purchased nine (9) tires with rim from Martinez Enterprises on July 2010 totaling ₱240,605.00 for the same heavy equipment. The team believes that said tires should have been claimed from the Supplier of Prime Mover issued a one-year warranty period for the said equipment. However, the municipality failed to claim from the Supplier for the damaged tires and released the security he posted for the delivery of equipment.

The agency officials concerned admitted their lapses and promised to closely monitor, inspect and supervise the procurement of spare parts to be used in government vehicles in order to avoid the same omission.

As a result, the municipality incurred unnecessary expenses in the purchase of tires which could have been provided by the supplier of the heavy equipment as it was covered by warranty or the performance security may have been forfeited had the supplier failed to replace the damaged tires.

We recommended that the GSO properly maintain the property card for each class of PPE to closely monitor the purchases made by the municipality. See to it that all items procured are within the Annual Procurement Plan of the municipality so as to avoid wastage of government funds. Damaged spare parts of the newly procured equipment should be reported and claimed from the Supplier, if warranted.

**9. 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-NCRFW 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-NEDA-NCRFW 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 for GAD in their 2010 annual budget under the MSWDO (Other MOOE), however this is far below the mandated amount of at least 5% of their total budget appropriations of ₱160,796,482.26 or a total of ₱68,039,824.11.

Management explained that their budget was very limited to fully comply with the DBM-NEDA-NCRFW Joint Circular but claimed that they implemented programs/activities to address the needs and problems of women and children in the locality which could likewise be classified as GAD related programs.

The audit team again recommended 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-NCRFW Joint Circular No. 2004-1.

### Part III - Status of Implementation of Prior Year's Audit Recommendations

Of the ten (10) audit recommendations, four (4) were fully implemented, one (1) was partially implemented and the remaining five (5) were not implemented. Details of which are shown below:

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
1. The balance of ₱163.51 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.	We reiterated our recommendation that the agency should facilitate the completion of the physical inventory taking and render a complete inventory report using the prescribed format.	AAR	The Municipal Mayor created a new team to conduct physical inventory this coming year.	Not implemented.	Change of administration.
2. Unserviceable property such as heavy equipment and service vehicles with estimated undepreciated cost of ₱4.07 million were still included in the Property, Plant and Equipment (PPE) account of the Municipality contrary to COA Circular 2004-008 dated September 20, 2004, resulting in overstatement of total PPE.	We recommended that the Municipal Accountant should effect the transfer of P4.07 million from PPE account to Other Assets account and the Municipal GSO to complete the documentary requirements for the disposal of said unserviceable vehicles and heavy equipment.		No action was taken by the Management.	Not implemented.	The management is in the process of completing documents and updating the appraisal of the unserviceable property as required by COA TAS.
3. Part of the balance of the account <i>Supplies Inventory</i> of ₱1.79 million is of doubtful validity due to the absence of subsidiary records in violation of Sections 70 and 72 of the NGAS Manual, Volume 1 resulting in overstatement of Supplies Inventory account.	Again, we recommended that the Municipal Accountant and the General Services Officer should coordinate and initiate action to verify whether or not the semi-expendable supplies of ₱1.79 million still exist. Actual physical count of all the properties including the semi-expendable supplies of the municipality should be prioritized to determine the actual			Not implemented.	Incomplete records and documents pertaining to Supplies Inventory.

	existence of the same. Also, the GSO should maintain stock/ledger cards for all supplies/property acquired.				
4. Real Property Taxes and Special Education Taxes Receivables were not set up at the beginning of the year, contrary to Section 20, NGAS Manual, Volume I.	We reiterated previous year's recommendation that the Municipal Treasurer shall coordinate with the Municipal Assessor in preparing the certified list of taxpayers that could serve basis of the Accountant to set up the correct RPT and SET receivables at the beginning of the year.			Not implemented.	Reassignment of Municipal Assessor to other division and non-completion of computerization program of RPT assessments.
5. The implementation of infrastructure projects "by administration" amounting to ₱3,158,692.53 had resulted in deficiencies totaling ₱786,735.27 and had not, therefore, been advantageous to the municipal government.	<p>We recommended that Municipality 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.</p> <p>As to projects with deficiencies, unfinished and/or abandoned, the Municipal Engineer's Office was directed to immediately act on them to avoid wastage of government funds. The team followed up the immediate settlement of disallowances in audit amounting to ₱786,735.27.</p>		The agency implemented several projects now by contract instead of by administration.	Fully implemented.	The Municipal Mayor made an appeal on the disallowance issued by the COA team.
6. Utilization of the 20% Development Fund was not in accordance with the	We reiterated our previous year's recommendation that for		Management partially directed its	Partially implemented.	

