Republic of the Philippines

COMMISSION ON AUDIT

Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

BASES CONVERSION AND DEVELOPMENT AUTHORITY

For the Year Ended December 31, 2015

EXECUTIVE SUMMARY

Introduction

The Bases Conversion and Development Authority, the BCDA or the Authority, was created under Republic Act (RA) 7227, otherwise known as the Bases Conversion and Development Act of 1992, which was approved on March 13, 1992. Section 8 of RA 7227, which pertains to the rates of distribution of the net proceeds from the sale of metro camps, was later amended by the passage of RA 7917 on February 21, 1995.

RA 7227 vested the Authority with the mandate to accelerate the sound and balanced conversion into alternative productive uses of the Clark and Subic military reservations and extensions, to raise funds by the sale of portions of Metro Manila military camps, to apply said funds for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement, and to promote the economic and social development of Central Luzon in particular, and the country in general.

Scope and Objectives of Audit

The audit covered the accounts, transactions, and operations of the Authority for calendar year 2015. It was aimed at expressing an opinion as to whether the financial statements present fairly the Authority's financial position, results of operations and cash flows, and at determining the Authority's compliance with pertinent laws, rules and regulations, as well as the efficiency and effectiveness of its operations.

Financial Highlights

	2015	2014	Increase/ (Decrease)
Comparative Financial Position			
Assets	134,624,377,033	134,851,883,462	(227,506,429)
Liabilities	38,338,572,156	37,400,277,863	938,294,293
Equity	96,285,804,877	97,451,605,599	(1,165,800,722)
Comparative Results of Operations			
Income	9,011,266,323	9,247,525,250	(236,258,927)
Expenses	9,773,949,237	5,482,979,251	4,290,969,986
Personal services (PS)	245,236,795	241,746,046	3,490,749
Maintenance and other operating expenses (MOOE)	9,138,869,947	4,796,077,561	4,342,792,386
Financial expenses	389,842,495	445,155,644	(55,313,149)
Net profit(loss)	(762,682,914)	3,764,545,999	(4,527,228,913)

Independent Auditor's Report on the Financial Statements

We rendered an unqualified opinion on the fairness of presentation of the financial statements of the Authority for the years 2015 and 2014.

Significant Audit Observations and Recommendations

1. The share of the Armed Forces of the Philippines (AFP) on the dividends received from Fort Bonifacio Development Corporation (FBDC) prior to CY 2014 was not remitted to the Bureau of the Treasury (BTr).

   We recommended that Management settle the share of the AFP on the dividends prior to CY 2014 received by the BCDA that are for sharing with the AFP after reconciliation with the BTr.

2. The accounting treatment by BCDA of its transactions in joint venture (JV) projects may need to be revisited to conform to the applicable Philippine Financial Reporting Standards (PFRS).

   We recommended that Management: a) Determine the type of joint arrangement in which BCDA is involved by assessing its rights and obligations under the arrangement, as required in paragraph 2 of PFRS 11; b) Study the requirements of PFRS 11 relative to the particular joint arrangement and come up with an accounting policy/instruction on financial reporting for the JV arrangement, together with the documentary requirements needed to support the same, so that the concerned officials and employees will be properly guided in the performance of their duties; c) Account for/identify its assets, liabilities, revenue and expenses in relation to its interests in its various joint arrangements to comply with the requirements of paragraph 20 of PFRS 11; and d) Make the necessary adjustments.

3. The P961.485 million proceeds from the first tranche offering of the Heritage Park Investment Certificates (HPICs) was not treated as Corporate Income subject to sharing with the AFP, a deviation from the main objective of the Heritage Park (HP) Project and Section 1 of Executive Order (EO) 309.

   We recommended that Management recognize the P961.485 million as corporate income and remit to the BTr AFP's 50% share.

4. The proceeds from the development of lots carried out by Heritage Park Management Corporation (HPMC) did not accrue to the BCDA and AFP, contrary to the intent of the HP Project.

   We recommended that Management: a) Account for and recover the proceeds from the sale of the certificates generated from lots 1 to 4, and the other revenues accruing to the BCDA; and b) Revisit the existing arrangement with HPMC to ensure that any and all proceeds generated from the HP Project accrue to the benefit of the BCDA/AFP consistent with the objective of the bases conversion program of the government.

5. Income from FBDC's lease of BCDA's property for the Waste Water Treatment Plant was not recognized in the books of accounts and lease payments were not received therefrom.

   We recommended that Management: a) Bill rental dues from FBDC for the use of the 23,126 sq.m. land and enforce collection thereof; and b) Install controls to ensure that all potential rental income is recovered, like the use of asset register and/or rental register.

6. Land assets valued at P5.657 billion are not titled in the name of the Authority.

   We enjoined Management to continue expediting the titling of land in its name until it is completed.

7. Land assets valued at P6.512 billion are not accounted for by specific Transfer Certificate of Titles (TCTs).

   We reiterated our previous years' recommendation that Management identify the land assets valued at P6.512 billion by indicating the specific TCT number, area and value.

8. Land assets valued at P1 per sq. m. or P1 per parcel of land understated the National Government's equity in the Authority, a deviation from Section 2 of EO 40.

   We reiterated our previous year's recommendation that Management record all land assets transferred by the NG based on appraised value as required under Section 2 of EO 40.

9. The Due to Bureau of the Treasury (BTr) account balance includes dormant accounts of P50.795 million.

   We recommended that Management, as maybe appropriate, settle the payables so that the beneficiaries of the amounts remittable to BTr may benefit from these accounts or make adjustments to clear the books of accounts of these dormant accounts.

Disallowances as of year-end

As of December 31, 2015, the unsettled balance of audit disallowances totalled P3.108 million.

Status of Implementation of Prior Year's Recommendations

Of the sixteen (16) audit recommendations contained in the CY 2014 Annual Audit Report (AAR), five (5) were implemented, eight (8) were partially implemented and three (3) were not implemented.

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PART I

AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Bases Conversion and Development Authority
2/F Bonifacio Technology Center
31st Street corner 2nd Avenue
Bonifacio Global City, Taguig City

Report on the Financial Statements

We have audited the accompanying financial statements of Bases Conversion and Development Authority (BCDA), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of profit or loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bases Conversion and Development Authority as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with state accounting principles generally accepted in the Philippines.

Emphasis of Matter

We draw attention to Note 34 to the financial statements which describes the uncertainties related to the outcome of lawsuits or claims filed by third parties against BCDA which are either pending in courts or under negotiation, and tax cases filed by BCDA against the Bureau of Internal Revenue which are pending before the Court of Tax Appeals. Our opinion is not qualified in respect of these matters.

Report on Supplementary Information Required Under BIR Revenue Regulation 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, and license fees in Note 40 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

Lourdes Benitez

LOURDES D. BENITEZ
State Auditor IV
OIC- Supervising Auditor

May 17, 2016

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Bases Conversion Development Authority (BCDA) is responsible for all information and representations contained in the financial statements as of December 31, 2015 and 2014 and for each of the two years in the period ended December 31, 2015. The financial statements have been prepared in conformity with state accounting principles generally accepted in the Philippines and reflect amounts that are based on the best estimates and informed judgement of management with an appropriate consideration to materiality.

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

ARNEL PACIANO D. CASANOVA
President and CEO

NENA D. RADOC
VP – Financial Services Group

BCDA Financial Management Services Department
CD2016 – 0326

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Taguig City 1634 Philippines

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014
(In Philippine Peso)

	Note	**2015**	2014 As restated
ASSETS			
Current Assets			
Cash and cash equivalents	5	**3,675,637,688**	478,312,483
Short-term investments	6	**9,207,819,984**	8,782,685,970
Receivables, net	7	**3,133,159,786**	5,193,067,539
Inventories	8	**610,728,547**	672,139,917
Prepayments	9	**625,929,492**	553,736,191
Other current assets	10	**1,533,770,432**	945,342,507
		18,787,045,929	16,625,284,607
Non-Current Assets			
Investments in and advances to subsidiaries/ affiliates	11	**19,154,081,720**	20,528,400,862
Investments in joint ventures	12	**14,180,927,744**	15,638,749,200
Other investments	13	**3,313,563,135**	3,318,865,927
Property and equipment, net	14	**28,535,609,195**	28,746,602,266
Investment property	15	**45,971,445,501**	45,490,711,374
Other non-current assets	16	**4,681,703,809**	4,503,269,226
		115,837,331,104	118,226,598,855
TOTAL ASSETS		**134,624,377,033**	134,851,883,462
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	17	**1,734,815,394**	284,651,729
Inter-agency payables	18	**5,220,202,201**	5,406,974,575
Intra-agency payables	19	**1,141,493,960**	3,043,620,595
Current portion of long-term borrowings	21	**747,220,208**	706,428,084
Other payables	20	**1,813,115,065**	1,671,403,807
		10,656,846,828	11,113,078,790
Non-Current Liabilities			
Borrowings	21	**18,680,505,200**	18,367,130,195
Deferred credits	22	**9,001,220,128**	7,920,068,878
		27,681,725,328	26,287,199,073
Equity		**96,285,804,877**	97,451,605,599
TOTAL LIABILITIES AND EQUITY		**134,624,377,033**	134,851,883,462

See accompanying Notes to Financial Statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF PROFIT OR LOSS
For the years ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014 As restated
REVENUES			
Concession fee	23	**3,257,146,972**	0
Gain on redemption of preferred shares		**1,887,929,168**	657,516,539
Toll fees	24	**1,081,139,027**	1,082,307,545
Share from the income of joint venture operations	25	**1,066,193,392**	1,686,205,424
Lease income	26	**762,423,788**	697,205,530
Dividend income	27	**471,520,206**	1,941,158,875
Sales		**62,309,279**	101,047,590
Miscellaneous income		**16,372,545**	5,218,879
TOTAL REVENUES		**8,605,034,377**	6,170,660,382
EXPENSES			
Personal Services			
Salaries and wages		**102,343,043**	105,990,514
Other compensation		**91,413,773**	83,023,384
Personnel benefit contributions		**45,378,871**	46,926,417
Other personnel benefits		**6,101,108**	5,805,731
		245,236,795	241,746,046
Maintenance and Other Operating Expenses			
Contributions to AFP modernization	28	**2,287,480,548**	2,676,137,264
Depreciation and amortization		**352,077,215**	331,964,570
SCTEx operations and maintenance		**343,297,687**	433,044,637
Printing, advertising and promotion		**149,283,229**	66,171,384
Estate management fees		**143,601,811**	159,068,304
Taxes, insurance premiums and other fees		**99,807,227**	74,578,530
Professional services		**93,524,691**	99,672,631
Zone maintenance		**68,974,126**	60,009,461
Special projects		**30,648,349**	2,781,189
Clark Green City expenses		**22,779,280**	20,246,128
Rent expense		**21,391,528**	17,591,563
Travel and educational expenses		**11,597,089**	8,588,927
Utilities		**9,610,720**	12,424,252
Repairs and maintenance		**6,683,697**	7,160,038
Representation		**4,631,584**	4,016,873
Survey and research		**4,404,740**	9,128,034
Communication		**4,393,608**	4,645,460
Supplies and materials		**4,357,063**	6,709,711
Cultural and athletic		**505,924**	716,691
Demolition and dredging		**472,195**	339,809
Donations		**180,853**	624,153
Awards, prizes and other claims		**100,000**	11,410,000
Membership dues and contribution expenses		**99,518**	91,071
Bad debts		**0**	50,930,913
Other maintenance and operating expenses		**4,161,557**	3,379,460
		3,664,064,239	4,061,431,053
TOTAL EXPENSES		**3,909,301,034**	4,303,177,099
INCOME FROM OPERATIONS		**4,695,733,343**	1,867,483,283
OTHER INCOME (EXPENSES), net	29	**(5,306,536,276)**	1,986,925,304
PROFIT(LOSS) BEFORE INCOME TAX		**(610,802,933)**	3,854,408,587
INCOME TAX EXPENSE	30	**(151,879,981)**	(89,862,589)
NET PROFIT(LOSS)		**(762,682,914)**	3,764,545,998

See accompanying Notes to Financial Statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	Capital (Note 31)	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Equity
Balance at December 31, 2013		**74,321,045,012**	**16,224,832,637**	0	**90,545,877,649**
Correction of prior years' errors	32	0	(198,972,263)	0	(198,972,263)
Restated Balance, January 1, 2014		**74,321,045,012**	**16,025,860,374**	**0**	**90,346,905,386**
Changes in equity for 2014					
Net profit for the year		0	3,764,545,998	0	3,764,545,998
Dividends		0	(500,000,000)	0	(500,000,000)
Adjustment in value of land		4,425,375,483	0	0	4,425,375,483
Adjustment in area of land transferred by the NG		(47,426,172)	0	0	(47,426,172)
BCDA's share on asset disposition proceeds		0	0	0	0
thru sale of various properties		242,269,957	0	0	242,269,957
Derecognition of value of land sold/conveyed		(780,065,053)	0	0	(780,065,053)
Fund		0	(6,000,000,000)	6,000,000,000	0
Balance at December 31, 2014		**78,161,199,227**	**13,290,406,372**	**6,000,000,000**	**97,451,605,599**
Changes in equity for 2015					
Adjustment in value of land tranferred/conveyed/swapped		372,593,579	0	0	372,593,579
BCDA's share on asset disposition proceeds		0	0	0	0
thru sale of various properties		65,618,564	0	0	65,618,564
Value of capitalized Heritage Park Certificates		644,715	0	0	644,715
Net loss for the year		0	(762,682,914)	0	(762,682,914)
Dividends		0	(500,000,000)	0	(500,000,000)
Adjustment in valuation of investment property		0	(341,974,666)	0	(341,974,666)
Balance at December 31, 2015		**78,600,056,085**	**11,685,748,792**	**6,000,000,000**	**96,285,804,877**

See accompanying Notes to Financial Statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

(In Philippine Peso)

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from concession fee		**3,503,345,082**	0
Proceeds from joint venture projects		**2,697,825,125**	1,371,896,750
Proceeds from toll operations		**1,210,210,391**	1,213,037,111
Dividends received		**684,034,425**	1,938,825,542
Cash receipts from lessees		**665,887,327**	1,313,982,647
Proceeds from the disposition of transferred properties		**353,068,745**	811,590,267
Interest income from cash equivalents and short/long term investments		**172,861,556**	114,496,312
Output tax on deemed sale transaction		**118,284,000**	59,996,160
Proceeds from disposition of Heritage Park Certificates		**80,802,776**	86,291,653
Collection of guarantee deposit/development control fees		**39,011,210**	2,000,000
Collection of receivables		**37,811,989**	25,028,104
Collection/(refund) of performance, bid bonds and bid securities		**26,326,028**	2,041,018
Receipts from BCDA housing projects		**18,410,163**	1,665,302
27.50 % share of BCDA from asset disposition		**(77,098,626)**	(243,319,929)
Payment of estate management expenses		**(331,454,769)**	(251,267,115)
Payment of operations and maintenance expenses of SCTEx		**(357,428,775)**	(482,342,504)
Payment to suppliers/creditors and employees		**(418,797,002)**	(488,803,501)
Payment of taxes, duties and fees		**(860,971,783)**	(290,038,634)
Escrow CJH DevCo		**(1,421,096,052)**	0
Remittance of beneficiaries' share to the Bureau of the Treasury		**(1,708,031,721)**	(1,707,350,131)
Miscellaneous receipts		**57,396,430**	14,931,643
Net cash provided by operating activities		**4,490,396,519**	3,492,660,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of Preferred B shares		**1,500,000,000**	0
Increase in short-term investments		**(340,888,091)**	(8,997,914,879)
Acquisition of property and equipment and payment for various infrastructure projects		**(112,615,663)**	(41,377,154)
Net cash used in investing activities		**1,046,496,246**	(9,039,292,033)
CASH FLOWS FROM FINANCING ACTIVITIES			
27.50 % share of BCDA from asset disposition		**77,098,626**	243,319,929
Partial settlement of JICA loan		**(718,151,054)**	(833,379,273)
Dividends paid to the Bureau of the Treasury		**(500,000,000)**	(500,000,000)
Payment of guarantee fees to the Bureau of the Treasury		**(1,000,000,000)**	0
Payment of financing charges		**(199,218,843)**	(218,591,134)
Net cash used in financing activities		**(2,340,271,271)**	(1,308,650,478)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**703,711**	(91,038)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,197,325,205**	(6,855,372,854)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**478,312,483**	7,333,685,337
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**3,675,637,688**	478,312,483

See accompanying Notes to Financial Statements.

BASES CONVERSION AND DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(In Philippine Peso)

1. CORPORATE INFORMATION

The Bases Conversion and Development Authority (BCDA), or the Authority, was created under Republic Act No. (RA) 7227, otherwise known as the Bases Conversion and Development Act of 1992, which was approved on March 13, 1992. Section 8 of RA 7227, which pertains to the rates of distribution of the net proceeds from sale of metro camps, was later amended by the passage of RA 7917 on February 21, 1995.

RA 7227 vested the Authority with the mandate to accelerate the sound and balanced conversion into alternative productive uses of the Clark and Subic military reservations and extensions, to raise funds by the sale of portions of Metro Manila military camps, to apply said funds for the development and conversion to productive civilian use of the lands covered under the 1947 Military Bases Agreement, and to promote the economic and social development of Central Luzon in particular, and the country in general.

The financial statements of BCDA as of December 31, 2015 were authorized for issue by the Board of Directors on June 15, 2016 per Board Resolution No. 2016-06-110.

The Authority's registered office and principal place of business is 2nd Floor, Bonifacio Technology Center, 31st Street, Crescent Parkwest, Bonifacio Global City, Taguig City.

2. BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance
The financial statements have been prepared in conformity with state accounting principles generally accepted in the Philippines. The Authority has adopted most of the applicable Philippine Financial Reporting Standards/Philippine Accounting Standards (PFRSs/PASs), as aligned with the provisions of the International Financial Reporting Standards (IFRSs).

Basis of Preparation of Financial Statements
The financial statements have been prepared on a historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Functional and Presentation Currency
The financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Authority operates, and all values are rounded to the nearest peso, except when otherwise stated.

Use of Judgments and Estimates
Preparation of the Authority's financial statements in conformity with PFRS/PAS requires management to make judgments, estimates and assumptions that affect the application

of accounting policies and the amounts reported in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimating Useful Lives of Property and Equipment
The Authority estimates the useful lives of its property and equipment based on the period over which these assets are available for use. The estimated useful lives of property and equipment are reviewed and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could materially be affected by changes in estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

Estimating Allowance for Impairment Losses on Receivables
Allowance for impairment losses on receivables is made for specific or group of accounts. The Authority performs regular review of the age and status of these accounts, identifies accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The amount and timing of recorded expenses for any period would differ if the Authority made different judgments. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

3. ADOPTION OF PHILIPPINE ACCOUNTING STANDARDS

The following accounting standards that have been published by the International Accounting Standards Board (IASB) and issued by the Philippine Financial Reporting Standards Council (PFRSC) were adopted by the Authority:

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

  The standard introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive income.

  The standard also requires companies preparing financial statements in accordance with PFRS to group items of other comprehensive income into items that may or may not be reclassified to profit or loss in subsequent periods. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements.

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

- *PAS 7, Statement of Cash Flows*
  This standard requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of classifying cash flows during the period from operating, investing and financing activities.