<p>“development” objectives envisioned in Joint Circular No. 1 s. 2005 of the DILG and DBM, thereby depriving the constituents of the Municipality of the benefit that could be obtained from the mandated development programs and projects.</p>	<p>the ensuing year, the municipal government should adhere strictly with 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. The Municipal Accountant should immediately effect reclassification of accounts for the proper presentation of the financial statements.</p>		<p>programs to development programs.</p>		
<p>7. The Municipality purchased medicine in the amount of ₱220,036.25 from a commercial drugstore, instead of buying them from Botikang Lalawigan, a drugstore owned and operated by the Provincial Lalawigan, a drugstore owned and operated by the Provincial Government of Oriental Mindoro, resulting in more expensive medicine procured by almost 141% of the government prices.</p>	<p>We recommended that the Municipality avail of less expensive medicine from Botikang Lalawigan rather than buying them from a commercial drugstore. It could also help the government to earn more income to finance more developmental projects.</p>		<p>The Municipal Accountant together with BAC monitored the purchases made by the municipality and she saw to it that prices were reasonable and advantageous to the government.</p>	<p>Fully implemented.</p>	
<p>8. 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, therefore, recommended 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</p>		<p>No action was taken by the Management.</p>	<p>Not implemented</p>	<p>The management failed to motivate women to formulate plans and programs that would enhance their role and participation in nation building.</p>

	in compliance with the provisions of DBM-NEDA Joint Circular No. 2004-1.				
9. 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 ₱3,459,118.11 to selected beneficiaries.	We recommended that the Municipality should intensify its planning and execution of procedures relative to its projects, specifically in the selection of priority programs, to facilitate delivery of better service to the people and the constituency as a whole.		The Municipality lessen its material assistance to selected beneficiaries.	Fully Implemented	The management is now aware of the importance of planning and selection of priority projects.
10. The Municipality lost the opportunity to pursue the foreign funded infRES project of ₱59.3 million worth of irrigation due to its inability to comply with the documentary and technical requirements of ADB and Department of Agriculture putting ₱708,542.60 into waste.	We recommended that the next time the Municipality avail of foreign funded projects, it should strictly comply with the technical and documentary requirements set by the funding agencies relative to the implementation of projects to ensure their successful execution and facilitate delivery of better services to the constituents. The Municipal Planning and Development Office should have been utilized to the fullest, with the Local Chief Executive at the helm of the project so as not to lose such grand opportunity for its constituents.		The Municipality is now aware of the benefits which could have been derived from a foreign funded project.	Implemented	There has no opportunity yet to come to the agency as of this moment with regards to a foreign funded project.

**Province of Oriental Mindoro**  
**MUNICIPALITY OF NAUJAN**  
**CONSOLIDATED BALANCE SHEET (By Fund)**  
**As of December 31, 2010**  
**(With Comparative Figures for CY 2009)**