- *PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*
  This standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors.

- *PAS 16, Property, Plant and Equipment*
  This standard prescribes the accounting treatment for property, plant and equipment, the timing of recognition of assets, the determination of their carrying amounts and the depreciation charges to be recognized in relation to them.

- *PAS 18, Revenue*
  This standard prescribes the accounting requirements on the recognition of revenue from sale of goods, rendering of services and for interest, royalties and dividends.

- *PAS 20, Accounting for Government Grants and Disclosure of Government Assistance*
  This standard requires the recognition of government grants only when there is reasonable assurance that it will comply with the conditions attached to it and that the grant will be received. Government grants, whose primary condition is to construct non-current assets, are recognized as deferred income and transferred to other income on a systematic and rational basis over the expected useful lives of the assets concerned.

- *PAS 21, The Effects of Changes in Foreign Exchange Rates*
  This standard requires that foreign currency transactions should be recorded initially at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Exchange differences arising on translating monetary items shall be recognized in profit or loss in the period in which they arise.

- *PAS 23, Borrowing Costs*
  This standard defines the items which are included in the borrowing costs. Borrowing costs include interest on bank overdrafts and borrowings, amortization of discounts or premiums on borrowings, amortization of ancillary costs incurred in the arrangement of borrowings, finance charges on finance leases and exchange

differences on foreign currency borrowings where they are regarded as adjustments to interest costs.

- *PAS 24, Related Party Disclosures*
  This standard requires that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

  The standard clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the standard introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

- *PAS 32, Financial Instruments: Presentation*
  This standard outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provides guidance on the classification of related interest, dividends and gain/losses, and when financial assets and financial liabilities can be offset.

- *PAS 36, Impairment of Assets*
  This standard states that at each end of the reporting period, all assets should be reviewed for any indication that an asset maybe impaired. An asset maybe impaired when its carrying amount exceeds its recoverable amount.

- *PAS 38, Intangible Assets*
  This standard states that intangible assets acquired separately should be carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An intangible asset with indefinite useful life should not be amortized.

- *PAS 40, Investment Property*
  This standard states that investment properties (land and/or buildings) are initially measured at cost and, with some exceptions, may be subsequently measured using a cost model or fair value model, with changes in the fair value under the fair value model being recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less from dates of purchase and that are subject to insignificant risk of change in value.

Receivables
Receivables are stated at face value less an allowance for any uncollectible accounts based on the following schedule:

Age of Accounts	% of Allowance
Less than 1 year	5%
1 year to 3 years	10%
Over 3 to 5 years	15%
Over 5 years	20%
Over 5 years – doubtful of collection/loss	100%

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the costs are expected to be incurred within one year. Otherwise, prepayments are classified as non-current assets.

Investments in subsidiaries and affiliates
Investments in subsidiaries and affiliates are recorded under the cost method. Under this method, investments are recorded at their acquisition cost which is adjusted only when the recoverable amount of investments decreases. Dividends or other direct payments received from an affiliate or subsidiary are recognized as income when the Authority's right to receive payment has been established and it is probable that the economic benefits will flow to the Authority and the amount of revenue can be measured reliably.

The investments in subsidiaries and affiliates are as follows:

	Percentage of Ownership
Subsidiaries	
Clark Development Corporation (CDC)	100%
Clark International Airport Corporation (CIAC)	100%
BCDA Management and Holdings, Inc. (BMHI)	100%
John Hay Management Corporation (JHMC)	100%
Bataan Technology Park, Inc. (BTPI)	100%
Philippine Centennial Expo'98 Corp. (EXPOCORP)	100%
North Luzon Railways Corporation (NORTHRAIL)	100%
Poro Point Management Corporation (PPMC)	100%
Affiliates	
Fort Bonifacio Development Corporation (FBDC)	45%
Subic Clark Alliance for Development (SCAD)	33%
Bonifacio Estate Services Corporation (BESC)	33%
Bonifacio Communication Corporation (BCC)	25%

	Percentage of Ownership
Poro Point Industrial Corporation (PPIC)	15%
Bonifacio Water Corporation (BWC)	10%

Fund releases to subsidiaries
The Authority provides funds for Operating Expenses (OPEX) and land related costs for its subsidiaries. OPEX fund releases are treated as estate management expense by the Authority and income by the subsidiaries while land related costs are treated as zone maintenance expense/asset by BCDA. Land related costs are expenses related to the development of the estate such as maintenance and safeguard of property, capital expenditure (CAPEX) projects and furnitures, fixtures and equipment.

CAPEX fund releases are granted to subsidiaries in the form of advances. The advances are non-interest bearing, unsecured and subject to liquidation upon completion of the project. The Authority records all development costs incurred by the subsidiaries as its assets including the related depreciation expenses.

Property and equipment
Property and equipment are initially measured at cost less any subsequent accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price or construction cost and costs directly attributable to bringing the asset to its working condition for its intended use. Maintenance and repairs are charged to expense. Renewals and improvements that extend the lives of the assets are capitalized.

The Authority records assets with acquisition value, net of VAT, of less than ten thousand pesos (P10,000), and whose estimated useful life is more than one year, as low value assets. Low value assets are measured at cost and depreciated in full in the following month or within the calendar year of acquisition, whichever comes earlier.

Construction costs include costs of direct materials, direct labor, indirect cost and incremental overhead specifically identifiable or traceable to the construction.

Unless not applicable, depreciation is generally computed using the straight-line method with a ten per cent residual value based on the estimated useful lives of the assets as follows:

Components of PE	*Estimated Life*
Land Improvements	10 to 20 years
Building & Structures	10 to 30 years
Leasehold Improvements	10 to 30 years
Furniture & Fixtures	5 to 10 years
Land Transportation Equipment	7 years
Machineries	7 years
Equipment	5 years

The output method is used in recording the depreciation expense of SCTEx effective January 1, 2011. Under the output method, depreciation is calculated by applying the ratio of the carrying amount over the estimated traffic volume multiplied by the actual traffic volume.

The parcels of land which were turned over and titled in the name of the Authority pursuant to RA 7227 are recorded at assessed/fair market value.

Expenditures for development and improvements are capitalized as part of the cost of the land.

Derecognition of property and equipment
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and recognized in profit and loss.

Intangible assets
Intangible assets are recognized if it is probable that future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably. Subsequent expenditure on intangible asset after its purchase or completion is recognized as an expense when it is incurred unless it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets of five years from the date that they are available for use.

Derecognition of intangible assets
An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Investment property
Investment property account consists of land or a building or part of a building or both, held to earn rentals or for capital appreciation or both.

Investment property is initially recognized at assessed/fair market value.

Employee benefits
Short-term benefits
The Authority generally recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Short-term employee benefits in the form of accumulating sick and vacation leave benefits are measured on an undiscounted basis. These are recognized as expense only when an employee is separated from the service or when employees opt to monetize the equivalent money value of their sick and vacation leave credits.

Revenue and expense recognition
The Authority adopts the accrual method of accounting for revenue and expense. Under the accrual basis, income is recognized when earned regardless of when received and expense is recognized when incurred regardless of when paid.

Interest and dividend revenues
Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Authority and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the prevailing interest rate applicable.

Dividend income from investment is recognized when the shareholder's rights to receive payment have been established and the amount of income can be measured reliably.

Asset disposition accounting
Proceeds from disposition of former military base lands are booked depending on the mode of disposition which is either a straight sale, joint venture or lease income.

Straight Sale
Pursuant to Section 1(d) of RA 7917, the proceeds from sale after deducting all expenses related to the sale are distributed as follows:

	Percentage of share
Bases Conversion and Development Authority (BCDA)	27.50%
Armed Forces of the Philippines (AFP)	35.00%
National Shelter Program	12.00%
Other beneficiaries	25.50%
	100.00%

As prescribed by Section 1 (2) of RA 7917, the Authority's 27.5 per cent share from the net proceeds is recorded as part of equity from the National Government. The shares of beneficiaries other than BCDA are initially booked as liability. Direct expenses related to the disposition are treated as company expenses or assets, as the case maybe.

Joint Venture/Lease Income
Pursuant to Executive Order (EO) No. 309, the net proceeds from joint venture/lease income are shared equally by the Authority and the AFP after deducting direct expenses. The gross proceeds are recognized as revenue while the remittance of AFP's share and direct expenses are recognized as company expenses.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such

time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign currency translations
Foreign currency transactions are recorded initially at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translations at end of reporting period using the prevailing exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss for the year.

Tax subsidy availments
The income approach is used in the recognition of the tax subsidy availments by the contractors and consultants. Under the approach, the subsidy is recognized as deferred income and amortized over the useful life of the asset (PAS 20, par. 26). The amortization of subsidy income started in 2009 when the SCTEx began its operation computed based on the total amount of tax subsidy over 30 years which is the estimated useful life of the SCTEx.

Taxation
Income tax expense represents the sum of the current tax expense based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are non-taxable or non-deductible. The Authority's liability for current tax is calculated using the income tax rate of 30 per cent or the Minimum Corporate Income Tax (MCIT) rate of two per cent, whichever is higher.

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2015	2014
Petty cash fund	**58,324**	132,911
Cash with collecting officers	**10,245,619**	97,023
Cash in banks	**89,338,928**	128,262,226
Cash equivalents	**3,575,994,817**	349,820,323
	3,675,637,688	478,312,483

Cash in banks are deposits maintained with Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) which earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term investments in Special Deposit Accounts and Peso Time Deposits bearing maturities from one to three months and earn interest at the prevailing short-term rates.

6. SHORT-TERM INVESTMENTS

This account consists of investments in premium or high-yield savings accounts with government banks with maturities ranging from 91 to 360 days and earn interest at the prevailing short-term rates. Majority of this account is invested in the Unlad Pamahalaan GS Money Market Fund with DBP, an investment facility available only to government-owned and controlled corporations and corporate accounts with no minimum holding period requirement. Investments are generally stated at cost except for Unlad Pamahalaan GS Money Market Fund which is stated at fair market value.

	2015	2014
Unlad Pamahalaan GS Money Market Fund	**9,083,612,210**	8,590,821,237
Premium Savings Plan - PPSBI	**122,013,154**	158,912,537
Peso Time Deposit - DBP	**0**	19,873,016
Special Savings Deposit - DBP	**1,185,418**	12,079,180
High-yield Savings Account - LBP	**1,009,202**	1,000,000
	9,207,819,984	8,782,685,970

7. RECEIVABLES

This account consists of the following:

	2015	2014 As restated
Intra-agency receivables	**3,942,707,351**	3,859,636,573
Inter-agency receivables	**1,572,980,203**	521,419,854
Joint venture projects receivables	**205,861,356**	194,913,544
Lease receivables	**179,787,642**	3,241,605,843
Installment sales receivables	**67,771,565**	94,468,647
Concession fee receivable	**80,962,344**	0
Other receivables	**85,449,236**	301,351,265
	6,135,519,697	8,213,395,726
Allowance for doubtful accounts	**(90,444,617)**	(333,796,366)
	6,045,075,080	7,879,599,360
Current portion	**3,133,159,786**	5,193,067,539
Non-current portion (see Note 16)	**2,911,915,294**	2,686,531,821

Intra-agency receivables pertains to receivables from the Authority's subsidiaries and affiliates, as follows:

	2015	2014
Clark International Airport Corporation (CIAC)	**1,851,608,122**	1,817,152,487
North Luzon Railways Corporation (NORTHRAIL)	**1,661,883,754**	1,661,883,754
John Hay Management Corporation (JHMC)	**286,789,199**	283,572,497
Clark Development Corporation (CDC)	**54,645,058**	32,365,420
Poro Point Management Corporation (PPMC)	**51,886,817**	28,062,356
Philippine Centennial Expo'98 Corp. (EXPOCORP)	**22,682,686**	22,682,686

Fort Bonifacio Development Corporation (FBDC)	**5,872,258**	5,872,258
Bataan Technology Park, Inc. (BTPI)	**5,738,874**	5,832,353
Bonifacio Estate Services Corporation (BESC)	**1,500,000**	1,500,000
Poro Point Industrial Corporation (PPIC)	**100,583**	100,583
BCDA Management and Holdings, Inc. (BMHI)	**0**	612,179
	3,942,707,351	3,859,636,573

- *Receivable from CIAC* represents the (a) 15 per cent importation cost of radar spare parts for the Terminal Radar Approach Control (TRACON) Project of P37.074 million; (b) result of the inter-company settlement of CDC-CIAC loans pursuant to EO 716 dated April 3, 2008 of P735.561 million; (c) advances to finance the operating expense shortfall of CIAC of P75 million; and ((d) advances of P832.248 million. The account also includes the amortization of Deutsche Bank loan of CIAC paid by CDC in behalf of BCDA with an accumulated amount of P171.725 million and P162.269 million in 2015 and 2014, respectively.

- *Receivable from NORTHRAIL* substantially represents advances of P1.410 billion and FBDC's investment in NORTHRAIL of P250 million which was assigned by the latter to the BCDA, pursuant to a Settlement Agreement dated April 16, 2003 by and among BCDA, Metro Pacific Corporation (MPC), Fort Bonifacio Development Corporation (FBDC) and Bonifacio Land Corporation (BLC).

- *Receivable from JHMC* represents advances of P262.462 million. It also includes funds released for the construction of access road and other capital expenditure projects of P20.326 million which will be liquidated upon completion and turnover of the project to the BCDA; and advances of P4.000 million to finance the ground maintenance of Phase I and II of the John Hay Special Economic Zone (JHSEZ) in 2014, which were liquidated by JHMC in April 2016.

- *Receivable from CDC* represents the Authority's 50 per cent share from the net revenues within the Clark Civil Aviation Complex (CCAC) amounting to P54.645 million in CY 2015 and P32.365 million in CY 2014.

- *Receivable from PPMC* represents funds released for Capital Expenses (CAPEx) and for acquisition of all validated land claims within the Wallace area. These advances will be liquidated upon turnover of projects and Transfer Certificate of Titles (TCTs) of land by PPMC to the BCDA. On February 11, 2016, PPMC submitted its liquidation report in connection with the provision of street lighting at the industrial area and along the road leading to the Poro Point Lighthouse.

- *Receivable from EXPOCORP* represents funds released from CY 1999 to CY 2008 for EXPOCORP's operating requirements amounting to P22.683 million. In CY 2011, the Authority recognized an allowance for impairment loss of P22.683 million.

- *Receivable from BTPI* refers to the unremitted revenue for CY 2013 of P5.738 million.

Inter-agency receivables consists of receivables from the following:

	2015	2014
Supreme Court of the Phils. (SC)	**1,159,002,000**	0
Bureau of the Treasury (BTr)	**148,389,658**	148,389,658
City of Makati	**81,585,140**	146,503,253
National Shelter Program (NSP)	**79,703,777**	121,887,185
Department of Budget and Management (DBM)	**60,831,236**	60,831,237
Department of Public Works & Highways (DPWH)	**39,084,953**	39,099,093
Municipality of Taguig	**3,750,173**	3,750,173
Various agencies	**633,266**	959,255
	1,572,980,203	521,419,854

- *Receivable from SC* pertains to the balance due from the SC in connection with the sale of a 21,463 sq. m.-lot at the Philippine Army Security Group Area within Fort Bonifacio.

- *Receivable from BTr* pertains to the remittance to BTr of other beneficiary agencies' share from the share of NSP from the asset disposition proceeds through sale. The NSP share represents the portion due to the Authority for the latter's conveyance/transfer of properties identified as socialized housing sites with mixed-use development under EO 465.

- *Receivable from City of Makati* pertains to the amount due from the City of Makati in connection with the acquisition of two parcels of land with an aggregate area of 13,047 square meters covered by TCT Nos. 36277 and 36291. In January 2016, the City of Makati paid its remaining balance of P81.585 million.

- *Receivable from NSP* represents the cost of land, land improvements, and medium-rise condominium buildings at the Philippine Centennial Village which were turned over to the Housing and Urban Development Coordinating Council pursuant to EO 70, dated February 11, 2002 and Deed of Turnover, dated September 8, 2004. EO 70 was later amended by EO 465 designating the National Housing Authority as the lead implementing agency of NSP to acquire ownership of the said properties. The account is decreased by NSP's share in disposition proceeds.

- *Receivable from DBM* pertains to the reimbursement of the BCDA's advances for taxes and fees incurred in the disposition of the 150-hectare Fort Bonifacio which was charged from BCDA's share from disposition proceeds. Pursuant to Inter-Agency Committee (IAC) Resolution No. 2016-04 dated January 14, 2016, the receivable was settled in CY 2016 thru offsetting of P60.831 million from the remittable amount to the BTr.

- *Receivable from DPWH* pertains to the balance due from DPWH in connection with its acquisition of a 5,067.65 sq. m.-lot at Camps Atienza and Melchor in Libis, Quezon City which was affected by the construction of the Marikina-Quezon City Bypass Road Project.

Joint venture projects receivables refers to the (a) interest charges of P103.317 million due to late remittance by Megaworld of the first and second minimum annual guaranteed revenue share of the BCDA from the JUSMAG project; (b) accrued portion of the 11th year minimum revenue share from McKinley Hill of P81.240 million; (c) creditable withholding tax for CY 2015 from Newport project of P5.257 million; and (d) unsecured revenue share and rental income from Serendra project of P16.046 million.

Lease receivables account balance as of December 31, 2014 of P3.241 billion pertains substantially to the unpaid lease rental of Camp John Hay Development Corporation (CJHDevCo) amounting to P3.07 billion as of July 31, 2012, inclusive of interest, penalty, and surcharge which was written off in 2015 following the confirmation by the Regional Trial Court on March 27, 2015 of the Final Award rendered by the Arbitral Tribunal in the arbitration case between CJHDevCo and the BCDA (see Note 34 C.2). The account balance as of December 31, 2015 of P179.788 million pertains to receivables arising from the lease of other properties of BCDA within Fort Bonifacio, John Hay Special Economic Zone and Poro Point Freeport Zone.

Installment sales receivables pertains to receivables arising from sale of:

	2015	2014
Heritage Park Investment Certificates	**33,902,882**	60,121,776
Concesionaire's area in Villamor Airbase	**41,278**	73,967
Housing units in Pabahay 2000 in General Trias, Cavite	**6,834,072**	6,874,927
Pamayanang Diego Silang (PDS) Village units, Taguig City	**9,012,753**	9,300,309
Rodriguez, Rizal Relocation	**17,980,580**	18,097,668
	67,771,565	94,468,647

Receivables related to PDS Village units includes unpaid common area charges, real property tax advanced by BCDA and estate management fee of PDS unit owners.

Receivables related to Housing units in Rodriguez, Rizal includes receivables arising from the relocation of qualified informal settler families affected by the development of BCDA's JUSMAG property based on a Memorandum of Agreement (MOA) entered into by and between the Authority and National Housing Authority (NHA) dated November 10, 2011. Based on the MOA, BCDA shall fund the cost of housing units, including the cost of community facilities and individual water and power connections of the relocatees, while NHA shall provide the necessary housing units and will serve as the collecting agent of BCDA. In CY 2012, 93 families were relocated to NHA's housing units at Kasiglahan Village, located in Rodriguez, Rizal and a total of P18.600 million was paid by the BCDA to NHA.

Other receivables is composed mainly of the following:

	2015	2014
Due from Non-Gov't Organizations (NGOs)	**33,219,658**	36,757,310
Interest receivables	**17,343,338**	10,486,188
Dividends receivable	**14,345,474**	225,770,961
Due from other individuals	**1,777,252**	1,820,727
Due from officers and employees	**1,372,804**	1,448,954
Advances to officers and employees	**88,735**	246,660
Others	**17,301,976**	24,820,465
	85,449,237	301,351,265

- *Due from NGOs* consists of receivables from (a) Lakas Ilaw Association, Inc. for bridge loan financing of P3.476 million in CY 2015 and P3.869 million in CY 2014; (b) SAMASAMA, Inc. for livelihhod fund of P0.414 million; (c) Samahang Kaisahan ng Sambayanan of P0.780 million; and (d) BCDA Employees Provident Fund, Inc. representing the balance of seed money released by the Authority as start-up fund for the housing/car loan facilities being availed by its officers and employees amounting to P28.549 million in CY 2015 and P31.686 million in CY 2014.

- *Dividends receivable* consists of the remaining balance of cash dividends declared by FBDC in 2013 of which P210 million was collected in CY 2015.

- *Others* represents receivables from various suppliers/contractors for the purchase of goods that have yet to be delivered. This account also includes receivables from Megaworld for the amount it retained from the annual minimum revenue share of BCDA in Newport City and McKinley Hill joint venture projects as contingency funds and from persons liable under COA disallowances.

8. INVENTORIES

This account consists of the following:

	2015	2014 As restated
Heritage Park Investment Certificates	**601,728,547**	647,739,917
Parking spaces	**8,400,000**	23,800,000
Pabahay 2000	**600,000**	600,000
	610,728,547	672,139,917

Heritage Park Investment Certificates pertains to various memorial products which entitle a buyer to the perpetual use of the purchased lot upon full payment of the contract price. BMHI manages the disposition of BCDA-held investment certificates in accordance with the BCDA-BMHI Service Agreement dated July 9, 2013.

Parking spaces refers to the parking units at the Pacific Plaza Towers Condominium allocated for BCDA. As of December 31, 2015, a total of 24 parking spaces remains unsold.

Pabahay 2000 pertains to the housing units at General Trias, Cavite which are part of BCDA's resettlement and housing program that benefitted residents affected by the conversion and disposition of the former base lands in Metro Manila.

9. PREPAYMENTS

This account consists of the following:

	2015	2014 As restated
Prepaid tax	**609,074,879**	496,748,181
Advances to contractors	**15,543,124**	39,985,161
Prepaid insurance	**1,311,489**	17,002,849
	625,929,492	553,736,191

Prepaid tax pertains to creditable withholding taxes from lease, concession and joint venture transactions.

Advances to contractors pertains to the cost of undelivered goods purchased from the Procurement Service and mobilization fees paid to contractors for the remaining infrastructure works at the Bonifacio Global City and various repair and maintenance works at SCTEx. Mobilization fees are recouped from every progress billing/payment depending on the percentage of accomplishment.

10. OTHER CURRENT ASSETS

This account consists of the following:

	2015	2014
CJHDevCo escrow account	**1,421,096,052**	0
DBP trust account	**104,950,477**	936,571,052
Supplies inventory	**2,120,736**	2,611,773
Others	**5,603,167**	6,159,682
	1,533,770,432	945,342,507

CJHDevCo escrow account pertains to the fund established by the Authority where the rentals required to be returned to CJHDevCo was deposited (Note 34.C.2). Interest earned from the escrow account amounted to P3.790 million as of December 31, 2015.

DBP trust account consists mainly of the proceeds from the sale of Serendra Condominium units and the lease income from the Serendra Retail area wherein the proceeds are being maintained in an escrow and trust accounts with the DBP pending sales verification and reconciliation between the Authority and Ayala Land, Inc.

11. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES/AFFILIATES

This account consists of the following:

	2015	2014
Shares of stock (at cost)		
Subsidiaries:		
Clark Development Corporation	**2,813,507,300**	2,813,507,300
BCDA Management and Holdings, Inc.	**280,000,000**	280,000,000
John Hay Management Corporation	**120,000,000**	120,000,000
Philippine Centennial Expo'98 Corp.	**100,000,000**	100,000,000
North Luzon Railways Corporation	**100,000,000**	100,000,000
Poro Point Management Corporation	**68,143,720**	68,143,720
Clark International Airport Corporation	**1,250,000**	1,250,000
	3,482,901,020	3,482,901,020
Allowance for impairment	**(100,000,000)**	(100,000,000)
	3,382,901,020	3,382,901,020
Affiliates:		
Fort Bonifacio Development Corporation	**15,652,212,164**	17,026,531,306
Bonifacio Water Corporation	**70,051,870**	70,051,870
Bonifacio Communication Corporation	**27,500,000**	27,500,000
Poro Point Industrial Corporation	**15,000,000**	15,000,000
Bonifacio Estate Services Corporation	**4,333,333**	4,333,333
Subic Clark Alliance for Development	**2,083,333**	2,083,333
	15,771,180,700	17,145,499,842
	19,154,081,720	20,528,400,862

On July 1, 2015, the GCG issued Memorandum Order No. 2015-06 deactivating BMHI. As part of the transitional plan to deactivate the current operation of BMHI, GCG ordered the Authority to act as successor-in-interest of BMHI's obligations, assets and liabilities; assume the functions of BMHI; implement the plan of actions for the affected employees of BMHI; and resolve all audit findings by the Commission on Audit against BMHI.

On December 21, 2011, EO 64 was issued making Clark International Airport Corporation (CIAC) an agency attached to the Department of Transportation and Communications (DOTC), which shall exercise administrative control and supervision over CIAC, and further ordering the transfer and conveyance to the National Government of all the shares of stock of CIAC. Coordination meetings with the DOTC, CIAC and Clark Development Corporation are being undertaken to thresh out issues and concerns relative to the implementation of EO 64.

Allowance for impairment pertains to the allowance for losses provided on the Authority's investment in the Philippine Centennial Expo '98 Corporation.

On May 17, 2013, the Governance Commission for GOCCs (GCG) issued Memorandum Order No. 2013-027 abolishing BTPI. The GCG Memorandum further instructed the Authority to act as the successor of BTPI's interest, including all assets; absorb all liabilities of the BTPI; honor all valid contracts entered into by BTPI; assume the functions necessary to continue the operations of the Park; and implement separation packages for the affected BTPI employees, in accordance with the provisions of the Labor Code. In 2013, the Authority implemented the separation packages of the affected employees while BMHI was tasked to operate the Atmanda Resort at Bataan Technology Park. In 2015, the Authority assumed the operation and upkeep of BTPI. Impairment loss of P100 million on the Authority's investment in BTPI was recognized in 2014.

In 2010, the Authority received P450 million from FBDC as advances for the redemption of Preferred F shares. The deposit is classified under Intra-Agency Payable. Conveyance by FBDC of parcels of land consisting of portions of Reserved Area I and Settlement Area 1 with an aggregate area of 3,710 sq. m. and 6,147 sq. m., respectively, in partial redemption of preferred B shares owned by the Authority was also recorded in 2014. Partial redemption of preferred B shares based on the net saleable area and usufruct proceeds was recorded in 2015 amounting to P742.399 million and 631.920 million, respectively (see Notes 19 and 33.f).

12. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures represents the appraised value of lands put into the joint venture projects, subsequently reduced by the allocation of cost of sales for revenues received from the JV partners, as follows:

	2015	2014 As restated
JUSMAG	**7,523,413,254**	8,573,458,377
New Port City	**5,269,192,484**	5,476,527,030
North Bonifacio Lots	**1,368,628,006**	1,564,146,293
McKinley Hill	**19,694,000**	24,617,500
	14,180,927,744	15,638,749,200

The profiles of these investments are as follows:

JV Partner	Property Invested	Value of Investment	JV Partner's committed investment	BCDA's allocated share	Minimum Annual Revenue
Megaworld	Name: JUSMAG Area: 32.87 has.	P10.7 billion	P22 billion	Low density lots–20% High-density lots-20% Residential/Mixed-use-10% Parking spaces-10%	P873.4 million
Megaworld	Name: Villamor Gateway Center 174,841 sqm	P5.98 billion	Minimum of P200 million	Commercial lots-30% Office space-5% Residential-5% Commercial space-5% Parking spaces-5%	Unsecured

JV Partner	Property Invested	Value of Investment	JV Partner's committed investment	BCDA's allocated share	Minimum Annual Revenue
Megaworld	Name: North Bonifacio lots Area: 8.38 has.	P2.1 billion	P15.6 billion	10% of units in the project	P306 million
AGGI	Name: Lawton Parkway Area:24.6 has.	P73.8 million	P2.06 billion	Subdivision lots-35% Residential condominium-21% Parking spaces-21% Commercial areas-21% Residential condominium for rent – 21%	P118.2 million
ALI, Inc.	Name: Lot B Area: 11.6 has.	P591.2 million	P12.4 billion	FAR less than or equal to 2.5-20% FAR greater than 2.5 and up to 5.0-17% FAR greater than 5.0 and up to 7.5-15% FAR greater than 7.5 and up to 12.5 - 12% FAR greater than 12.5 –subject to mutual agreement	P120.2 million

JUSMAG Property

On April 13, 2010, the Authority entered into a Joint Venture Agreement (JVA) with Megaworld Corporation (Megaworld) for the privatization and development of the 34.5-hectare portion of the JUSMAG property along Lawton Avenue in Fort Bonifacio. Pursuant to the JVA, the subject property shall be developed into a mixed-use development featuring residential, office and commercial uses. The Authority's sole contribution to the project is the land, while Megaworld committed to invest a minimum of P22 billion within the maximum development timetable of 20 years from the commencement of development.

Megaworld shall be the exclusive marketing and management agent for BCDA's allocated units for sale, and leasing and management agent for allocated units for lease, for which it shall be entitled to receive marketing and management fees of 12 per cent based on the gross selling price inclusive of VAT.

The Authority shall receive yearly guaranteed revenues, starting on April 12, 2011 until April 12, 2029, amounting to P873.400 million, representing the minimum share of the Authority from the project based on the revised Project Implementation Plan dated February 15, 2014. Also, as required under the JVA, the Authority received from Megaworld on April 13, 2010 an upfront cash of P1.5 billion as the Authority's advance revenue share, recoverable without interest against the net proceeds from the sale or lease of the Authority's allocated units in excess of its minimum annual secured revenue share.

The JVA also provides that Megaworld shall replicate 106 Armed Forces of the Philippines housing units and facilities affected by the development of the JUSMAG property. In 2014, BCDA turned over to the Department of National Defense all replicated facilities and utilities in JUSMAG amounting to P700 million.

As of December 31, 2015, one subdivision lot, out of the 57 allocated lots for BCDA with reference value of P21.6 million remains unsold.

Newport City Project

On October 10, 2003, the Authority entered into a JVA with Megaworld for the development of the remaining lots at the Villamor Gateway Center to be known as New Port City Project. Pursuant to the JVA, the Authority shall contribute lots with an aggregate land area of 174,841 square meters, while Megaworld shall provide financing for the implementation of the project. In return for their contributions to the project, the parties shall receive their allocated units and/or net proceeds from sales. Megaworld has committed to invest a minimum of P200 million for the project within a period of 12 years from clearing, relocation and replication of the structures and in accordance with the investment schedule contained in the Megaworld proposal.

The JVA also provides that Megaworld, at its sole expense, shall assume and cause the relocation and replication of Philippine Air Force (PAF) facilities and other community structures which are affected by the development of the project. As agreed by and between the Authority and PAF, the final relocation and replication cost of existing structures amounts to P889.331 million. As of December 31, 2014, completed facilities with a total cost of P366.4 million were already turned over by Megaworld to the Authority.

As of December 31, 2015, a total of 14 residential units, out of the 198 units allocated to BCDA, valued at P46.461 million remains unsold.

North Bonifacio Lots Project

On November 3, 2009, the Authority entered into a JVA for the privatization and development of the 8.38-hectare North Bonifacio lots at Bonifacio Global City. Pursuant to the JVA, the Authority shall contribute the North Bonifacio lots, while Megaworld shall provide financing for, and shall undertake the planning, construction and development of the project. In return for their contributions, BCDA will receive 10 per cent units in the project while Megaworld shall receive 90 per cent.

Megaworld has committed to invest a minimum of P15.6 billion within the estimated development timetable of no more than 20 years from the signing of the JVA and to remit to BCDA annual minimum revenue share of P306 million which commenced in CY 2011.
In addition to the minimum investment, Megaworld has also committed to provide the property with transportation facilities (Transportation Project) requiring an investment of no less than P500 million. The Transportation Project is expected to enhance the accessibility of the property to Bonifacio Global City and other major points in Metro Manila.

As of December 31, 2015, a total of 6 residential units valued at P41.352 million remains unsold.

McKinley Hill Project

On September 1, 2003, the Authority entered into a JVA with Alliance Global Group, Inc. (AGGI) for the development of a parcel of land, referred to as the Lawton Parkway, predominantly for residential purposes. The project is known as McKinley Hill Project.

Pursuant to the JVA, the Authority shall contribute land with an aggregate land area of 24.6 hectares, while AGGI shall provide financing for the implementation of the project.

The Authority authorized AGGI to enter into a joint development agreement with third party entities under which AGGI may delegate to said third party entities the performance of all its obligations and functions in the development, marketing and management of the project.

On July 17, 2003, AGGI entered into a Memorandum of Undertaking with Megaworld Corporation designating the latter as the Project Manager and exclusive Marketing Agent of the project.

The AGGI has committed to invest a minimum of P2.06 billion and to remit to the Authority an annual secured revenue share of P118.164 million for the 15 selling periods, commencing on the date AGGI begins to offer the Authority's allocated units for sale or lease to the public which started in July 2004.

As of December 31, 2015, the remaining unsold residential/condominium units allocated to the Authority is 14 units with a total reference value of P109.913 million.

<u>Serendra Project</u>

On April 15, 2003, the Authority entered into a Joint Development Agreement (JDA) with Ayala Land, Inc. (ALI) for the development of Lot B at Bonifacio Global City, known as the Serendra project. Pursuant to the JDA, the Authority shall contribute the 11.6-hectare lot, and ALI shall provide the necessary cash and expertise to undertake and complete the implementation of the residential development. In return for their contributions, the parties shall receive the whole finished units or cash proceeds from the sale of allocated units in different proportions depending on the type of development.

ALI has committed to invest sufficient capital, which is estimated to be P12.419 billion, and to remit to the Authority an annual minimum revenue share of P175.758 million for the first selling period and P120.175 million for the subsequent selling periods up to CY 2012.

As of December 31, 2015, only one out of the 206 residential/condominium unit, allocated to BCDA for District I remains unsold with a reference value of P7.665 million. For District 2, out of the total allocated units of 418, 12 remain unsold with a reference value of P132.297 million. Parking slots of 138 units valued at P91.773 million, likewise, remain unsold.

13. OTHER INVESTMENTS

This account consists of the following:

	2015	2014
Long-term placements in Fixed-Rate Treasury Notes	**2,795,590,686**	2,800,893,478
Long-term investment on Tier 2 Fixed-Rate Unsecured Subordinated Notes	**500,000,000**	500,000,000
Value of 30 golf and country shares received by BCDA from CJHDevCo as partial payment of the latter's outstanding obligations	**12,000,000**	12,000,000
Cost of 10% Cumulative Preferred shares of BCDA paid to MERALCO in connection with the application for the installation of electric facilities at Serendra Project, Districts 1 and 2 properties pursuant to the Subscription Agreement entered into by and between the Authority and MERALCO	**5,947,649**	5,947,649
Cost of stocks/securities of PLDT in connection with the installation of various lines at the Authority and miscellaneous investments	**24,800**	24,800
	3,313,563,135	3,318,865,927

14. PROPERTY AND EQUIPMENT

This account consists of the following (in thousand pesos):

	Land Improvements	Building & Structures, Leasehold Impvts-Bldg	Office Equipment, Furniture & Fixtures, LVA and Books	Other Machinery &Equipt	Land Transport Equipment	Constn in Progress	Total
2015							
COST							
At January 1, 2015	33,254,961	492,848	75,230	26,852	113,914	10,748	33,974,553
Additions	427	282	4,658	3,966	0	134,538	143,871
Transfer	0	0	(377)	0	(705)	0	(1,082)
Reclassifications	0	0	(2,061)	0	0	0	(2,061)
Adjustments	0	0	(119)	0	0	(2,809)	(2,928)
Disposals/Write-off	0	(11,541)	(10)	0	0	0	(11,551)
Balance, 12/31/2015	**33,255,388**	**481,589**	**77,321**	**30,818**	**113,209**	**142,477**	**34,100,802**
ACCUMULATED DEPRECIATION							
At January 1, 2015	4,778,719	329,804	53,917	18,850	46,661	0	5,227,951
Depreciation	312,908	11,268	5,357	7,332	11,618	0	348,483
Adjustments	0	0	(374)	0	0	0	(374)
Transfer	0	0	(255)	0	(705)	0	(960)
Disposals/Write-off	0	(9,898)	(9)	0	0	0	(9,907)
Balance, 12/31/2015	**5,091,627**	**331,174**	**58,636**	**26,182**	**57,574**	**0**	**5,565,193**
Carrying Amount December 31, 2015	**28,163,761**	**150,415**	**18,685**	**4,636**	**55,635**	**142,477**	**28,535,609**

2014							
COST							
At January 1, 2014	47,249,493	499,076	79,433	200,563	98,964	96,725	48,223,254
Additions	5,241,177	0	4,176	10,744	14,539	7,072	5,277,708
Transfer	(566,924)	0	0	0	0	0	(566,924)
Reclassifications	(18,703,748)	(6,228)	0	0	0	(91,527)	(18,801,503)
Adjustments	277,557	0	0	0	3,607	(1,522)	279,642
Disposals/Write-off	(242,594)	0	(8,379)	(184,455)	(3,196)	0	(438,624)
Balance, 12/31/2014	**33,254,961**	**492,848**	**75,230**	**26,852**	**113,914**	**10,748**	**33,974,553**
ACCUMULATED DEPRECIATION							
At January 1, 2014	4,481,248	324,029	53,757	174,347	31,791	0	5,065,172
Depreciation	297,471	11,332	7,191	10,512	13,985	0	340,491
Adjustments	0	(5,557)	0	0	3,518	0	(2,039)
Transfer	0	0	0	0	0	0	0
Disposals/Write-off	0	0	(7,031)	(166,009)	(2,633)	0	(175,673)
Balance, 12/31/2014	**4,778,719**	**329,804**	**53,917**	**18,850**	**46,661**	**0**	**5,227,951**
Carrying Amount							
December 31, 2014	**28,476,242**	**163,044**	**21,313**	**8,002**	**67,253**	**10,748**	**28,746,602**

15. INVESTMENT PROPERTY

This account pertains to land assets with a total area of 367,627,992 square meters located at Fort Bonifacio, Villamor Airbase, Poro Point in La Union, Clark Economic Zone, Morong Bataan, and Camp John Hay in Baguio. Based on 2012 appraisal report, fair market value of land assets amounts to P280.297 billion.

The account also includes the CJH log homes, manor units and suites at Camp John Hay, including furnishings. Investment properties with a book value of P45.971 billion are recorded at cost.