	GF	SEF	TRUST	TOTAL
ASSETS				
CURRENT ASSETS				
CASH				
Cash on Hand				
Cash in Vault				
Cash-Collecting Officers	₱ 43,263.21	₱	₱	₱ 43,263.21
Cash in Banks-Local Currency				
Cash in Bank -Local Currency, Current Account	9,801,426.97	1,185,350.68	3,926,054.29	14,912,831.94
Cash in Bank -Local Currency, Time Deposits	71,840,174.58	1,500,000.00	760,771.81	74,100,946.39
Total Cash	<u>81,684,864.76</u>	<u>2,685,350.68</u>	<u>4,686,826.10</u>	<u>89,057,041.54</u>
RECEIVABLES				
Receivable Accounts				
Accounts Receivable	200,857.07			200,857.07
Notes Receivables	(2.82)			(2.82)
Due from Officers and Employees				-
Inter-agency Receivables				
Due from NGAs	926,262.61		35,663.29	961,925.90
Due from LGUs	477,301.44		79,429.00	556,730.44
Due from NGOs/Pos	35,500.00			35,500.00
Intra-agency Receivables				
Due from Other Funds	335,040.00			335,040.00
Other Receivables				
Receivables - Disallowances/Charges	104,580.36	107.00	129.00	104,816.36
Other Receivables	129,001.48			129,001.48
Total Receivables	<u>2,208,540.14</u>	<u>107.00</u>	<u>115,221.29</u>	<u>2,323,868.43</u>
INVENTORIES				
Supplies				
Office Supplies Inventory	1,552,928.30	237,378.81		1,790,307.11
Total Inventories	<u>1,552,928.30</u>	<u>237,378.81</u>		<u>1,790,307.11</u>
OTHER CURRENT ASSETS				
Guaranty Deposits	902,156.95			902,156.95
Other Current Assets	40,000.00			40,000.00
Total Other Current Assets	<u>942,156.95</u>	<u>-</u>	<u></u>	<u>942,156.95</u>
TOTAL CURRENT ASSETS	<u>86,388,490.15</u>	<u>2,922,836.49</u>	<u>4,802,047.39</u>	<u>94,113,374.03</u>

PROPERTY, PLANT AND EQUIPMENT (Net of Depreciation)

LAND AND LAND IMPROVEMENTS

Land	6,628,165.46		27,200.00	6,655,365.46
Land Improvements	27,477,333.62			27,477,333.62
Electrification, Power and Energy Structures	8,152,340.65			8,152,340.65
Total Land and Land Improvements	<b>42,257,839.73</b>	<b>-</b>	<b>27,200.00</b>	<b>42,285,039.73</b>

BUILDINGS

Office Buildings	21,110,116.67	1,097,801.09	7,631,597.24	29,839,515.00
School Buildings	12,541,809.40	113,615.15	-	12,655,424.55
Hospitals and Health Centers	2,402,117.29	-	-	2,402,117.29
Markets and Slaughterhouses	8,040,556.97	-	-	8,040,556.97
Other Structures	11,199,122.49	61,287.63	-	11,260,410.12
Total Buildings	<b>55,293,722.82</b>	<b>1,272,703.87</b>	<b>7,631,597.24</b>	<b>64,198,023.93</b>

OFFICE EQUIPMENT, FURNITURE AND FIXTURES

Office Equipment	1,148,891.13	1,820,688.44		2,969,579.57
Furniture and Fixtures	7,252,313.91	35,500.18		7,287,814.09
IT Equipment and Software	3,369,095.59	375,356.56		3,744,452.15
Library Books	7,787.15	-		7,787.15
Total Office Equipment, Furniture and Fixtures	<b>11,778,087.78</b>	<b>2,231,545.18</b>	<b>-</b>	<b>14,009,632.96</b>

MACHINERIES AND EQUIPMENT

Agricultural, Fishery and Forestry Equipment	798,714.14			798,714.14
Communication Equipment	1,663,414.30	29,073.79		1,692,488.09
Construction and Heavy Equipment	8,364,618.67			8,364,618.67
Firefighting Equipment and Accessories	86,559.34			86,559.34
Medical, Dental and Laboratory Equipment	131,785.61	2,407.50		134,193.11
Military and Police Equipment	18,186.06			18,186.06
Sports Equipment	18,856.25			18,856.25
Technical and Scientific Equipment	2,490,603.41			2,490,603.41
Other Machineries and Equipment	1,256,801.04	5,678.00		1,262,479.04
Total Machineries and Equipment	<b>14,829,538.82</b>	<b>37,159.29</b>	<b>-</b>	<b>14,866,698.11</b>

TRANSPORTATION EQUIPMENT

Motor Vehicles	20,908,500.07			20,908,500.07
Watercrafts	485,368.47			485,368.47
Total Transportation Equipment	<b>21,393,868.54</b>	<b>-</b>	<b>-</b>	<b>21,393,868.54</b>

OTHER PROPERTY, PLANT AND EQUIPMENT

Other Property, Plant and Equipment	1,424,721.97	25,012.00		1,449,733.97
Total Other Property, Plant and Equipment	<b>1,424,721.97</b>	<b>25,012.00</b>		<b>1,449,733.97</b>