Lease income from investment property amounted to P762.424 million and P697.205 million in 2015 and 2014, respectively. Expenses incurred relating to investment property are as follows:

	2015	2014
Estate management fee	**129,050,429**	138,742,456
Zone maintenance	**68,974,128**	60,009,461
Security services	**34,013,271**	35,739,011
Miscellaneous	**0**	514,412
	232,037,826	235,005,340

The Authority entered into Deeds of Usufruct for the use of its properties in line with the Authority's mandate to promote economic and social development with the following entities:

- Department of Education-CAR Division of Baguio City for the use of a 1,529-square meter property within Barangay Country Club in Baguio City for establishing a school building;
- Reserve Officers Legion of the Philippines (RLOP) for a 500-square meter area within the Community Center Area of the Housing Site II located at C-5 Road Fort Bonifacio as the National Headquarters of the RLOP;
- BMHI for the right to use a 3,000-square meter parcel of land located at Lot 1 PDS Estate C-5 Road Fort Bonifacio;
- Department of National Defense for the right to use the remaining one hectare property at Camp Claudio as housing site of Philippine Navy personnel;
- Filipino War Veterans Foundation Inc. for the use of a 5,000- square meter property within the commercial area of Pamayanang Diego Silang as headquarters and livelihood training center for the veterans;
- Department of Education-Taguig for the construction of Taguig-Pateros Science and Technology High School within the PDS Community Facilities Center;
- Military Ordinariate of the Philippines as site for the Chapel of St. Therese within Villamor Air Base; and
- Department of Public Works and Highways for the Sta. 00+000 to Sta. 00+712.17 in connection with the construction of the SCTEx-TPLEx interconnection project; and
- Philippine Dental Association (PDA) for the use of a 500-square meter area in Diego Silang Village for the establishment of the PDA Oral Health Research Center.

On May 29, 2014, President Benigno Aquino III approved the Master Development Plan for the Clark Green City involving 9,450 hectares of land within the Clark Special Economic Zone (CSEZ) including the first phase of its development. The Authority appropriated P6.00 billion from its retained earnings for this purpose.

The Authority has also allocated certain parcel of lands to various institutions in line with its development of the Clark Green City (CGC):

- University of the Philippines for the establishment by the University of the Philippines of a campus in CGC covering an area of 70 hectares of land; and
- Technological University of the Philippines for the establishment of TUP Center for Industrial Development and Productivity covering an area of 20 hectares of land.

16. OTHER NON-CURRENT ASSETS

This account comprises the following:

	2015	2014 As restated
Non-current receivables		
Intra-agency receivables	**2,784,939,148**	2,506,501,654
Inter-agency receivables	**79,703,777**	121,887,185
Installment sales receivable	**32,179,433**	48,142,982
Other receivables	**15,092,936**	10,000,000
	2,911,915,294	2,686,531,821

Deferred charges	**1,646,040,678**	1,662,530,757
Heritage Park Perpetual Care Fund	**67,144,552**	71,773,042
Deposits for expropriation	**35,101,740**	60,318,532
Intangible assets	**13,750,140**	14,362,269
Rent deposit	**4,825,067**	4,825,067
Other assets	**2,926,338**	2,927,738
	4,681,703,809	4,503,269,226

Non-current receivables refers to the amount due from the National Shelter Program; advances/receivables from subsidiaries; contingency funds for Newport City and the McKinley Hills projects; and the long-term portion of installment sales receivables.

Deferred charges pertains to the advances made to the AFP for the latter's share in the proceeds from redemption of FBDC Preferred B shares; upfront cash payments made by Megaworld for the JUSMAG and North Bonifacio Joint Venture projects; and advance rental of Altus San Nicholas for the 5,000-square meter lot along Lawton Avenue from CY 2015-2027. These upfront cash payments were recognized in the books as deferred income. When earned, the receivable is recognized as an adjustment to Contributions to AFP Modernization expense account.

Heritage Park Perpetual Care Fund (PCF) refers to the balance of the 12 per cent PCF advanced to the Heritage Park Management Corporation. The account is decreased by the corresponding PCF of sold Heritage Park Investment Certificates.

Deposits for expropriation refers to cash deposited to the Clerk of Courts in relation to land expropriation cases for SCTEx and Wallace Area in San Fernando, La Union.

Intangible assets pertains to acquired computer software licenses which are presented based on the cost incurred to acquire and bring to use the specific software. These costs are amortized over the expected useful lives of five years. Costs associated with maintaining computer software programs are recognized as expense when incurred. The decrease is due to the recognition of amortization for CY 2015.

17. PAYABLES

This account consists of payables to the following:

	2015	2014 As restated
Tollways Management Corporation	**200,075,749**	173,547,790
Various suppliers and contractors	**1,534,739,645**	111,103,939
	1,734,815,394	284,651,729

Accounts payable to Tollways Management Corporation consists mainly of payables for the operations and maintenance of SCTEx.

Accounts payable to various suppliers and contractors of P1.534 billion in 2015 consists substantially of the P1.421 billion rentals required to be returned to CJHDevCo (see Note 10 and 34 C.2)

18. INTER-AGENCY PAYABLES

This account consists of the following:

	2015	2014 As restated
Due to BTr	**4,196,658,956**	4,445,551,189
Due to LGU	**849,327,378**	849,327,378
Due to BIR	**157,860,666**	102,785,250
Due to PVAO	**10,050,000**	0
Due to GSIS	**3,301,302**	804,909
Due to other GOCCs	**2,704,561**	8,202,995
Due to Pag-IBIG	**184,763**	181,804
Due to Philhealth	**114,575**	121,050
	5,220,202,201	5,406,974,575

Due to BTr refers to the 72.50 per cent share of the beneficiaries on asset disposition thru sale of portions of Villamor Air Base and Fort Bonifacio. It also includes AFP's share from the net proceeds of non-sale transactions such as the Authority's share in joint venture projects, lease income and disposition of Heritage Park Investment Certificates. It also includes the Authority's initial capital of P70 million that was authorized under Section 6 of RA 7227 which should be covered by preferred shares of the Authority retirable within two years. No such preferred shares were issued, but the P70 million was recognized as a financial liability in 2012 and was remitted to the BTr on March 22, 2016.

It further includes the balance of guarantee fees incurred in relation to the JICA loan for the SCTEx Project amounting to P583.642 million.

Due to Local Government Unit (LGU) pertains mainly to the 25 per cent share of the City Government of Baguio on the lease of CJHDevCo pursuant to Baguio City Resolution No. 362 dated September 7, 1994.

Due to BIR represents taxes withheld from employees, suppliers/contractors and corporate income tax due. The net effect of output tax over input tax is presented as deferred credits.

Due to PVAO pertains mainly to the funds transferred by the Philippine Veterans Affairs Office to the Authority for the preparation of the total master development plan for the Libingan Ng Mga Bayani.

Due to other GOCCs consists mainly of the amount due to the Toll Regulatory Board as supervision fee on the SCTEx amounting to P.500 million; and the balance of the financial assistance from TIEZA for the Bonifacio Tunnel amounting to P1.600 million.

19. INTRA-AGENCY PAYABLES

This account consists mainly of the amount due to FBDC of P475.121 million representing the balance of deposit for future redemption of Preferred B shares which was upstreamed to the Authority to finance BCDA's various big-ticket development projects in accordance with Article 4.3 of the Supplemental Implementing Agreement between BCDA and FBDC dated November 11, 2009 and P450 million deposit for future redemption of Preferred F shares (see Note 33.f). It also includes the amount due to the Clark Development Corporation representing the inter-company settlement of CDC-CIAC loans and cash advances of P173.828 million pursuant to the implementing plan of EO No.716; and accruals of fund releases to subsidiaries.

20. OTHER PAYABLES

This account consists mainly of the following:

	2015	2014 As restated
Contractor's security deposits	**426,353,682**	383,894,988
Guarantee deposits payable	**122,655,210**	85,672,227
Due to officers and employees	**1,642,016**	1,570,191
Other payables	**1,262,464,157**	1,200,266,401
	1,813,115,065	1,671,403,807

Contractor's security deposits corresponds to the bid bond, performance and warranty security received from contractors/suppliers. This account also includes the 10 per cent retention monies withheld from the gross billing of the contractors/suppliers of goods and services.

Guarantee deposits payable pertains to the construction guarantee deposits billed by the Bonifacio Estate Services Corporation to locators in Bonifacio Global City on behalf of the Authority.

Other payables includes funds received for the Villamor Airbase replication and relocation project; funds for the NAPOLCOM project; advances by BCDA from the Heritage Park Project in accordance with the provision of the Pool Formation Trust Agreement between BCDA and PNB, and 50 per cent share of BCDA on collection from Clark Civil Aviation Complex locators from CY 2012 to 2015, net of 50 per cent share in expenses.

21. BORROWINGS

	2015	2014
Current portion of JICA Loan	**747,220,208**	706,428,084
Non-current portion of JICA Loan	**18,680,505,200**	18,367,130,195
	19,427,725,408	19,073,558,279

The loan payable to the Japan International Cooperation Agency (JICA), formerly Japan Bank for International Cooperation (JBIC) pertains to the loan drawdown of P31.244 billion (¥48.769 billion) for the period January 2003 to December 2010, as part of the loan extended to the Authority in the amount of ¥58.138 billion (inclusive of supplemental loan amounting to ¥17.106 billion in accordance with the amended Exchange of Notes).

In 2015 and 2014, payments were made amounting to P0.718 billion (¥1.906 billion) and P0.833 billion (¥1.906 billion), respectively. As of reporting date, the unpaid balance amounted to ¥49.561 billion. This balance is carried at restated amount based on the BSP foreign exchange rate.

The loan is for the construction of a direct, efficient and nearly exclusive road connection between major development areas of Central Luzon (Subic-Clark-Tarlac) in order to enhance the synergistic integrated development of the region and to alleviate the worsening traffic situation along the North-South axes in the region. The Subic-Clark-Tarlac Expressway project will enhance the development of both the Subic and the Clark Economic Zones pursuant to the Subic-Clark Alliance Development Program.

LOAN PROFILE:

Fund Source	:	Japan International Cooperation Agency
Loan Agreement No	:	PH-226
Loan Amount	:	JPY 58,138,495,277
Terms	:	40 years (maturity period)
	:	10 years (grace period)
Repayment terms	:	Semestral
Closing date	:	December 17, 2010
Guarantor	:	Republic of the Philippines
Interest Rate (%)	:	0.95% (Civil Works)
	:	0.75% (Consulting Services)
Guarantee Fee	:	1% p.a. of outstanding balance

22. DEFERRED CREDITS

This account consists of the following:

	2015	2014
Deferred income on tax subsidy	**3,106,476,932**	3,244,033,106
Deferred income from leased properties	**1,393,045,657**	1,416,978,795
Deferred income from Heritage Park Project	**458,601,451**	504,612,822
Output tax - net of input tax	**85,262,721**	72,464,229
Committed contributions for the upgrading of San Fernando Airport	**55,000,000**	55,000,000
Deferred income from joint venture projects	**7,350,000**	22,750,000
Other deferred credits	**3,895,483,367**	2,604,229,926
	9,001,220,128	7,920,068,878

Deferred income on tax subsidy pertains to the tax subsidy granted by the Department of Finance, as implemented by the Bureau of Internal Revenue, to pay for the taxes of the contractors, suppliers and consultants involved in the construction of SCTEx. This is pursuant to the provisions of the Exchange of Notes between the Republic of the Philippines and the Government of Japan that no part of the loan proceeds from the JICA for the construction of SCTEx project shall be used to pay for Philippine taxes. In relation to this, Revenue Regulation No. 17-2005 dated July 29, 2005 was issued prescribing the policies, guidelines and procedures in the implementation of the tax subsidy granted by the Fiscal Incentive Review Board (FIRB) to the Authority.

For CY 2005 to 2010, the amount of tax subsidy granted by the FIRB and availed by the consultants and contractors amounted to P4.138 billion, distributed as follows (in billion pesos):

Issued to	Amount of Subsidy	Amount of Utilization	Balance
Kajima Corporation, Obayashi Corpration, JFE Engineering Corporation, Mitsubishi Heavy Industries, Ltd. *(*KOJM)	8.414	2.452	5.962
Hazama Corporation, Taisei Corporation, Nippon Steel Corporation (HTN)	4.644	1.632	3.012
Pacific Consultant International – Katahira and Engineers International (PCI-KEI)	0.244	0.054	0.190
	13.302	4.138	9.164

The decrease of P137.556 million in 2015 is due to the amortization of deferred income on tax subsidy as subsidy from National Government.

Deferred income from leased properties represents the advance rental and earnest money received from various lessees of the Authority's properties.

Deferred income from Heritage Park Project pertains to the unrealized income from the remaining inventory of Heritage Park Investment Certificates.

Deferred income from joint venture projects pertains to the unrealized income from the remaining unsold inventory of parking units allocated to the Authority in the Pacific Plaza Towers Project.

Other deferred credits substantially pertains to the upfront cash from Megaworld amounting to P700 million for the North Bonifacio project and P1.5 billion for the development of JUSMAG property. It also includes the receivable arising from the sale of the 5,067.65-square meter lot at Camps Atienza and Melchor to DPWH and the 21,463- square meter lot at PA-SEG area to the Supreme Court of the Philippines which shall be reclassified to Capital and Due to BTr accounts when collected.

23. CONCESSION FEE

This account pertains to the 50 per cent share of the Authority from the audited gross toll revenue of SCTEx.

24. TOLL FEES

This account pertains to the revenue from toll fees from the SCTEx amounting to P1.081 billion from January 1, 2015 to October 27, 2015 and P1.082 billion in 2014.

25. SHARE FROM INCOME OF JOINT VENTURE OPERATIONS

This account pertains to the Authority's revenue share from the following Joint Venture projects:

	2015	2014 As restated
JUSMAG Project	**910,164,868**	1,573,414,165
Serendra Project	**366,122,021**	404,075,044
North Bonifacio Project	**311,844,773**	307,926,994
Newport City Project	**292,627,951**	73,282,538
McKinley Hill Project	**133,495,938**	133,783,157
	2,014,255,551	2,492,481,898
Cost of Sales	**(948,062,159)**	(806,276,474)
	1,066,193,392	1,686,205,424

The above Joint Venture Agreements with private companies are the main sources of revenues of the Authority. The amounts represent both the secured (fixed) and unsecured (variable) revenues as stated in the agreements.

26. LEASE INCOME

This account pertains to revenue arising from various lease agreements wherein parcels of land are transferred and conveyed by way of lease to private entities (e.g. school, telecom, retail establishments, shopping mall, resort and hotel) for the construction of their building, structures and facilities and for the conduct of retail activities and other business activities under specific terms and conditions.

27. DIVIDEND INCOME

This account consists of dividends received from the following:

	2015	2014
Fort Bonifacio Development Corporation	**450,000,000**	1,800,000,000
Bonifacio Communication Corporation	**17,000,000**	23,500,000
Bonifacio Estate Services Corporation	**3,333,333**	7,333,333
BCDA Management and Holdings, Inc.	**1,186,873**	325,542
Clark Development Corporation	**0**	110,000,000
	471,520,206	1,941,158,875

28. CONTRIBUTIONS TO AFP MODERNIZATION

This account pertains to the cost of replication of facilities and the 50 per cent share of AFP out of the net proceeds from leases, joint ventures and all transactions, other than sale entered into by the Authority, involving portions of Metro Manila military camps pursuant to the provisions of EO 309, dated November 3, 2000, as follows:

	2015	2014
Share from joint venture income	**1,084,102,557**	685,948,375
Redemption of preferred shares	**750,000,000**	0
Dividends	**225,000,000**	900,000,000
Share from lease income	**186,165,717**	354,572,382
Revenue from sale of Heritage Park Investment Certificates (HPICs)	**27,540,510**	30,064,989
Interest on sale and non-sale	**14,671,764**	5,551,518
AFP JUSMAG housing facilities	**0**	700,000,000
	2,287,480,548	2,676,137,264

29. OTHER INCOME (EXPENSES)

This consists of the following:

	2015	2014 As restated
Interest income	**184,429,850**	113,043,666
Subsidy income	**137,556,174**	137,556,174
Gain on UITF investments	**84,245,922**	44,621,879
Impairment loss (Note 34.C.2)	**(2,827,119,271)**	0
Other legal expenses-CJHDevCo (Note 34.C.2)	**(1,421,096,052)**	(600,000,000)
Unrealized gain (loss) on foreign exchange	**(1,059,900,093)**	2,743,237,336
Financial expenses	**(389,842,495)**	(445,155,644)
Realized (loss) on foreign exchange	**(11,733,162)**	(25,352,905)
Loss on disposal of property	**(3,077,149)**	(19,431,014)
Adjustment to direct expenses on ADP	**0**	38,405,812
	(5,306,536,276)	1,986,925,304

Unrealized gain (loss) on foreign exchange

The Authority has two main foreign currency denominated transactions: the special yen loan package of the SCTEx project and bank deposits for dollar transactions.

In 2015, the exchange rate for yen-denominated loan increased to P0.3920 from P0.3706, resulting in foreign exchange loss of P1.061 billion. For dollar deposits, the exchange rate increased to P47.166 from P44.617 resulting in gain of P695,120.

30. INCOME TAX EXPENSE

Income tax expense amounting to P151.880 million for CY 2015 and P89.863 million for CY 2014 represents the two per cent Minimum Corporate Income Tax (MCIT).

31. EQUITY FROM THE NATIONAL GOVERNMENT

The Authority has an authorized capital stock of P100 billion as provided for in Section 6 of RA 7227. This may be fully subscribed by the Republic of the Philippines and shall either be paid up from the proceeds of the sales of land assets as provided for in Section 8 of the same Act or by transferring to the Authority properties valued at such amount.

Capital account of the Authority consists of the following:

	2015	2014 As restated
Fair market value/assessed value of the following transferred properties:		
Villamor Air Base	**27,841,448,676**	27,841,448,676
Various Metro Manila camps	**10,271,876,088**	10,270,310,775
Camp John Hay	**7,443,738,052**	7,443,738,052
Bataan Technology Park	**3,024,994,233**	2,987,167,634
Clark Main Zone	**2,510,541,015**	2,177,339,349
San Fernando Seaport	**366,018,191**	366,018,191
Sacobia	**26,164,356**	26,164,356
San Fernando Airport	**5,259,638**	5,259,638
Heritage Park	**644,716**	0
	51,490,684,965	51,117,446,671
Value of the capitalized portion of Fort Bonifacio which is equivalent to the 45 per cent share in FBDC	**19,769,006,975**	19,769,006,975
Net proceeds from the disposition of transferred properties as provided under RA 7227, as amended	**3,861,304,223**	3,795,685,659
Share on the lease of CJHDevCo	**3,289,531,164**	3,289,531,164
Proceeds of the portion of the Fort Bonifacio property sold to PNOC/DOE and the JUSMAG property sold to Victory Liner, Inc.	**158,347,900**	158,347,900
Value of investment in Poro Point Industrial Corporation	**15,000,000**	15,000,000
Initial cash equity of the National Government	**13,250,000**	13,250,000
	78,597,125,227	78,158,268,369
Fund from Legislative-Executive Bases Council	**2,930,858**	2,930,858
	78,600,056,085	78,161,199,227

The initial cash equity of the National Government includes the initial capital of P70 million that was authorized under Section 6 of RA 7227 which shall be covered by preferred shares of the Authority retirable within two years. No such preferred shares were issued but the P70 million was recognized as a financial liability in 2012 and remitted to the BTr in March 22, 2016 (see Note 18).

Land used to securitize the Heritage Park Investment Certificates (HPICs) was transferred by the NG as Capital of the Authority. It was later on conveyed to the Philippine National Bank as the appointed trustee for the Heritage Park securitization pursuant to the Pool Formation Trust Agreement of 1994 among the Authority, Philippine Reclamation Authority and Philippine National Bank. The transfer of land from NG to the Authority was recorded at P1.00 per square meter.

32. RETAINED EARNINGS

Retained Earnings at January 1, 2014 was restated for the following adjustments:

Reduction of Project Area-JUSMAG	(220,692,041)
Other adjustments	21,719,778
	(198,972,263)

33. RELATED PARTY TRANSACTIONS

In the normal course of business, the Authority's significant transactions with related parties consisted of the following:

a. *Clark Development Corporation (CDC)* and *Clark International Airport Corporation (CIAC)* - The CDC was established under Executive Order (EO) No. 80 dated April 3, 1993 as the implementing arm of the Authority for the Clark Special Economic Zone. By virtue of EO 192, which was issued on July 27, 1994, CIAC was organized as a subsidiary of CDC to operate and manage the Clark Civil Aviation Complex.

   On April 3, 2008, EO 716 was issued transforming CIAC as a subsidiary of the Authority. Pursuant to the EO, CDC's investment and advances to CIAC was transferred to the Authority. The agreed booking entries on inter-company settlement of accounts among the Authority, CDC and CIAC were taken up in the books in July 2011.

b. *Poro Point Management Corporation (PPMC)* - The Authority and PPMC entered into a Performance Agreement on July 22, 2005. Under the Agreement, PPMC shall manage and operate the Poro Point Freeport Zone (PPFZ), while the Authority shall allocate and release the operating (OPEX) and capital expenditure (CAPEX) budget of PPMC. CAPEX funds are granted as advances to PPMC. The advances are non-interest bearing, unsecured and subject to liquidation. Income and collections generated from properties being managed by PPMC are recognized as receivables until their remittance to the Authority. OPEX released by the Authority is treated as subsidy to PPMC.

On June 23, 2013, the Authority and PPMC entered into a Performance Agreement to ensure the continuous productive operation, development and enhancement of the Poro Point Freeport Zone (PPFZ). On December 18, 2013, the BCDA Board approved the amendment to Section 13 of the Agreement. Under the Agreement as amended, PPMC shall manage and operate the PPFZ. PPMC shall receive a share of 50 per cent of revenues or P59 million for the next two years beginning 2014, whichever is higher. PPMC is likewise entitled to an additional 10 per cent on net income from the estate's operations over and above its share on gross revenues. The fixed amount will be released to PPMC before the start of each year, subject to increase, if any, on revenue share, at the end of the year. PPMC shall book its share in the gross revenues of the zone or the fixed amount that it will be receiving from BCDA as corporate income.

c. *John Hay Management Corporation (JHMC)* - The Performance Agreement entered into by and between the Authority and JHMC on July 21, 2005 ensures the continuous operation, development and economic enhancement of Camp John Hay and all the areas within the John Hay Special Economic Zone (JHSEZ). Pursuant to the Agreement, JHMC shall manage and operate JHSEZ, while the Authority shall allocate and release the OPEX and CAPEX expenditure budget of JHMC. CAPEX funds are granted as advances to JHMC. The advances are non-interest bearing, unsecured and subject to liquidation. Income and collections generated from property being managed by JHMC are recognized as receivables until their remittance to the Authority. OPEX released by the Authority is treated as subsidy to JHMC.

   On October 1, 2012, the Authority and JHMC entered into a Performance Agreement to ensure the continuous productive operation, development and enhancement of the John Hay Special Economic Zone (JHSEZ). On December 18, 2013, the BCDA Board approved the amendment to Section 13 of the Agreement. Under the Agreement as amended, JHMC shall manage and operate the JHSEZ. JHMC shall receive a share of 50 per cent of revenues or P64 million for the next two years beginning 2014, whichever is higher. JHMC is likewise entitled to an additional 10 per cent on net income from the estate's operations over and above its share on gross revenues. The fixed amount will be released to JHMC before the start of each year, subject to increase, if any, on revenue share, at the end of the year. JHMC shall book its share in the gross revenues of the zone or the fixed amount that it will be receiving from BCDA as corporate income.

d. *BCDA Management and Holdings Inc. (BMHI)* - BMHI and the Authority entered into an amended Contract of Services on April 17, 2008 which sets the terms for the provision by BMHI of managerial, technical and manpower services to activities, functions, projects, programs and properties of the Authority. BMHI acts as the Estate Manager of the Authority's Pamayanang Diego Silang.

On January 19, 2010, BCDA and BMHI entered into a Deed of Usufruct whereby BCDA grants BMHI the right to use and enjoy 3,000 square meters parcel of land located at Diego Silang Avenue under TCT No. 28659 from January 19, 2010 to January 20, 2035 and may be extended for another 25 years upon mutual agreement of the parties. Under the Agreement, BMHI shall be entitled to all the natural, industrial and civil fruits of the property subject to the conditions stated on the Agreement.

On July 9, 2013, BCDA and BMHI entered into a Service Agreement for the effective and efficient marketing, management/monitoring of the disposition of BCDA-held Heritage Park Investment Certificates (HPICs). In consideration of the services rendered to BCDA, BMHI shall be entitled to a marketing fee/commission for every sale of HPIC.

Starting 2013, BMHI is providing janitorial services to BCDA.

Following the abolition of BTPI in 2013, BMHI was tasked to manage the upkeep of the Bataan Technology Park and operation of the Atmanda Resort until June 2015.

e. *Bonifacio Estate Services Corporation (BESC)* - BESC provides development and control services to the Authority. The services include all aspects related to the submission, approval, enforcement and monitoring of plans for the development/redevelopment of lots within the Global City as defined and governed by the Declaration of Covenants, Conditions and Restrictions and the Design Standards and Guidelines. In consideration for its services, the Authority pays BESC a fixed monthly fee of P57,881, exclusive of VAT, subject to a five per cent annual escalation.

f. *Fort Bonifacio Development Corporation* (FBDC) - FBDC and the Authority entered into an agreement regarding the redemption of the Preferred B shares held by the Authority. The redemption price will be based on the actual receipt of Net Project Proceeds on the North Central Business District (NCBD) Project but shall not be less than the agreed Deposit on Future Redemption amounting to P2.235 billion. The amount of Deposit on Future Redemption has been remitted by FBDC and is classified under Intra-agency Payables. Partial redemption of Preferred B shares based on the net saleable area and usufruct proceeds was recorded in 2015 amounting to P742.399 million and P631.920 million, respectively. This reduced the balance of Deposit on Future Redemption of Preferred B shares to P475.121 million in 2015 (see Note 19).

   The Authority received P450 million from FBDC as deposit for redemption of Preferred F shares and is also classified under Intra-agency Payables pending SEC approval of the conversion of the convertible common share into Preferred F share of FBDC (see Note 19).

g. *Fort Bonifacio Development Corporation* - The Authority leases its corporate office from FBDC for a period of 10 years commencing on November 1, 2003 with option to renew for a mutually agreed terms and conditions. Under the terms of the Agreement, the Authority is required to make advance payments and security deposits equivalent to three months rental. These are included as part of Other Non-Current Assets account (see Note 16).

Compensation of key management personnel

The compensation of key management personnel is broken down as follows:

	2015	2014
Short-term benefits	**36,475,271**	30,012,496
	36,475,271	30,012,496

Short-term benefits include salaries, allowances and other benefits which are due to be settled within 12 months after the end of the period in which the employees render the related service.

34. CONTINGENCIES

The Authority is contingently liable for lawsuits or claims filed by third parties, which are either pending in the courts or are under negotiation. These cases involve, among others, civil actions for re-conveyance of title/properties, return of investment, eminent domain, collection of sum of money, and other land tenure problems. No provision for any liability that may result from these lawsuits or claims has been recognized in the financial statements since the outcome of these cases are not presently determinable.

The significant legal cases are as follows:

- Republic of the Philippines vs. Navy Officers' Village Association, Inc., et al.
- D.M. Consunji Inc. vs. BCDA and NORTHRAIL
- Bulk Handlers (BHI) Inc., et al. vs. BCDA and PPMC
- SM Land, Inc. vs. BCDA
- CNA Culinary Services, Inc. vs. BCDA
- Delsan Star Shipping Corporation vs. BCDA
- Delsan Transport Lines Inc. vs. BCDA

The Authority has pending cases with the:

A. SUPREME COURT

1. **BCDA vs. Commissioner of Internal Revenue (CIR), G.R. No. 205925** (CTA EB No. 797, CTA En Banc; CTA Case No. 8176, CTA First Division)

   This case pertains to BCDA's claim for refund of the Creditable Withholding Tax (CWT) in the amount of P122.079 million paid under protest in a series of payments made by BCDA to the BIR in 2008 pertaining to the disposition of the BCDA-allocated units in the Serendra Project. The CIR, however, did not act on BCDA's claim for refund, thus, BCDA filed on October 8, 2010 the corresponding Petition for Review with the Court of Tax Appeals (CTA) but the case was dismissed by the CTA because of non-payment of docket fees amounting to P1.209 million. BCDA elevated the case to the CTA En Banc but it was dismissed by the CTA En Banc on June 28, 2011. BCDA appealed the case to the Supreme Court by way of Petition for Review on Certiorari.

Status of Case: The case is pending with the Supreme Court.

2. **BCDA vs. Commissioner of Internal Revenue, G.R. No. 205466** (CTA EB No. 900, CTA En Banc; CTA Case No. 8263, CTA, Second Division)

   This case pertains to BCDA's additional claim for refund of the CWT amounting to P22.524 million in 2009 and 2010 in connection with BCDA's sale/disposition of the allocated units at the Serendra Project. On February 6, 2012, the CTA dismissed the case for non-payment of docket fees. BCDA elevated the case to the CTA En Banc but the CTA En Banc denied BCDA's appeal. Thus, BCDA elevated the case to the Supreme Court via a Petition for Review on Certiorari under Rule 45 of the Supreme Court.

   Status of Case: The case is pending with the Supreme Court.

3. **BCDA vs. Commissioner of Internal Revenue, G.R. No. 217898** (CTA EB 1123, CTA En Banc; CTA Case No. 8140, CTA, Second Division)

   On July 29, 2010, BCDA filed a Petition for Review before the CTA in order to appeal the inaction of the CIR on BCDA's claim for refund of the CWT in the total amount of P101.637 million paid under protest in connection with the sale of the property known as the "Expanded Big Delta Lots" located in Fort Bonifacio, Taguig City to the unincorporated joint venture known as the "NetGroup."

   On September 13, 2013, the CTA granted BCDA's Petition but the CIR elevated the case to the CTA En Banc. On December 16, 2014, the CTA En Banc denied the CIR's Petition and, subsequently, on April 15, 2015, the CTA En Banc denied the CIR's Motion for Reconsideration of said decision. On August 10, 2015, the CIR elevated the case to the Supreme Court via a Petition for Review on Certiorari.

   Status of the Case: The case is pending with the Supreme Court.

B. COURT OF TAX APPEALS

1. **BCDA vs. Commissioner of Internal Revenue,** (CTA Case No. 8473, CTA, Third Division)

   On April 16, 2012, BCDA filed a Petition for Review before the CTA in order to appeal the inaction of the CIR on its Formal Letter of Protest dated September 14, 2011 against the Formal Assessment Notices (Part I and II) dated August 22, 2011 for alleged delinquency Expanded Withholding Tax (EWT) and Documentary Stamp Tax (DST) in the total amount of P5.567 million and P1.673 million, respectively, on the sale of certain properties to the Energy Development Corporation (EDC) and the alleged failure to file and pay internal revenue tax amounting to P.05 million, or in the total amount of P7.290 million.

On July 3, 2015, the CTA Third Division promulgated its Decision granting BCDA's Petition and ordering the CIR to refund the taxes paid under protest by BCDA. The CIR's Motion for Reconsideration of the decision was denied by the CTA on October 14, 2015. On November 26, 2015, the CIR elevated the case to the CTA En Banc via a Petition for Review to which BCDA filed its Comment thereto on January 21, 2016.

Status of the Case: Awaiting for the resolution of the CTA En Banc on CIR's Petition.

2. **BCDA vs. Commissioner of Internal Revenue**, (CTA Case No. 8757, CTA Second Division)

   Subject case is a Petition for Review filed by BCDA on January 10, 2014 before CTA to preserve BCDA's additional claim for refund of the CWT amounting to P19.982 million paid under protest by BCDA in 2012 in connection with the sale of the BCDA-allocated units at the Serendra Project. On June 19, 2013, BCDA filed a Formal Claim for Refund with the CIR but the same was not acted upon by the CIR. Accordingly, BCDA elevated its claim to the CTA via a Petition for Review.

   Status of the Case: After the parties submitted their respective Memorandum, the CTA Second Division submitted the case for decision on April 30, 2015.

3. **BCDA vs. Commissioner of Internal Revenue**, CTA Case No. 8966, CTA First Division

   On January 8, 2015, BCDA filed a Petition for Review with the CTA to preserve its right for additional claim for refund of CWT in the total amount of P22.914 million paid under protest by BCDA, through the DBP Trust Services, in a series of payments from January 15, 2014 to December 31, 2014.

   Status of the case: BCDA has already concluded the presentation of its evidence. The CIR will commence presentation of its evidence on March 29, 2016.

C. REGIONAL TRIAL COURT

1. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig,** SCA No. 3353, RTC, Pasig City, Branch 153

   On August 11, 2009, BCDA filed a Petition for Prohibition and Injunction with Prayer for Preliminary Injunction and/or TRO with the RTC of Pasig, Branch 153 praying that, after due notice and hearing, judgment be rendered ordering the City Assessor of Taguig to drop BCDA's properties from its assessment roll and prohibiting the respondents and all other persons acting under their command and direction from selling in an auction sale the subject real properties.

   On August 13, 2009, the Court granted the BCDA's Application for a TRO and then, subsequently, BCDA's Application for a Preliminary Mandatory Injunction enjoining the respondents, its agents, representatives, assignees or any other person(s) acting for and/or their behalf, from proceeding or conducting an auction sale of BCDA's properties.

During the trial, BCDA presented several witnesses to prove the following: (1) Respondents' plan to put on auction sale BCDA's properties; (2) the fact that BCDA remitted a substantial amount to the National Government and to Taguig City; and (3) the fact that BCDA conveyed a portion of its properties in Fort Bonifacio, Taguig City in addition to the money remitted to Taguig City.

Status of the case: The parties have already concluded presentation of their respective evidence. The case is now submitted for resolution by the RTC of Pasig City, Branch 153.

2. **BCDA vs. CJHDevCo**

On January 9, 2012, CJHDevCo rescinded the Restructuring Memorandum of Agreement (RMOA) dated July 1, 2008 it entered into with BCDA, citing the failure of BCDA to put up a fully functional One-Stop-Action-Center in Camp John Hay. CJHDevCo also filed a complaint against the BCDA before the Philippine Dispute Resolution Center, Inc. for confirmation of the RMOA and the amendment of certain provisions of the original Lease Agreement dated October 19, 1996; or in the alternative, the rescission thereof.

On February 11, 2015, the Arbitral Tribunal rendered its Final Award which directed CJHDevCo to vacate the Camp John Hay and promptly deliver the Property to BCDA. BCDA was ordered to pay the amount of P1.421 billion representing the rentals paid by CJHDevCo. CJHDevCo is declared as not liable for any unpaid back rent consistent with the ruling that rescission and mutual restitution is proper in this case. The final award was confirmed by Branch 6, Regional Trial Court, Baguio City in its order dated March 27, 2015.

In compliance with the Final Award rendered by the Arbitral Tribunal in the arbitration case entitled "In the matter of an Arbitration between CJH Development Corporation and Bases Conversion and Development Authority" and to facilitate the full and satisfactory delivery of the leased property to BCDA, an escrow fund was established by BCDA on April 16, 2015, where the rentals required to be returned to CJHDevCo amounting to P1.421 billion was deposited. Moreover, rentals aggregating P2.827 billion which will no longer be recovered was closed to impairment loss.

D. LOCAL BOARD OF ASSESSMENT APPEALS (LBAA)

1. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig, LBAA Case No. 2013-05, LBAA, Taguig City**

On November 29, 2012, BCDA filed a Petition before the LBAA, Office of the Register of Deeds, Taguig City to appeal the Taguig City Treasurer's inaction on BCDA's Formal Protest of the Real Property Tax assessed on the JUSMAG property covering 2009 to the 3rd quarter of 2012 in the total amount of P117.616

million. BCDA protested the Assessment on the position that the LGU does not have the power to tax a government instrumentality like BCDA.

On March 5, 2013, the OGCC received a copy of the Summons issued by the LBAA of Taguig City dated February 5, 2013, requiring the City Treasurer of Taguig and the City Assessor of Taguig to submit their Comment/Answer on the pending appeal filed by BCDA within 10 days from receipt thereof.

Status of the case: The case is pending with the LBAA, Taguig City.

2. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig, LBAA Case No. 2013-08, Local Board of Assessment Appeals, Taguig City**

   On January 25, 2013, BCDA filed a Petition before the LBAA, Office of the Register of Deeds, Taguig City in order to appeal the inaction of the City Treasurer of Taguig on the Authority's Formal Protest of the Real Property Tax (RPT) assessed on certain parcels of land within the 8.38-hectare North Bonifacio lots covering 2009 to 3rd Quarter of 2012 in the amount of P2.228 million on the same position that the LGU does not have the power to tax a government instrumentality like BCDA.

   On March 5, 2013, the OGCC received a copy of the Summons issued by the LBAA of Taguig City dated January 8, 2013, requiring the City Treasurer of Taguig and the City Assessor of Taguig to submit their Comment/Answer on the pending appeal filed by BCDA within 10 days from receipt thereof.

   Status of the case: The case is pending with the LBAA, Taguig City.

3. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig, LBAA Case No. 2013-08, Local Board of Assessment Appeals, Taguig City**

   On January 25, 2013, the Authority filed a Petition before the LBAA, Office of the Register of Deeds, Taguig City in order to appeal the inaction of the City Treasurer of Taguig on the Authority's Formal Protest of the Real Property Tax (RST) assessed on certain parcels of land within the 8.38-hectare North Bonifacio lots covering 2009 to 3rd Quarter of 2012 in the amount of P2.228 million on the same position that the LGU does not have the power to tax a government instrumentality like BCDA.

   On March 5, 2013, the OGCC received a copy of the Summons issued by the LBAA of Taguig City dated January 8, 2013, requiring the City Treasurer of Taguig and the City Assessor of Taguig to submit their Comment/Answer on the pending appeal filed by the BCDA within 10 days from receipt thereof.

   Status of the case: The case is pending with the LBAA, Taguig City.

4. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig, LBAA Case No. 09, Local Board of Assessment Appeals, Taguig City**

On April 2, 2013, BCDA filed a Petition before the LBAA, Office of Register of Deeds of Taguig City, to appeal the Taguig City Treasurer's inaction on BCDA's Formal Protest of the Real Property Tax assessed on certain parcels of land within the Bonifacio Global City, Fort Bonifacio, Taguig City covering the period 2009 to 2012 in the amount of P2.203 million. BCDA has adopted the position that the LGU does not have the power to tax a government instrumentality like BCDA.