PUBLIC INFRASTRUCTURES

Roads, Highways and Bridges				-
Artesian, Wells, Reservoirs, Pumping Stations and Conduits				-
Irrigation, Canals and Laterals				-
Flood Controls				-
Total Public Infrastructure	<b>-</b>	<b>-</b>		<b>-</b>

REFORESTATION PROJECTS

Reforestation - Upland	24,222.00			24,222.00
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Total Reforestation Projects	<b>24,222.00</b>	-	-	<b>24,222.00</b>
CONSTRUCTION IN PROGRESS				
Construction in Progress - Agency Assets				-
Public Infrastructures/Reforestation Projects				-
Construction in Progress -Roads, Highways and Bridges	46,620.00			46,620.00
Construction in Progress -Plazas, Parks and Monuments	193,755.00			193,755.00
Construction in Progress -Artesian, Wells, Reservoirs, Pumping Stations and Conduits	2,709,394.10			2,709,394.10
Construction in Progress - Irrigation, Canals and Laterals	156,843.82			156,843.82
Construction in Progress - Flood Controls	755,165.50			755,165.50
Construction in Progress - Waterways, Aqueducts, Seawalls	69,825.00			69,825.00
River Walls and Others				-
Construction in Progress - Other Public Infrastructures				-
Total Construction in Progress	<b>3,931,603.42</b>	-	-	<b>3,931,603.42</b>
Total Property, Plant and Equipment	<b>150,933,605.08</b>	<b>3,566,420.34</b>	<b>7,658,797.24</b>	<b>162,158,822.66</b>
OTHER ASSETS				
Other Assets	132,869.56			132,869.56
Total Other Assets	<b>132,869.56</b>	-	-	<b>132,869.56</b>
TOTAL ASSET	<b>237,454,964.79</b>	<b>6,489,256.83</b>	<b>12,460,844.63</b>	<b>256,405,066.25</b>
LIABILITIES				
CURRENT LIABILITIES				
Payable Accounts				-
Accounts Payable	8,673,191.66	211,329.72		8,884,521.38
Due to Officers and Employees	1,547,441.42			1,547,441.42
Inter-Agency Payables				
Due to National Treasury	4,360.00			4,360.00
Due to BIR	764,951.63	6,280.37	73,287.81	844,519.81
Due to GSIS	905,096.72			905,096.72
Due to PAG-IBIG	171,221.80			171,221.80
Due to PHILHEALTH	17,257.03			17,257.03
Due to Other NGAs	3,186.40		86,043.68	89,230.08
Due to Other GOCCs	6,275.15			6,275.15
Due to LGUs	1,573,490.59		1,379,011.25	2,952,501.84
Intra-Agency Payables				
Due to Other Funds	499,133.89			499,133.89
Other Liability Accounts				
Guaranty Deposits Payable	355,840.00			355,840.00
Performance/Bidders/Bail Bonds Payable	-			-
Tax Refunds Payable			498,705.92	498,705.92
Other Payables	784,585.47	-	2,817,336.23	3,601,921.70
Total Current Liabilities	<b>15,306,031.76</b>	<b>217,610.09</b>	<b>4,854,384.89</b>	<b>20,378,026.74</b>
LONG-TERM LIABILITIES				
Mortgate/Bonds/Loans Payable				

Mortgage Payable				-
Bonds Payable - Domestic				-
Bonds Payable - Foreign				-
Loans Payable - Domestic				-
Loans Payable - Foreign				-
Other Long-Term Liabilities				-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><b>15,306,031.76</b></u>	<u><b>217,610.09</b></u>	<u><b>4,854,384.89</b></u>	<u><b>20,378,026.74</b></u>
DEFERRED CREDITS				
Deferred Real Property Tax Income				-
Deferred Special Education Tax Income				-
Other Deferred Credits	<u>1,417,325.83</u>	<u>237,378.81</u>	<u>-</u>	<u>1,654,704.64</u>
Total Deferred Credits	<u><b>1,417,325.83</b></u>	<u><b>237,378.81</b></u>	<u><b>-</b></u>	<u><b>1,654,704.64</b></u>
EQUITY				
Government Equity - Beg.	209,639,060.34	5,591,743.37	7,606,459.74	222,837,263.45
Adjustment to Beg. Bal.				-
Adjusted Beg. Bal.				-
Add: Retained Operating Surplus:				-
Current Operations	25,011,687.60	596,203.45		25,607,891.05
Prior Year's Adjustments	<u>2,553,982.79</u>			<u>2,553,982.79</u>
Total	<u>237,204,730.73</u>	<u>6,187,946.82</u>	<u>7,606,459.74</u>	<u>250,999,137.29</u>
Less: Prior Year's Adjustments				
Transfer to Registry	(16,473,123.53)			(16,473,123.53)
Other Adjustments		<u>(153,678.89)</u>		<u>(153,678.89)</u>
Government Equity, December 31, 2010	<u><b>220,731,607.20</b></u>	P <u><b>6,034,267.93</b></u>	<u><b>7,606,459.74</b></u>	<u><b>234,372,334.87</b></u>
TOTAL LIABILITIES AND EQUITY	<u><b>237,454,964.79</b></u>	P <u><b>6,489,256.83</b></u>	<u><b>12,460,844.63</b></u>	<u><b>256,405,066.25</b></u>

**Province of Oriental Mindoro**  
**MUNICIPALITY OF NAUJAN**  
**CONSOLIDATED STATEMENT OF INCOME AND EXPENSES (By Fund)**  
**As of December 31, 2010**  
**(With Comparative Figures for CY 2009)**

	GF	SEF	TOTAL
<b>TAX REVENUE</b>			
Local Taxes			
Business Tax	₱ 1,701,529.07	₱	₱ 1,701,529.07
Community Tax	801,225.22		801,225.22
Franchise Tax	68,690.00		68,690.00
Real Property Tax	2,132,560.73		2,132,560.73
Less: Discount on Real Property Tax	(127,507.64)		(127,507.64)
Special Education Tax		2,516,371.56	2,516,371.56
Tax on Delivery Trucks and Vans			-
Tax on Sand, Gravel and Other Quarry Products	660,612.84		660,612.84
Other Local Taxes			-
Fines and Penalties- Local Taxes	109,782.51	-	109,782.51
Total Local Taxes	<u>5,346,892.73</u>	<u>2,516,371.56</u>	<u>7,863,264.29</u>
<b>GENERAL INCOME ACCOUNTS</b>			
Internal Revenue Allotment	125,344,718.00		125,344,718.00
Permits and Licenses			-
Fees on Weights and Measures	51,527.00		51,527.00
Permit Fees	979,325.03		979,325.03
Registration Fees	497,740.00		497,740.00
Total Permits and Licenses	<u>1,528,592.03</u>	<u>-</u>	<u>1,528,592.03</u>
Service Income			
Clearance and Certification Fees	546,402.00		546,402.00
Garbage Fees	44,900.00		44,900.00
Inspection Fees	152,549.84		152,549.84
Other Services Income	78,448.25		78,448.25
Total Service Income	<u>822,300.09</u>	<u>-</u>	<u>822,300.09</u>
Business Income			
Income from Cemetery Operations	100,475.00		100,475.00
Income from Dormitory Operations	447,200.00		447,200.00
Landing and Parking Fees	197,561.00		197,561.00
Income from Markets	856,476.25		856,476.25
Income from Slaughterhouse	553,596.80		553,596.80
Income from Transportation System	14,004.00		14,004.00
Rent Income			-
Tuition Fees	66,560.00		66,560.00
Other Business Income	239,322.00		239,322.00
Total Business Income	<u>2,475,195.05</u>	<u>-</u>	<u>2,475,195.05</u>
Other Income			
Income from Grants and Donations			-
Interest Income	1,543,320.19		1,543,320.19
Share from PAGCOR/PCSO	701,887.51		701,887.51
Miscellaneous Income	577,048.10		577,048.10
Total Other Income	<u>2,822,255.80</u>	<u>-</u>	<u>2,822,255.80</u>
<b>TOTAL OPERATING INCOME</b>	<u>138,339,953.70</u>	<u>2,516,371.56</u>	<u>140,856,325.26</u>