Status of the case: The case is pending with the LBAA, Taguig City.

5. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig, Local Board of Assessment Appeals, Taguig City**

   On July 30, 2014, BCDA filed a Petition with the LBAA, Taguig City to appeal the denial of the City Treasurer of Taguig of BCDA's formal protest of the Real Property Tax paid under protest on the properties leased to RII/MGS Consortium in Pamayanang Diego Silang in the amount of P21.367 million on the position that the LGU does not have the power to tax a government instrumentality like BCDA.

   Status of the case: The case is pending with the LBAA, Taguig City.

6. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig, Local Board of Assessment Appeals, Taguig City**

   On May 22, 2014, BCDA filed a Petition with the LBAA, Taguig City to appeal the inaction of the City Treasurer of Taguig on BCDA's formal protest of the RPT amounting to P6.051 million paid under protest on the properties subject of the Implementing Deed of Conveyance executed between BCDA and FBDC on July 6, 2005 for the partial settlement of BCDA payable-land due to FBDC in fulfillment of BCDA's obligation under the Settlement Agreement and the 1995 Fort Bonifacio Bidding. BCDA has continually maintained that the LGU does not have the power to tax a government instrumentality like BCDA.

   Status of the case: The case is pending with the LBAA, Taguig City.

7. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig, Local Board of Assessment Appeals, Taguig City**

   On November 14, 2014, BCDA filed a Petition with the LBAA, Taguig City to appeal the denial of the City Treasurer of Taguig of BCDA's formal protest of the RPT amounting to P2.102 million paid under protest on the "Small Value Lots/La Salle Properties" properties located at Fort Bonifacio, Taguig City covering assessments from 2007 to 3rd Quarter of 2014 on the same position that BCDA does not have the power to tax a government instrumentality like BCDA.

   Status of the case: The case is pending with the LBAA, Taguig City.

8. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig, Local Board of Assessment Appeals, Taguig City**

On May 20, 2015, BCDA filed a Petition with the LBAA, Taguig City to appeal the denial of the City Treasurer of Taguig of BCDA's formal protest of the RPT amounting to P1.192 million paid under protest on portions of BCDA properties located in Fort Bonifacio, Taguig City covering assessments from 2007 to 4th Quarter of 2014 on the same position that BCDA does not have the power to tax a government instrumentality like BCDA.

Status of the case: The case is pending with the LBAA, Taguig City.

9. **BCDA vs. City Treasurer of Taguig, City Assessor of Taguig and City Government of Taguig, Local Board of Assessment Appeals, Taguig City**

   On August 19, 2015, BCDA filed a Petition with the LBAA, Taguig City to appeal the inaction of the City Treasurer of Taguig of BCDA's formal protest of the RPT amounting to P0.154 million paid under protest on various small lots of BCDA located at Fort Bonifacio, Taguig City covering assessments from 1st to 4th Quarters of 2015 on the same position that BCDA does not have the power to tax a government instrumentality like BCDA.

   Status of the case: The case is pending with the LBAA, Taguig City.

35. SUBIC-CLARK-TARLAC EXPRESSWAY PROJECT

The Subic-Clark-Tarlac-Expressway (SCTEx) Project is a 93.77-kilometer, 4-lane highway under a special yen loan package amounting to ¥59.037 billion (inclusive of supplemental loan amounting to ¥17.106 billion in accordance with the Amended Exchange of Notes) from JBIC, now the Japan International Cooperation Agency (JICA), to finance the Detailed Design, Construction Supervision and Civil Works of the SCTEx. The 40-year loan agreement includes a 10-year grace period starting 2001 and ending 2011 with an interest payment of 0.95 per cent per annum for Civil Works and 0.75 per cent per annum for Consulting Services. Based on the JICA Notice of Completion of Disbursement dated January 6, 2011, final loan which closed on December 17, 2010 went down from ¥59.037 billion to ¥58.138 billion due to unutilized portion of the loan.

During the year, payments for the principal loan amounted to P844 million (¥1,906 million), while interest payments totaled P227.8 million (¥514 million).

The SCTEx consists of two (2) road sections or packages. Subic-Clark Section (Package 1) was awarded to Kajima-Obayashi-Mitsubishi Joint Venture Contractors, while Clark-Tarlac Section (Package 2) was awarded to Hazama-Taisei-Nippon Steel Joint Venture Contractors. Package 1, with a length of 50.5 kilometers, starts at Barangay Tipo in Hermosa, Bataan and ends at Clark Freeport Zone. Package 2, with a length of 43.27 kilometers, starts at Clark Freeport Zone and ends at Tarlac City. Package 1 is comprised of four interchanges and three major bridges, while Package 2 is built with eight interchanges and one major bridge.

Construction Schedule:

Sections	Start Date	Completion Date
Package 1 : Subic-Clark Section	April 21, 2005	July 31, 2009
Package 2 : Clark-Tarlac Section	April 21, 2005	April 4, 2009

SCTEx plays a vital role in accelerating the economic growth in Central Luzon and nearby provinces. Data shows that there is an increasing traffic volume since the SCTEx has commercially opened in April 2008. From an average daily traffic volume of around 9,302 vehicles in 2008, it increased by 199 per cent, with an average daily traffic volume of more than 27,843 vehicles in 2013.

Operations and Maintenance:

I. Interim Service Provider

To effectively handle the operations and maintenance of SCTEx, the Authority opted to outsource the said functions. On December 20, 2007, the contract for the Interim Operation and Maintenance of SCTEx was signed between the Authority and the Joint Venture of First Philippine Holdings Corporation, Egis Road Operation and Tollways Management Corporation (Joint Venture). As agreed upon, the Joint Venture shall provide the following services: Management Services, Toll Collection, Traffic Safety and Security Management, Toll Road Maintenance, including greening and landscaping, as well as Emergency and Improvement Works. In consideration for the services to be provided by the Joint Venture, the Authority shall pay the O&M contract price of P28,999,876 per month.

II. Manual Toll Collection System

The toll collection system for SCTEx is a closed system wherein the toll road user receives a transit ticket at the entry plaza and pays at the exit plaza according to the distance traveled and the type of vehicle. The system has the following main features:

- On-line and real-time reporting
- Efficiency of 99.90 per cent both in vehicle detection and classification
- Over-speeding and under-speeding detection system through the ticket information
- Redundancy system
- Electrical surge protection
- Automatic vehicle classification
- Vehicle departure detection
- Flexibility to adapt to future advancements in technology

36. PRIVATIZATION OF SCTEx

In October 2009, the BCDA conducted a bidding for the Selection of a Private Sector Partner (PSP) for the privatization of SCTEx wherein the winning PSP shall be given the right to manage, operate and maintain the SCTEx until 2043. BCDA shall retain the obligation to pay for the JICA Loan.

After a failure of the bidding, BCDA, in accordance with the bidding's Terms of Reference, negotiated with Manila North Tollways Corporation (MNTC), the sole eligible bidder. The contract was awarded to MNTC and the parties signed a Concession Agreement on November 8, 2010. However, before the fulfillment of the conditions for the effectivity of the Concession Agreement, negotiations between BCDA and MNTC were resumed to improve certain provisions of the Concession Agreement to ensure that the Authority will be able to meet its obligations to pay the JICA Loan. The Authority and MNTC signed the revised agreement, called the Business Operating Agreement (BOA) on July 20, 2011.

Under the BOA, MNTC will manage, operate and maintain the SCTEx until 2043. In exchange for the assignment by BCDA of its concession over the SCTEx, BCDA and MNTC will share in the revenues. From effective date to 2016, MNTC shall provide BCDA with agreed-on advances to cover revenue shortfalls to pay for the JICA Loan. From 2017 to 2026, in case of revenue shortfalls, MNTC shall make available to BCDA an advance facility. Any advances shall be paid by BCDA when the share in the revenues exceeds the JICA loan payment for the relevant period.

The BOA was submitted to the Office of the President (OP) on October 17, 2011 for review and approval. To address concerns of the Department of Finance (DOF) on BCDA's ability to pay the JICA Loan, MNTC submitted improvements in the commercial terms of the BOA.

In November 2014, the OP directed BCDA to subject MNTC's most improved offer to a Price Challenge from interested parties. From December 2014 to January 2015, BCDA conducted a Price Challenge. On February 4, 2015, a Notice of Award was issued to MNTC after no proposals were received from the parties that purchased the bidding documents to challenge MNTC's most improved offer. On February 26, 2015, BCDA and MNTC signed a new agreement, the Business Agreement, to formalize BCDA's acceptance of the terms of MNTC's most improved offer.

The Japan International Cooperation Agency (JICA) gave its approval to the Business Agreement on May 15, 2015. BCDA, MNTC and the Toll Regulatory Board (TRB), representing the Republic of the Philippines, executed a Supplemental Toll Operation Agreement (STOA) on May 25, 2015. The OP approved the STOA on October 16, 2015. Thereafter, the TRB issued a Toll Operation Certificate under the name of MNTC to formally takeover the management, operation and maintenance of SCTEx.

MNTC took over SCTEx on 12:01AM, October 27, 2015, which is the Effective Date of the Business Agreement.

<u>Salient Features of the Business Agreement</u>

BCDA assigned its rights, interests and obligations under the original Toll Operation Agreement to MNTC. Hence, from Effective Date up to October 30, 2043, MNTC shall have the exclusive right, responsibility and obligation for the management, operation and maintenance of SCTEx.

In consideration for the assignment, the following shall be paid by MNTC to BCDA:

a. An upfront cash of P3.500 billion, inclusive of VAT; and

b. From Effective Date to October 30, 2043, Concession Fees equal to fifty per cent (50%) of the audited gross toll revenues of SCTEx for the relevant month on or before the 15th day of the succeeding month (Concession Fee Payment Date). If the Concession Fee Payment Date falls on a holiday or a day which is not a Business Day, then the same shall be adjusted to fall on the immediately succeeding Business Day. Any Concession Fee that is not paid on the relevant Concession Fee Payment Date shall earn interest/penalty equivalent to two per cent (2%) per month of delay or a fraction thereof.

   MNTC shall undertake at its own cost the maintenance works/special/major emergency works, other additional works, enhancement and/or improvement works (Maintenance Works). MNTC shall comply with the agreed Service Quality Levels (SQL) of the maintenance of SCTEx. Not later than twenty (20) business days before the end of each year, MNTC shall submit to BCDA a status report on the Maintenance Works undertaken and completed for the relevant year (Status Report). BCDA's review of the Status Report shall be based on the SQL and in accordance with the maintenance plans.

   The obligations of MNTC to pay the Concession Fees and to undertake the Maintenance Works shall be covered by a Performance Security posted by MNTC in favour of BCDA.

   <u>NLEx-SCTEx Integration Agreement</u>

   To address the traffic congestion in the areas where NLEx and SCTEx interconnect, BCDA and MNTC signed the NLEx-SCTEx Integration Agreement on February 5, 2015. Under the Integration Agreement, MNTC shall undertake Integration Works which consists of upgrading the SCTEx toll collection system through the adoption of NLEx's Toll Collection System (including the installation in SCTEx of the Electronic Toll Collection Dedicated Short Range Communication, or DSRC, and Radio Frequency Identification, or RFID, ready system), and all civil works necessary or essential to implement the project. The object of the integration project is to provide seamless travel to motorists using both NLEx and SCTEx. In the original separate systems, there are five stops from Balintawak to Subic and back, and four stops from Balintawak to Tarlac and back. Now, under the integrated system, the stops will be reduced to two both for motorists going from Balintawak to Subic and back, and Balintawak to Tarlac and back.

   Since MNTC is the private sector partner (PSP) of BCDA in SCTEx, MNTC shall assume all the project costs pertaining to SCTEx. Maintenance of the toll collection system for both NLEx and SCTEx shall be the responsibility of MNTC.

37. CLARK GREEN CITY PROJECT

The Authority is implementing the Clark Green City (CGC) Project – a 9,450-hectare flagship project of the Government of the Republic of the Philippines- which is a modern metropolis with mixture of residential, commercial, agro-industrial, institutional and information technology development, as well as a community of residents, workers and business establishments within a balanced, healthy and disaster-resilient environment.

The first phase of the development of CGC comprising of 288 hectares will be developed by BCDA and its joint venture partner, Filinvest Land, Inc.

38. EVENTS AFTER THE REPORTING PERIOD

On March 19, 2016, the Board of Directors approved the declaration of dividends to the National Government in the amount of P88.282 million which was remitted to the Bureau of the Treasury on March 28, 2016 .

39. RESTATEMENT OF ACCOUNTS

Due to adjustments in the beginning balance of Retained Earnings (RE), the affected accounts in the 2014 Financial Statements were restated. Adjustments to RE were primarily due to the effect on the reduction in the project area and adjustment in sharing of proceeds in accordance with the revised Project Implementation Plan (PIP) for the JUSMAG McKinley West Project dated February 15, 2014.

40. SUPPLEMENTARY INFORMATION

In compliance with the requirements set forth by BIR Revenue Regulation 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

The Authority is a VAT-registered company with VAT output tax declaration of P700.73 million based on the amount of sales subject to VAT of P5.839 billion.

The amount of VAT Input taxes claimed are broken down as follows:

Beginning of the year	18,740,519
Add: Goods other than for resale or manufacturing	0
Services lodged under other accounts	189,248,845
Total	207,989,364
Less: Input tax claimed	197,156,973
End of the year	10,832,391

The amount of taxes, other than VAT, paid and accrued are as follows:

Transaction	Amount
Withholding taxes	
Withholding tax on compensation	40,436,561
Expanded withholding tax	19,515,300
Withholding VAT	40,436,561
	100,388,422
Other taxes	
Real property tax	10,436,486
BIR Annual Registration	500
Taxes related to transfer of properties	19,313,747
	29,750,733
	130,139,155

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. **The share of the Armed Forces of the Philippines (AFP) on the dividends received from the Fort Bonifacio Development Corporation (FBDC) prior to CY 2014 was not remitted to the Bureau of the Treasury (BTr).**

   We commend Management for remitting to the BTr on March 28, 2016 the P1.125 billion share of the AFP on the FBDC dividends received by BCDA in CYs 2014 and 2015. However, Management has yet to remit to the BTr the AFP share for CYs 2001 to 2013.

   Section 1 of Executive Order (EO) 309, Prescribing the Guidelines, Rules and Regulations for the Distribution of Proceeds of Leases, Joint Ventures and Transactions other than Sale Involving Portions of Metro Manila Camps under Republic Act No. 7227, as amended by RA 7917, provides that *Proceeds of leases, joint ventures and all transactions other than sale entered into by the BCDA involving portions of Metro Manila military camps <u>shall be distributed equally between BCDA and the Armed Forces of the Philippines (AFP)</u>.*

   Section 2 provides that the EO shall cover the proceeds of all transactions mentioned in Section 1 including those previously executed.

   In our Annual Audit Reports on BCDA for CYs 2012 to 2014, we reported that BCDA treated the FBDC dividends it received for FYs 2001 to 2013 wholly as its corporate income and, hence, did not remit to BTr the 50% share of the AFP.

   As explained then by Management, having treated the FBDC dividends as corporate income, BCDA had already shared 50 per cent of the dividends in the form of dividends to the NG pursuant to Section 3 of RA 7656, the Dividend Law. With regard to property dividends, Management commented that, to recognize the AFP share upon receipt of property dividends and again upon disposal of the same property will tantamount to double recognition of the share of AFP. Management further informed that a Memorandum of Agreement (MOA) with the Department of National Defense (DND) is underway. Per inquiry, the MOA was already signed by DND but we have yet to be furnished with a copy thereof.

   Because of the disagreement, the Team recommended that Management expedite the finalization of the MOA being arranged with DND/AFP and that the same be submitted to the Office of the President (OP) for approval in case the terms and conditions thereof will deviate from the provisions of EO 309.

   Recently, Management apprised us that on February 17, 2016, the Board of Directors (BOD) of the BCDA approved and issued Resolution No. 2016-02-041 acknowledging the share of the AFP in the dividends derived from the shares of BCDA in FBDC in accordance with EO No. 309, series of 2000. The BCDA Board, likewise, authorized the remittance of the corresponding share of the AFP in the FBDC dividends for CYs 2013 and 2014 (received in CYs 2014 and 2015) to the AFP Modernization Trust Fund of the BTr and instructed Management to reconcile the remittances to the BTr for the purpose of having the share of the AFP from FBDC dividends received by the BCDA from CYs

2001 to 2012, that was remitted to the BTr as part of dividend, recognized in the records of the BTr as accruing to the AFP Modernization Fund.
Management also explained that on March 16, 2016, BCDA received a letter from the DND indicating its conformity to the MOA previously proposed by the BCDA for the purpose of settling the matter. The Secretary of National Defense, however, reiterated his position reserving the right of the AFP/DND to collect its share of the dividends from CYs 2001 to 2012 and stated their intent to submit the matter for arbitration before the DOJ.

Management also informed that BCDA has already acknowledged that the AFP is entitled to a 50% share in the FBDC dividends and has delivered independently of the MOA, the share of AFP in the dividends for CYs 2013 to 2014. BCDA has also committed to deliver the corresponding share from the FBDC dividends that may hereafter be declared.

As for the prior dividends, Management explained that the BCDA Board has directed Management to work with AFP/DND towards the goal of reaching an agreement on how the funds previously remitted by BCDA to the BTr that was credited to the General Fund can now be credited to the Trust Fund 172.

In view of the foregoing, we advised Management to expedite the settlement of the share of the AFP on the dividends prior to CY 2014 received by the BCDA that are for sharing with the AFP after a reconciliation with the BTr is made.

2. **The accounting treatment by BCDA of its transactions in joint venture (JV) projects may need to be revisited to conform to the applicable Philippine Financial Reporting Standards (PFRS).**

Investment in Joint Venture account as presented in the Statements of Financial Position amounts to P14.181 billion and P15.639 billion as of December 31, 2015 and 2014, respectively. These amounts represent the appraised value of parcels of land put into the JV projects, which amounts are subsequently reduced by the cost allocated to revenues received from the project. Details of the account are as follows:

	2015	2014
JUSMAG	**7,523,413,254**	8,573,458,377
New Port City (Villamor Gateway Center)	**5,269,192,484**	5,476,527,030
North Bonifacio Lots	**1,368,628,006**	1,564,146,293
McKinley Hill (Lawton Parkway)	**19,694,000**	24,617,500
	14,180,927,744	15,638,749,200

The profiles of these investments are as follows:

JV Partner	Property Invested	Value of Investment	JV Partner's committed investment	BCDA's allocated share	Minimum Annual Revenue
Megaworld	Name: JUSMAG Area: 32.87 has.	P10.7 billion	P22 billion	Low density lots–20% High-density lots-20% Residential/Mixed-use-10% Parking spaces-10%	P873.4 million
Megaworld	Name: Villamor Gateway Center 174,841 sqm	P5.98 billion	Minimum of P200 million	Commercial lots-30% Office space-5% Residential-5% Commercial space-5% Parking spaces-5%	Unsecured
Megaworld	Name: North Bonifacio lots Area: 8.38 has.	P2.1 billion	P15.6 billion	10% of units in the project	P306 million
AGGI	Name: Lawton Parkway Area:24.6 has.	P73.8 million	P2.06 billion	Subdivision lots-35% Residential condominium-21% Parking spaces-21% Commercial areas-21% Residential condominium for rent – 21%	P118.2 million
ALI, Inc.	Name: Lot B Area: 11.6 has.	P591.2 million	P12.4 billion	FAR less than or equal to 2.5-20% FAR greater than 2.5 and up to 5.0-17% FAR greater than 5.0 and up to 7.5-15% FAR greater than 7.5 and up to 12.5 -12% FAR greater than 12.5 –subject to mutual agreement	P120.2 million

PFRS 11 (Joint Arrangements) establishes the principles for financial reporting by parties to a joint arrangement. Paragraph 2 provides that a joint arrangement is either a *joint operation or joint venture.* A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Further, paragraph B16 of Appendix B, PFRS 11 provides that "*A joint arrangement that is not structured through a separate vehicle is a joint operation. In such cases, the contractual arrangement establishes the parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.*"

It is our view that the joint arrangements of BCDA with its JV partners are in the nature of a joint operation and not a joint venture due to the following:

a) there is a contractual agreement that BCDA share in the control of the arrangements;
b) the arrangements are not structured through separate vehicles;
c) the terms of the arrangements specify the allocation of assets between the parties; and
d) the JV partners treated the transactions relating to their joint arrangements with BCDA as jointly controlled operations instead of as joint venture, as disclosed in their financial statements.