## EXPENSES

## PERSONAL SERVICES

## Salaries and Wages

Salaries and Wages - Regular	29,096,870.65		29,096,870.65
Salaries and Wages - Casual	1,356,092.15	758,911.47	2,115,003.62
Salaries and Wages - Contractual			-

## Other Compensation

Personnel Economic Relief Allowance (PERA)	4,263,871.52		4,263,871.52
Additional Compensation (ADCOM)			-
Representation Allowance (RA)	1,598,490.00		1,598,490.00
Transportation Allowance (TA)	1,504,620.00		1,504,620.00
Clothing/Uniform Allowance	716,000.00		716,000.00
Subsistence, Laundry and Quarter Allowance	316,276.94		316,276.94
Productivity Incentive Allowance	292,000.00		292,000.00
Honoraria			-
Hazard Pay	1,084,809.20		1,084,809.20
Overtime and Night Pay	345,000.00		345,000.00
Cash Gift	926,375.00	69,500.00	995,875.00
Year End Bonus	2,449,159.32		2,449,159.32

## Personnel Benefits Contributions

Life and Retirement Insurance Contributions	3,485,164.97		3,485,164.97
PAG-IBIG Contributions	665,998.26		665,998.26
PHILHEALTH Contributions	351,162.50		351,162.50
ECC Contributions	195,045.78		195,045.78

## Other Personnel Benefits

Terminal Leave Benefits	1,524,820.17		1,524,820.17
Other Personnel Benefits	1,710,000.00		1,710,000.00

**Total Personal Services**

<b>51,881,756.46</b>	<b>828,411.47</b>	<b>52,710,167.93</b>
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## MAINTENANCE AND OTHER OPERATING EXPENSES

## Travelling Expenses

Travelling Expenses - Local	1,718,662.03		1,718,662.03
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## Training and Scholarship Expenses

Training Expenses	495,918.75		495,918.75
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## Supplies and Material Expenses

Office Supplies Expense	2,895,184.81	161,751.75	3,056,936.56
Accountable Forms Expenses	139,687.90		139,687.90
Animal/Zoological Supplies Expenses	24,028.00		24,028.00
Drugs and Medicines Expenses	1,562,560.60		1,562,560.60
Medical, Dental and Laboratory Supplies Expenses	603,913.50		603,913.50
Gasoline, Oil and Lubrication Expenses	6,107,895.88		6,107,895.88
Agricultural Supplies Expenses	197,619.53		197,619.53
Textbooks and Instructional Materials Expenses	411,472.80		411,472.80
Other Supplies Expenses	278,712.75		278,712.75

## Utility Expenses

Water Expenses	371,977.35		371,977.35
Electricity Expenses	2,881,932.67	20,207.31	2,902,139.98
Cooking Gas Expenses	22,163.48		22,163.48

## Communication Expenses

Postage and Deliveries	2,226.00		2,226.00
Telephone Expenses - Landline	233,063.44		233,063.44
Telephone Expenses - Mobile	526,719.06		526,719.06
Internet Expenses	39,891.23		39,891.23
Cable, Satellite, Telegraph and Radio Expenses	24,987.24		24,987.24

## Membership Dues and Contributions to Organizations

	86,000.00		86,000.00
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## Advertising Expense

	195,000.00		195,000.00
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Printing and Binding Expenses	288,976.50		288,976.50
Rent Expenses	5,000.00		5,000.00
Representation Expenses			-
Transportation and Delivery Expenses	2,092.96		2,092.96
Subscriptions Expenses	200.00		200.00
Total	<b>19,115,886.48</b>	<b>181,959.06</b>	<b>19,297,845.54</b>
Professional Services			
Legal Services			
Auditing Services	84,912.91		84,912.91
Consultancy Services			-
Environment/Sanitary Services	603,337.58		603,337.58
General Services	1,242,217.93		1,242,217.93
Janitorial Services	996,780.05		996,780.05
Security Services	315,376.18		315,376.18
Other Professional Services	1,182,497.02		1,182,497.02
Total Professional Services	<b>4,425,121.67</b>	<b>-</b>	<b>4,425,121.67</b>
Repairs and Maintenance			
Land and Improvements			
Repairs and Maintenance - Electrification, Power and Energy Structures	110,898.50		110,898.50
Buildings			-
Repairs and Maintenance - Office Buildings	527,116.48	14,896.00	542,012.48
Repairs and Maintenance - School Buildings	169,490.00	47,884.00	217,374.00
Repairs and Maintenance - Hospitals and Health Centers			-
Repairs and Maintenance - Markets and Slaughterhouses	107,285.61		107,285.61
Repairs and Maintenance - Other Structures	482,009.10		482,009.10
Office Equipment, Furniture and Fixtures			-
Repairs and Maintenance - Office Equipment	40,700.97		40,700.97
Repairs and Maintenance - Furniture and Fixtures	71,700.00		71,700.00
Repairs and Maintenance - IT Equipment and Software	20,410.00		20,410.00
Machineries and Equipment			-
Repairs and Maintenance - Agricultural, Fishery and Forestry Equipment	58,731.50		58,731.50
Repairs and Maintenance - Communication Equipment	29,370.00		29,370.00
Repairs and Maintenance - Construction and Heavy Equipment	4,302,718.30		4,302,718.30
Repairs and Maintenance - Medical, Dental and Laboratory Equipment	1,700.00		1,700.00
Repairs and Maintenance - Other Machineries and Equipment	13,790.00		13,790.00
Transportation Equipment			-
Repairs and Maintenance - Motor Vehicles	1,309,061.81		1,309,061.81
Repairs and Maintenance - Watercrafts			-
Total Repair and Maintenance	<b>7,244,982.27</b>	<b>62,780.00</b>	<b>7,307,762.27</b>
Public Infrastructures			
Repairs and Maintenance - Roads, Highways and Bridges	1,834,755.74		1,834,755.74
Repairs and Maintenance - Plazas, Parks and Monuments	232,313.13		232,313.13
Repairs and Maintenance - Other Public Infrastructures	16,870.00		16,870.00

Total Public Infrastructures	<u>2,083,938.87</u>	<u>-</u>	<u>2,083,938.87</u>
Confidential, Intelligence, Extraordinary and Miscellaneous Expenses			
Confidential Expenses	40,203.00		40,203.00
Miscellaneous Expenses			-
Taxes, Insurance Premiums and Other Fees			-
Fidelity Bond Premiums	23,241.50		23,241.50
Insurance Expenses	477,025.06		477,025.06
Total	<u>540,469.56</u>	<u>-</u>	<u>540,469.56</u>
Non-Cash Expenses			
Depreciation			
Land Improvements			
Depreciation - Land Improvements	2,405,385.98		2,405,385.98
Depreciation - Electrification, Power and Energy Structures	653,711.52		653,711.52
Buildings			-
Depreciation - Office Buildings	643,507.21	24,461.25	667,968.46
Depreciation - School Buildings	296,601.23	1,249.85	297,851.08
Depreciation - Hospitals and Health Centers	36,652.32		36,652.32
Depreciation - Markets and Slaughterhouses	296,008.09		296,008.09
Depreciation -Other Structures	730,079.05	1,435.17	731,514.22
Office Equipment, Furniture and Fixtures			-
Depreciation -Office Equipment	193,905.10	37,457.16	231,362.26
Depreciation -Furniture and Fixtures	312,534.26	6,722.04	319,256.30
Depreciation - IT Equipment	1,024,674.34	77,333.40	1,102,007.74
Depreciation -Library Books	1,551.72		1,551.72
Machineries and Equipment			-
Depreciation - Agricultural, Fishery and Forestry Equipment	60,456.24		60,456.24
Depreciation -Communication Equipment	111,367.86	669.21	112,037.07
Depreciation -Construction and Heavy Equipment	1,130,805.00		1,130,805.00
Depreciation - Firefighting Equipment and Accessories	21,944.52		21,944.52
Depreciation - Medical, Dental and Laboratory Equipment	16,710.00	810.00	17,520.00
Depreciation - Military and Police Equipment	3,976.68		3,976.68
Depreciation - Sports Equipment	2,250.00		2,250.00
Depreciation - Technical and Scientific Equipment	361,302.36		361,302.36
Depreciation -Other Machineries and Equipment	212,716.99	3,006.00	215,722.99
Transportation and Equipment			-
Depreciation - Motor Vehicles	410,909.91		410,909.91
Depreciation -Watercrafts	42,296.65		42,296.65
Other Property, Plant and Equipment			-
Depreciation- Other Property, Plant and Equipment	92,849.64	12,546.00	105,395.64
Total Non-Cash Expenses	<u>9,062,196.67</u>	<u>165,690.08</u>	<u>9,227,886.75</u>
Other Maintenance and Operating Expenses			
Other Maintenance and Operating Expenses	13,730,970.56	281,317.50	14,012,288.06
<b>TOTAL OPERATING EXPENSES</b>	<u>108,085,322.54</u>	<u>1,520,158.11</u>	<u>109,605,480.65</u>
<b>INCOME FROM OPERATIONS</b>	<u>30,254,631.16</u>	<u>996,213.45</u>	<u>31,250,844.61</u>
Income before Subsidies, Donations and Extraordinary Items			
Add: Subsidy from Other National Government Agencies	550,000.00		550,000.00
Total	<u>550,000.00</u>		<u>550,000.00</u>
Less: Subsidy to Local Government Agencies	70,000.00		70,000.00
Subsidy to NGOs/POs	50,000.00		50,000.00