As a joint operation, paragraph 20 of PFRS 11 requires that:

"A joint operator shall recognise in relation to its interest in a joint operation:

- *a) its assets, including its share of any assets held jointly;*
- *b) its liabilities, including its share of any liabilities incurred jointly;*
- *c) its revenue from the sale of its share of the output arising from the joint operation;*
- *d) its share of the revenue from the sale of the output by the joint operation; and*
- *e) its expenses, including its share of any expenses incurred jointly."*

We recommended that Management:

a) Determine the type of joint arrangement in which BCDA is involved by assessing its rights and obligations under the arrangement, as required in paragraph 2 of PFRS 11;
b) Study the requirements of PFRS 11 relative to the particular joint arrangement and come up with an accounting policy/instruction on financial reporting for the JV arrangement, together with the documentary requirements needed to support the same, so that the concerned officials and employees will be properly guided in the performance of their duties;
c) Account for/identify its assets, liabilities, revenue and expenses in relation to its interests in its various joint arrangements to comply with the requirements of paragraph 20 of PFRS 11; and
d) Make the necessary adjustments.

Accordingly, Management commented that they are open to make necessary changes in the accounting treatment if this will result in better financial reporting of these JVs. They will also request for assistance from an expert in PFRS, in coordination with COA, to help them determine the proper reporting standards for these JV transactions, if a change from the current reporting standards is really warranted. Management also mentioned that this is also a good timing for them, since they are implementing the new Enterprise Resource Planning (ERP) system; hence, any change will already be taken into account in the new system.

3. **The P961.485 million proceeds from the first tranche offering of the Heritage Park Investment Certificates (HPICs) was not treated as Corporate Income subject to sharing with the Armed Forces of the Philippines (AFP), a deviation from the main objective of the Heritage Park (HP) Project and Section 1 of Executive Order (EO) 309.**

BCDA is the principal proponent of the memorial park project known as the HP Project. The Project was aimed at converting portion of the demilitarized Fort Bonifacio in Metro Manila into a world class memorial park for the purpose of generating funds for BCDA in pursuance of its mandate. To generate funds, BCDA issued HPICs evidencing the holders' right to the perpetual use and care of interment plots. The proceeds from the first tranche offering of HPICs of P961.485 million was treated as liability to the HP Project.

It is our view that the P961.485 million proceeds should be presented as corporate income subject to sharing with AFP and not as a liability. EO 309 provides that proceeds of leases, joint ventures and all transactions other than sale entered into by the BCDA involving portions of Metro Manila military camps shall be distributed equally between BCDA and AFP including those executed prior to the effectivity of the EO.

We reiterated our previous year's recommendation, contained in a separate Performance Audit Report on HP Project Implementation, that Management recognize the P961.485 million as corporate income and remit to the BTr AFP's 50% share.

Management commented that the P961.485 million proceeds is composed of the P500 million advances from the first tranche of the Heritage Park Proceeds and the P461.485 million net proceeds of the Reserve Certificates of the first tranche of the HP Project. They maintain that EO 309 does not apply to the proceeds of the first tranche of the HPICs because EO 309 cannot apply retroactively as it is a violation of the constitutional provision of ex post facto law. Further, they stand by their position that the said proceeds should not yet be booked as income of BCDA because the direct expenses for the HP Project cannot as yet be determined due to the non-completion of the project as of the present. As a result, the residual funds cannot be determined. Thus, the AFP share still cannot be remitted or determined. Management discussed in their letter of April 25, 2016 their other arguments.

We maintain that the P961.485 million should be treated as corporate income and not as liability. Article III, Section 3, paragraph 4 of the MOA between the BCDA and the PEA (now PRA), dated August 1993 provides that *it is also in the spirit of responsibility, accountability and project measurability that PEA has agreed to commit to a stipulation of BCDA that no more than ninety (90) days from date of this Memorandum, the pool shall pay BCDA Five Hundred Million Pesos (P500 million) from the proceeds of the first tranche offering for BCDA's free use and disposition.*

Based on the quoted provision, the P500 million is a corporate income.

Considering that the project was envisioned to be completed within the 3-year development period based on the master development plan, the delayed disposition of the P961.485 million proceeds of the first tranche offering based on the ground that the project is not yet completed is prejudicial to BCDA and AFP; hence, the disposition thereof in accordance with BCDA's mandate is enjoined.

4. **The proceeds from the development of lots carried out by Heritage Park Management Corporation (HPMC) did not accrue to the BCDA and AFP, contrary to the intent of the HP Project.**

During the briefing conducted in CY 2013 for the COA Team about the HP Project, the following were discussed:

- Development of JV lots 1, 2, 3 and 4 under the Construction and Development Agreement (CDA) dated May 14, 2003 between the HPMC and Rosehills Memorial Management Inc. (RMMI);

- RMMI's projections for JV lots 1, 2, 3 and 4

Lot Area	Projected Revenues
Lot 1 (5,506 sq. m.)	300,000,000
Lot 2 (1,380 sq. m.)	70,000,000
Lot 3 (2,321 sq. m.)	21,225,000
Lot 4 (23,635 sq. m.)	813,275,949
Total Estimated Value	1,204,500,949
Less:	
Doc. Stamps	3,011,252
PCF	144,540,114
Sub-total	147,551,366
Net Proceeds	1,056,949,583
Proposed distribution of the projected net proceeds:	
63% to the General Fund	665,878,237
37% RMMI	391,071,346
	1,056,949,583

- As of March 2010, P157.214 million and P23.733 million were generated from the sale of 2,976 certificates and the proceeds from cremation packages, respectively.

The HPMC is a non-stock, non-profit organization, organized by the BCDA to manage and maintain the Heritage Park. Based on our assessment, HPMC was not granted the power to undertake the development of HP Project of the BCDA, and to benefit from the funds generated from the HP Project or manage the HP funds, except the Perpetual Care Fund.

Thus, the funds raised from the HP Project should accrue to the BCDA as the objective of the HP Project is to raise funds for national development through BCDA's disposition program.

We reiterated our previous recommendations (discussed in the HP Performance Audit Report) that Management:

a. Account for and recover the proceeds from the sale of the certificates generated from lots 1 to 4, and the other revenues accruing to the BCDA; and
b. Revisit the existing arrangement with HPMC to ensure that any and all proceeds generated from the HP Project accrue to the benefit of the BCDA/AFP consistent with the objective of the bases conversion program of the government.

Management commented that HPMC is authorized under the Pool Formation Trust Agreement (PFTA) to undertake the development of the Heritage Park and to manage the HP funds based on the provisions of the PFTA as discussed in their letter dated April 25, 2016.

Management also explained that:

a) HPMC entered into the aforesaid CDA with RMMI for the development of the undeveloped or open areas in HP under which HPMC shall make areas available and RMMI shall contribute the funds required to cover the cost of converting the areas into interment lots for sale to third parties. In consideration of the above, "63% of net proceeds from the sale of the total number of HPICs generated from the areas shall be deposited in the General Fund of the HP Project. RMMI shall be entitled to 37% of the net proceeds from the sale of the total number of HPICs generated from the Areas.[1]"

The General Fund inures to BCDA under the PFTA which therefore makes BCDA, not HPMC, the beneficiary of the proceeds of the lots developed under the CDA.

b) Clearly, HPMC is not the beneficiary of the funds generated from the proceeds of the development of lots 1 to 4 in HP because the net proceeds go to the General Fund and the General Fund inures to BCDA after completion of the HP project. Moreover, the 12% contribution to the Perpetual Care Fund arising from the said lots accrues to the Perpetual Care Fund which HPMC merely manages, among other Heritage accounts.

c) The net proceeds from the sale of HPICs (from Lakeview, Gateway, Sacred Garden and Cremation packages) under the CDA have reached P92.698 million as of December 31, 2013, representing share of the General Fund under the said Agreement. Management disclosed that HPMC has in fact caused an audit on these. They are still verifying the value of the unsold HPICs under the CDA as these should be based on current selling prices.

Management also presented that notwithstanding, the sale of HPICs under the CDA was purposely suspended starting 2014 due to the issue raised. Thus, there are no proceeds that can be reported for 2014 and 2015.

Management also explained that BCDA and HPMC have initiated discussions with RMMI on the review and amendments to the contract, if needed. However, HPMC, as signatory to the Agreement, cannot move on the review yet because HPMC does not at present have a functioning board for lack of quorum. HPMC is exerting all efforts to muster a quorum of the Certificate holders to be able to legitimately elect a Board of Trustees in a Certificate holders meeting. The election of HPMC Board of Trustees is crucial to a re-negotiation of the CDA. They will start renegotiations right away as soon as the HPMC Board is elected.

The Audit Team maintains that the purpose of the HPMC is to *manage and maintain* the Heritage Park, consequently, it is not authorized by the government/BCDA to disburse or utilize the HP funds, except for the Perpetual Care Fund nor raise funds through development of HP undeveloped lots. Each fund under HP accounts has specific purpose for which these funds must be spent. Only the Perpetual Care Fund may be allowed to be under their custody but still subject to monitoring by the BCDA. As defined in Article 1 of the PFTA, Perpetual Care Fund is a special fund to be established exclusively for the long term maintenance of the Heritage Park, its facilities and amenities. The Legal Services Division (LSD) of the BCDA, in LSD Opinion No. 2014-032, opined that proceeds from the HP Project are government funds.

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[1] Section 3.1 of the CDA.

letter, dated March 16, 2016, was sent demanding immediate settlement of the outstanding lease rentals from September 1, 2000 to February 29, 2016 of P52.055 million. This is also in response to the October 26, 2015 letter of Bonifacio Water Corporation (BWC), in behalf of FBDC, contesting its obligation to pay rentals under the CY 2000 Lease Agreement by virtue of the subsequent tripartite agreement entered in 2003 (MOA) among BCDA, FBDC and Bonifacio Vivendi Water Corporation.

6. **Twenty-four (24) of the 68 BCDA-allocated parking spaces at Pacific Plaza Towers Condominium (PPTC) remain unsold, with five parking spaces still unaccounted for.**

   In CY 2014 AAR, we reported that potential revenue from the disposition of the 68 unsold parking spaces at the PPTC totaling P23.800 million was not realized, with five out of the 68 unsold parking spaces appearing to be unaccounted for.

   We commend Management for the disposal of 44 parking slots in CY 2015. As of December 31, 2015, only 24 parking spaces remain unsold of which five are still unaccounted for and for reconciliation with the records of Pacific Plaza Towers Condominium Corporation (PPTCC). The unaccounted parking spaces which have been identified from BCDA records are parking slot numbers: 1) B3-A79; 2) B3-A80; 3) B3-A81; 4) B3-A205; and 5) B3-A206.

   We reiterated our recommendation that Management:

   a. Expedite the disposition of all the parking spaces, and

   b. Establish proof of ownership over the five unaccounted parking spaces.

   Management commented that on June 15, 2015, they wrote PPTCC about the discrepancy between BCDA's inventory listing versus their list. They formally requested that a reconciliation of both listings be made to enable BCDA to properly dispose these assets. A follow-up letter will be sent to PPTCC to expedite the reconciliation. Also, as of to date, 11 slots are covered by Agreement for signature of principals and eight units are for sale.

7. **Land assets valued at P5.657 billion are not titled in the name of BCDA.**

   In our verification of TCTs in connection with our CY 2015 audit, we noted that land assets with a total area of 696,648.26 sq. m. valued at P5.657 billion (out of the 1,142,425.26 sq. m. valued at P5.822 billion that we reported in the CY 2014 Annual Audit Report) have yet to be titled in BCDA's name. Details are as follows:

   a. *Villamor Air Base (99,878 sq. m.) valued at P1.662 billion*

      - 97,831 m² Presidential Airlift Wing – The property is part of BCDA areas per 2005 MOA between DND-PAF and BCDA but not yet turned over by PAF. Management commented that the property is still being used as Presidential Hangar, as such, transfer of TCT in its name was deferred.

- 2,047 m² portion of Airmen's Village – As of December 31, 2015, the lot is still titled in the name of National Housing Authority (NHA).

  Management commented that coordination with NHA is on-going, NHA being the Project Manager for the Airmen's Village project. A formal letter was already sent to NHA on March 13, 2016 requesting NHA to facilitate the transfer of TCTs in favor of BCDA.

b. *Camp Claudio in Tambo, Paranaque (10,000 sq.m.) valued at P91 million* – The 1 ha. lot was subject of a Deed of Usufruct between BCDA and the Department of National Defense (DND); and it is still not titled in BCDA's name. Management commented that survey and titling of the whole 5.4-ha Camp Claudio is being handled by DENR, including the 1-ha. portion of Camp Claudio subject of the Usufruct Agreement.

c. *Camps Atienza and Melchor in Libis, Quezon City (21,150 sq. m.) valued at P211.494 million* – An area of 21,150 sq. m. with Special Patent (SP) application is still untitled. Management commented that the SP application is still pending with the DENR. DENR will then submit it to the OP for approval. The approved SP will be the basis of the Original Certificate of Title in favor of BCDA.

d. *Navy Officers Village Association, Inc. (NOVAI) area in Fort Bonifacio, Taguig (258,406 sq. m.) valued at P3.617 billion* – BCDA has filed for the nullification of existing TCT in the name of NOVAI. SC decision, GR No. 177168, dated August 3, 2015, declared that the sale and the corresponding title issued in favor NOVAI are void.

   BCDA is waiting for the Order of Finality of the SC's Decision from the Court which will be the basis in the titling of the property in BCDA's name.

e. *North of Consular Area (18,246 sq. m.) valued at P18,246 located between the Maricaban Creek and Consular Area* - Management commented that this will be scheduled for survey within the year to determine if the property or portion thereof is already part of Maricaban Creek.

f. *SCTEx (50,083 sq. m.) valued at P9.705 million* – Per accounting records, BCDA acquired various lots in SCTEx amounting to P102.846 million for the years 2011 to 2015 excluding the P747.768 million acquisition from years 2006 to 2010. Upon inspection from records of 2011 to 2015, 12 TCTs are not titled in the name of BCDA and still in the custody of the Treasury and Investment Department (TID) while the rest were pulled-out.

   To date, inventory of land titles in the custody of TID showed more than 200 TCTs that are still titled in the name of private persons. It appears that majority of these TCTs were kept in vault for more than 5 years already.

   Management commented that the transfer of titles in favor of BCDA is still on going and is expected to be completed by end of CY 2017. Resolution of problems

Granting, for the sake of argument, that Management is correct in its interpretation of the PFTA that HPMC is authorized under the PFTA to undertake the development of the Heritage Park and to manage the HP funds based on the provisions of the PFTA, then Management has to provide the legal basis for the granting of government funds to a non-stock non-profit organization or for authorizing HPMC to perform BCDA's mandate of raising funds thru development of HP. Unless the General Fund is turned-over by the HPMC to the BCDA, it cannot be construed that BCDA, and not the HPMC, benefited from the General Fund generated from the development of lots 1 to 4 and from the other revenue sources from the HP Project.

Thus, we reiterate our recommendation that Management account for all funds that should accrue to the BCDA and the AFP that were generated from the sale of HPICs, recognize the same as income of the BCDA subject to sharing with the AFP and remit the 50% share of the AFP from the net proceeds. Management is also advised to require the accounting of sales and expenses that resulted in P92.698 million net proceeds from HPICs from lots 1 to 4 and require the remittance thereof to the BCDA.

5. No recognition in the books of accounts was made for Fort Bonifacio Development Corporation's (FBDC's) lease of BCDA's property for the Waste Water Treatment Plant and no lease payments had been received thereon.

On September 1, 2000, BCDA entered into a Lease Agreement with FBDC for the latter's lease of BCDA's 23,126-sq.m.-property, to be used as a site for the establishment of a Waste Water Treatment System and its supporting facilities to provide waste water treatment and water-related services to the Bonifacio Global City. The agreement provides for a 50-year lease term. Lease rental for the first 25 years is at the rate of P82.50 per square meter per year, subject to an annual escalation, cumulative, of 5% per year, inclusive of VAT.

As of December 31, 2015, for lack of monitoring controls, no lease payment was made by FBDC and no rental income and receivables were recognized by BCDA for FBDC's use of the leased area covering the period from September 1, 2000 to December 31, 2015 of P42.492 million, more or less, inclusive of VAT.

The non-recognition and non-collection of rent resulted in the misstatement of rental income and receivable accounts reported in the financial statements and deprived BCDA from benefiting from the cash it could have earned from the transaction. It also deprived AFP of its 50% share from the net proceeds.

We recommended that Management:

a) Bill rental dues from FBDC for the use of the 23,126 sq.m. land and enforce collection thereof;

b) Install controls to ensure that all potential rental income is recovered, like the use of asset register and/or rental register.

Management informed that, on June 25, 2015, BCDA wrote FBDC requesting them to arrange payment for the lease rentals covering the period September 1, 2000 to August 31, 2015 of P49.368 million. A follow-up letter was made on October 15, 2015. Another encountered during the course of transferring the titles is being undertaken by the SCTEx Road Right of Way (RROW) Team.

g. *BTPI (238,885.26 sq. m.) valued at P65.240 million* – In CY 2014 audit, the titling of the property is ongoing. Management disclosed that, of the 238,885.26 sq. m., 21,548.26 sq. m. is still owned by private individuals.

   Management commented that the request for expropriation of the 21,548.26 lot that is still privately titled will be endorsed to the Legal Services Department by June 2016 to commence the expropriation case.

In addition, Management informed that to facilitate the titling of BCDA properties:

- The BCDA Board approved the P175.22 million budget for the titling of properties and the creation of a Project Management Office to augment the Land and Land Assets Development Department's personnel in charge of titling activities.

- BCDA is continuously working for the completion of the on-going transfer of titles for certain BCDA properties.

- For the lots that are subject of Special Patent applications, close coordination with respective DENR and LRA offices are being done to assist them in the evaluation of the Special Patent application.

We commend Management for the actions taken to expedite the titling of land in its name and they are enjoined to continue with the endeavor until the titling is completed.