Donations	5,672,943.56	400,010.00	6,072,953.56
Total	<b>5,792,943.56</b>	<b>400,010.00</b>	<b>6,192,953.56</b>
Income before Extraordinary Items	25,011,687.60	596,203.45	25,607,891.05
NET INCOME	P <b>25,011,687.60</b>	P <b>596,203.45</b>	P <b>25,607,891.05</b>

**Province of Oriental Mindoro**  
**MUNICIPALITY OF NAUJAN**  
**STATEMENT OF CASH FLOWS (By Fund)**  
**As of December 31, 2010**  
**(With Comparative Figures for CY 2009)**

	<b>GF</b>	<b>SEF</b>	<b>TF</b>	<b>TOTAL</b>
Cash Flows From Operating Activities				
Cash Inflows				
Share from Internal Revenue Allotment	₱ 125,344,718.00	₱	₱	₱ 125,344,718.00
Collection from Taxpayers	19,841,588.49	2,362,692.67		22,204,281.16
Receipts from sale of goods and services	1,543,320.19			1,543,320.19
Other Receipts	3,392,761.18	10,769.19	7,674,007.17	11,077,537.54
Total Cash Inflows	<u><b>150,122,387.86</b></u>	<u><b>2,373,461.86</b></u>	<u><b>7,674,007.17</b></u>	<u><b>160,169,856.89</b></u>
Cash Outflows				
Payments to -				-
Suppliers/Creditors	26,100,612.10	338,253.04	3,522,103.11	29,960,968.25
Employees	52,878,076.02	849,727.34	247,797.25	53,975,600.61
Other Payments	36,609,622.87	659,958.81	3,026,092.19	40,295,673.87
Total Cash Outflows	<u><b>115,588,310.99</b></u>	<u><b>1,847,939.19</b></u>	<u><b>6,795,992.55</b></u>	<u><b>124,232,242.73</b></u>
Cash Provided by Operating Activities	<u><b>34,534,076.87</b></u>	<u><b>525,522.67</b></u>	<u><b>878,014.62</b></u>	<u><b>35,937,614.16</b></u>
Cash Flows From Investing Activities				-
Cash Outflows				-
Purchase of Property, Plant and Equipment and				-
Public Infrastructures	23,049,554.96	266,890.22		23,316,445.18
Total Cash Outflows	<u>(23,049,554.96)</u>	<u>(266,890.22)</u>	<u>-</u>	<u>(23,316,445.18)</u>
Cash Provided by Investing Activities	<u><b>(23,049,554.96)</b></u>	<u><b>(266,890.22)</b></u>	<u><b>-</b></u>	<u><b>(23,316,445.18)</b></u>
Cash Flows From Financing Activities				-
Net Cash Provided By Operating, Investing				
& Financing Activities	11,484,521.91	258,632.45	878,014.62	12,621,168.98
Cash at the Beginning of the Period	70,200,342.85	2,426,718.23	3,808,811.48	76,435,872.56
Cash at the End of the Period	₱ <u><b>81,684,864.76</b></u>	₱ <u><b>2,685,350.68</b></u>	₱ <u><b>4,686,826.10</b></u>	₱ <u><b>89,057,041.54</b></u>