8. Land assets valued at P6.512 billion are not accounted for by specific Transfer Certificates of Title (TCTs).

In CY 2014 audit, it was determined that the updated value of land assets per accounting records that are not accounted for by specific TCTs amounted to P6.561 billion. The following TCTs are still unaccounted for by specific TCTs as of December 31, 2015:

a. *John Hay, Baguio City (5,144,377 sq. m., or 514.437 has.) valued at P5.752 billion* – In 2014 audit, Management explained that, of the total area of John Hay of 6,254,105 sq. m., 1,489,372 sq. m. are titled and accounted for with specific TCTs, leaving 4,764,733 sq. m. untitled. The remaining properties are either untitled (currently subject of Special Patent application) and some are titled in favor of the Indigenous People (IP).

   Based on the data gathered from Management, it appears that there is a difference of 379,644 sq. m. between the area of untitled land of *5,144,377 sq. m.* per FSMD when compared with the area of *4,764,733 sq. m.* per records of Land Assets Development Department (LADD); thus, the land area per book record appears to be overstated. The application of Special Patent for the untitled portion is ongoing.

Management commented that, based on the approved survey plan, the untitled portion of John Hay is approximately 4,764,733 sq. m. Reconciliation with FMSD of the actual areas of BCDA properties will commence in July 2016.

b. *Sacobia, Clark EZ (5,612 has.) valued at P0.011 billion* – In the comment of BCDA in CY 2014 audit of land, Management informed us that there is a pending case before the National Commission on Indigenous Peoples (NCIP) involving Sacobia property. The disputants in the said case are the Aetas themselves. A Certificate of Ancestral Domain Title (CADT) No. R03-BAM-1204-025-A was issued on April 17, 2009 covering an area of 10,323.31 hectares in favor of the Indigenous Cultural Community of Aeta within certain Municipalities of Tarlac and Pampanga.

Said CADT covers the approximately 5,612 hectares Sacobia property and the approximately 4,711 hectares portion of BCDA property in Clark Sub-Zone.

BCDA is now studying the possibility of filing a case for the nullification of the said CADT.

In CY 2015 audit, we noted that the outcome of the study on the possibility of filing a case for nullification of CADT No. R03-BAM-1204-025-A issued by LRA to Indigenous Cultural Community of Aeta covering an area of 10,323 has. is not yet available. Management commented that the property is tilted in favor of the Indigenous Cultural Community of Aeta.

c. *FB Merrit Road, Fort Bonifacio (FB) valued at P1.022 million* – Management commented in CY 2014 audit that Meritt Road in FB was then located within the PNOC-DOE vicinity. However, consolidations and subdivisions of lots were made inside BGC and roads (including the Meritt Road lot) were reconfigured based on the master plan.

As of December 31, 2015, the inventory of the new lots as a result of consolidation and subdivision has yet to be presented.

Management commented that it is already part of BGC consolidation/subdivision survey. Map will be submitted after reconciliation with Finance Services Group.

d. *Fort Bonifacio (318 sq. m.) valued at P0.288 million* – The application for Special Patent is ongoing. These are described as Institutional/multimodal/mixed consisting of: 1) Lot 13-B, with an area of 212 sq. m. valued at P191,992 , and 2) Lot 13-C, with an area of 106 sq. m. valued at P95,996 per accounting records.

Management commented that there is an ongoing discussion with DENR on the validity of land claims by private individuals which hindered BCDA applications for Special Patent.

e. *Area swapped by PA to BCDA (6,725 sq. m.) valued at P6,725* – Management commented that a Special Patent (SP) application is already with the OP in Malacanang for review and approval. The approved SP will be the basis in the issuance of titles in favor of BCDA.

f. *SCTEx affected lots valued at P0.748 billion* – To date, the amount presented has no subsidiary ledger of lots acquired with corresponding TCTs.

Management commented that the inventory of lands acquired for SCTEx project is still on-going, together with the corresponding titles, which is expected to be completed by end of September 2016.

The value of land assets that are not accounted for by specific TCTs is at P6.561 billion as of December 31, 2014 and P6.512 billion as of December 31, 2015, the difference of P0.049 billion is due to the 2,916 sq. m lot areas in Villamor Air Base that are now titled in BCDA's name.

We reiterated our previous years' recommendation that Management identify the land assets valued at P6.512 billion by indicating the specific TCT number, area and value.

9. TCTs of land assets with an area of 4,425,514.67 sq. m. valued at P1.315 billion were not available upon inspection.

TCTs of land assets valued at P1.315 billion were not available upon inspection as follows:

a. *Clark Air Base Main Zone (3,896,195 sq. m.) valued at P211.533 million* – In CY 2014 audit, it was reported that the TCTs were pulled out for segregation of titles. The TCTs were released from TID per letter request dated April 29, 2010 but it took already more than 5 years and the TCTs are still not returned to the TID for safekeeping.

Management commented that TCTs for 2,220,029 sq. m. lots were already subdivided and/or consolidated. Subdivision of TCTs for the remaining 1,676,166-sq.m. lots is still pending due to the discrepancies found in land areas between the TCTs and the approved technical descriptions. Resolution of the discrepancies is being done. The subdivision of titles is expected to be completed by the end of CY 2016.

b. *Area along Kalayaan Avenue (6,611 sq. m.) valued at P11 million* – No TCT was left in the custody of the TID covering the properties in Villa Kalayaan. In the previous year's comment, Management clarified that the TCTs were pulled out from TID and conveyed to the Villa Kalayaan Housing beneficiaries based on lot award.

Since the particular asset is still carried in the books, the documents to confirm the award of lots are for presentation, validation and evaluation so that derecognition of the land asset may be effected, when necessary. Management commented that copy of the lot awards are being collated.

c. *Lupang Katuparan (11,967 sq. m. of the 17,981 sq. m. consisting of 8 TCTs) valued at P7.182 million* – In CY 2014 audit, Management explained that the TCTs with a total area of 17,981 sq. m. were pulled out for subdivision. Most of the resulting TCTs were already conveyed to the Lupang Katuparan Housing beneficiaries and some

TCTs are yet to be conveyed to the beneficiaries and are still with TID for safekeeping.

The CY 2015 audit showed that the 8 TCTs in Lupang Katuparan have been subdivided into 197 TCTs. Of the 197 TCTs, *136 TCTs* with an area of 11,967 sq. m., are not in the custody of the TID, as follows:

Old TCT Nos.	Land Areas (m^2)	Resulting TCTs			
		Not in Custody		With TID	
		Land Areas (m^2)	No. of TCTs	Land Areas (m^2)	No. of TCTs
34465	5,918	2,909	55	3,009	26
33557	2,329	1,128	20	1,201	21
33561	1,421	1,235	33	186	4
33568	771	771	1	0	0
33569	3,906	3,906	1	0	0
33572	599	599	1	0	0
33574	1,774	360	6	1,414	5
33559	1,263	1,059	19	204	5
	17,981	**11,967**	**136**	**6,014**	**61**

Upon inquiry, the properties were awarded to the beneficiaries but no documents were presented documenting the award to support possible derecognition of the land assets in the books of accounts. Management commented that copies of the lot awards are being collated.

d. *Diego Silang Village (37,884 sq.* m.*) valued at P8.732 million* – This property is covered by 3 TCTs. As per LADD, TCT No. 28666 (lot 8) with an area of 10,731 sq. m. was pulled out from TID for subdivision. To date, the new TCTs, as a result of the subdivision of lot, are not available at TID.

   TCT No. 28669 (lot 11 for 19,180 sq. m.) and TCT No. 28672 (lot 14 for 7,973 sq. m.) were pulled out from TID to undertake annotations of the award/sale transactions of condominium units for NAPOLCOM beneficiaries.

   Management commented that the Taguig Registry of Deeds is still in the process of subdivision/segregation of TCT No. 28666. Lot 11 (TCT No. 28669) & Lot 14 (TCT No. 28672) is still with the Taguig Registry of Deeds for annotation of award/sale transaction for NAPOLCOM condo units.

e. *Road Lot in Fort Bonifacio (9,857.67 sq. m.) valued at P985.700 million* – TCT No. 164-2010000548 is not with TID. However, it was already recorded in the books of accounts. Management commented that this was conveyed by Federal Land Inc. to BCDA based on the Deed of Exchange dated January 2015.

f. *PPMC TCT No. 13488 (2,020 sq. m.) valued at P4.771 million* – According to LADD, the 2,010-sq. m. property was acquired by BCDA, thru PPMC, from the heirs of Ana Mayo Flores in 2014. A letter by the BCDA dated September 21, 2015, requesting the release of title in the name of BCDA was sent to PCEO of PPMC. A difference of 10 sq. m. between the record of FMSD and LADD was also noted. Management commented that the transfer of title in BCDA's name is being facilitated by PPMC.

g. *East of C5 (317 sq. m.) valued at P0.143 million* – In CY 2014, portions of TCT Nos. 36274 and 1729-P were sold and a total of 317 sq. m. (134 sq. m. plus 183 sq. m.) was the portion left to BCDA. The new TCTs for the remaining 317 sq. m. is not in the custody of TID nor reflected in the Schedule of Land prepared by the FMSD. Management commented that segregation of title is still ongoing.

h. *SCTEx (460,663 sq. m.) valued at P85.104 million* – In CYs 2011 to 2015, BCDA acquired various lots in SCTEx; however, the TCTs were pulled out from TID for segregation of titles and the new TCTs, as a result of segregation, are not yet available upon inspection.

   Management commented that the newly issued titles were already transmitted to TID for safekeeping. Other TCTs are still with the LRA for processing of transfer of titles in BCDA's name.

   However, the lists of the TCTs turned over to the TID were not available and was requested by the Audit Team for submission to facilitate the accounting and validation of the newly issued TCTs.

We reiterated our previous years' recommendation that Management account for the TCTs of land assets with an area of 4,444,448.67 sq. m. and valued at P1.330 billion which were not available upon inspection.

10. Land assets valued at either P1 per sq. m. or P1 per parcel of land understated the National Government's equity in the BCDA, a deviation from Section 2 of EO 40.

We noted that there are land assets that have yet to be appraised and are thus still recorded at either P1 per sq. m. or P1 per parcel of land, as follows:

Location	Area (sq.m.)	Book Value/sq.m.	Book Value
North Consular	18,246	1	18,246
64 has. SRA area	506	1	506
JUSMAG (SHAI)			
Lot 1-C	9,924	1	9,924
Lot 2-B	1,924	1	1,924
Lot 2-C-1	1,281	1	1,281
Lot 2-C-2	2,240	1	2,240
Lot 2-D-1	830	1	830
Lot 2-D-2	450	1	450
Bataan Technology Park Inc.			
TCT - 103935	137,776		1
Lot - 1590	21,548.26		1
	194,725.26		**35,403**

Section 2 of EO 40, dated December 8, 1992, provides that the properties transferred to BCDA shall be appraised to determine the appropriate valuation to be entered in the books of accounts of BCDA as part of its capitalization in accordance with Section 6 of RA 7227.

The non-appraisal of the land assets turned over by the NG to BCDA resulted in the understatement of the value of the NG's equity in BCDA and the Land account.

In last year's audit, Management commented that they have scheduled the appraisal of all land assets within the year for the purpose of determining the current market value of all its land. However, we have noted that only the BTPI road was revalued at its appraised value and the corresponding Capital of the NG was adjusted from P1 to P37.827 million under JV No. 2300004580 dated December 29, 2015.

We reiterated our previous year's recommendation that Management record all land assets transferred by the NG based on appraised value as required under Section 2 of EO 40.

Management commented that the appraisal of some BCDA lots valued at P1 per sq. m. was deferred last 2015 to prioritize the Clark Green City valuation. Nevertheless, procurement of consultants to undertake appraisal of all BCDA land assets is scheduled within the year.

11. Thirteen (13) TCTs in the possession of TID were not among those listed in the Schedule of Land assets, thus, may not be recorded in the books of accounts.

In our inspection of TCTs in connection with our CY 2014 audit, we noted thirteen (13) TCTs covering a total land area of 60,989 sq. m. which were not among those listed in the Schedule of Land Assets. The TCTs, which are being held by the custodian for safekeeping are as follows:

Qty.	Area (in sq. m.)	Remarks
2	27,843	Titled in the name of BCDA
11	33,146	Titled in the name of FBDC
13	60,989	

Ownership by BCDA of the land per TCT No. 23885, with an area of 13,900 sq. m. (part of 27,843 sq. m. per above table) has not yet been resolved based on the feedback given by Management. However, the said lot is already titled in the name of BCDA but unrecorded in the books of accounts.

Management explained in last year's audit that the lot covered by TCT No. 36272 with an area of 13,943 sq. m. (part of 27,843 sq. m. per above table) was already sold to the City of Makati, but the TCT is still in the custody of BCDA because no Deed of Absolute Sale (DOAS) was issued yet. On-going coordination is being made with the City of Makati for the submission to BCDA of the notarized DOAS. After receipt by BCDA of the DOAS, TCT can already be transmitted to the City of Makati.

As to the 11 TCTs titled in the name of FBDC, it appears that the land assets covered by these TCTs are BCDA properties based on the feedback given by Management.

Management clarified that the 11 TCTs consists of:

Qty.	Area (in sq. m.)	Property	Comment by Management
2	27,842	SRDP Lots	The lots are included in the land inventory per LADD records
9	5,304	Lots within	For inclusion in the final land inventory
11	60,989		

The non-inclusion of these lots in the Schedule of Land Assets may indicate that the same were not recorded in the books of accounts and may understate the land assets and Capital accounts presented in the financial statements.

We reiterated our previous year's recommendation that Management record in their books of accounts the land assets covered by these 13 TCTs after determining ownership of the said assets and provide disclosure in the Notes to Financial Statements regarding the TCT that is still in the custody of BCDA but covered by a Contract to Sell by and between BCDA and the City of Makati.

12. The following conditions may have understated the value of Land account reported in the financial statements.

a. Incomplete accounting of Road Lot 9

Road Lot 9 of TCT No. 134811, containing an area of 3,513 sq. m., was accounted as 789 sq. m. only per Accounting and LADD records. The derecognition of 2,724 sq. m. was recorded under JV No. 2014-230002007 dated December 29, 2014. We were informed that Road Lot 9 is 789 sq. m. only based on actual survey. However, no new TCT for the 789 sq. m. land was provided and the cancellation or the change in area of Road Lot 9 of TCT No. 134811 was not annotated on the title; thus the accuracy of derecognizing 2,724 sq. m. was not fully substantiated.

Management commented that they are still working on the completion of the documents required by the Register of Deeds for the correction and/or annotation in TCT No. 134811 of the discrepancy in the actual area of Road Lot 9.

b. Incomplete accounting of lot covered by TCT No. 134813

TCT No.134813, not titled in the name of BCDA but in the name of RP, contains a total area of 66,951 sq. m., as follows:

Lot 11 (SWO-007607-001236-D)	60,305
Lot 8 (SWO-007607-001236-D)	6,646
	66,951

Of the 60,305 sq. m. of Lot 11, 7,755 sq. m. were conveyed through Joint Venture Agreement (JVA) with Megaworld Corporation. The remaining portion of Lot 11 of 59,196 sq. m. valued at P991.731 million, more or less, is titled in the name of RP and the TCT is in the possession of TID but the same is not recorded in the books of BCDA thereby understating land by P991.731 million.

According to the MOA dated March 2005 between DND-PAF and BCDA, the Sales, Andrews and Gozar Streets are BCDA areas. These are portion of TCT No. 134813. Hence, these lots should be recorded and transferred in BCDA's name.

Management commented that Lot 8 is Sales Road and Lot 11 is Andrews Avenue. Said lots are not included in the list of properties transferred to BCDA nor in the properties retained by PAF in Villamor Air Base (VAB) because the lots are being used by the general public as the main thoroughfare within VAB. However, possession of the title remains with BCDA.

The 1,755 sq. m. portion of Lot 11 cuts the properties subject of the JVA with Megaworld. Hence, the need to exclude the 1,755 sq. m. portion from Lot 11 and include it in the JVA area. As a result, BCDA area was increased by 1,755 sq. m. and Road Lot 11 was reduced to 55,550 sq. m.

We reiterated our previous year's recommendation that Management clarify the incomplete accounting of lots covered by specific TCTs so that adjustment in the records of FMSD and LADD may be effected, as may be necessary.

13. The Due to Bureau of the Treasury (BTr) account includes dormant accounts of P50.795 million.

As of December 31, 2015, the following dormant liability accounts remained outstanding in the books of accounts:

a. Due to BTr pertaining to the Scout Barrio Housing Project Account - P42.773 million

This pertains to the proceeds from sale of Scout Barrio Housing Project in Barangay Scout Barrio, Club John Hay, Baguio City. It is covered by a MOA between the BCDA, John Hay Poro Development Corporation and National Housing Authority (NHA) on May 03, 1995. There is no implementing guideline on the disposition of the proceeds from sale of housing units remitted by NHA. The account has a P36.248 million balance as of December 31, 2013 and P42.773 million as of December 31, 2015.

Management commented that the amount due to BTr pertaining to the Scout Barrio Housing Project is the proceeds from sale of homelots to legitimate/qualified occupants in Camp John Hay, Baguio City. Pursuant to RA 7227, as amended by RA 7917, the sales proceeds from the Scout Barrio HP is not considered as disposition proceeds subject to sharing with the Armed Forces of the Philippines and other beneficiaries. Thus, BCDA will take up the proceeds as corporate income instead of being part of the liability account Due to BTr.

b. Due to BTr pertaining to Mt. Pinatubo Funds – P1.835 million

The account which has been dormant since CY 1999, represents the refund by the Department of National Defense (DND) for the clearing of Clark Air Base under OR No. 3060631 dated March 18, 1997. Management commented that the balance will be returned to the BTr in 2017 since the purpose of which the fund was received has already been served.

c. **Due to BTr pertaining to Crown Equity – P0.808 million**

The account, which has been dormant since CY 2004, represents cash paid by Crown Equity for the excess between the cost of Land swapped by BCDA and the cost of land owned by Crown Equity.

Management commented that FMSD will review the transactions related to the accounts and adjustments, if any, will be booked not later than May 31, 2016.

d. **Due to BTr pertaining to Philippine Army Funds – P5.380 million**

The account has been dormant since CY 2006. Management commented that FMSD will review the transactions related to the accounts and adjustments, if any, will be booked not later than May 31, 2016.

We recommended that Management, as may be appropriate, settle the payables so that the beneficiaries of the amounts remittable to BTr may benefit from these accounts or make adjustments to clear the books of accounts of these dormant accounts.

14. The Deposits for Expropriation account amounting to P35.102 million is not fully accounted for.

Deposit for Expropriation account pertains to BCDA's cash deposits with the Clerk of Courts in relation to land expropriation cases for SCTEx and Wallace Area in San Fernando, La Union.

In CY 2014 AAR, we reported that the account with a balance of P61.696 million was not completely accounted for and the risk that some deposits may not be utilized or withdrawn is likely to happen in the absence of specific records to substantiate claims. We recommended then that Management verify and reconcile BCDA's records with that of the Regional Trial Court (RTC) Clerk of Courts to arrive at the correct balance of the account and thereby mitigate the risk of financial losses to the government.

As of December 31, 2015, the Accounting Department prepared a Schedule of Deposit for Expropriation showing the net amount of P35.102 million, which reconciles with the amount presented in the financial statements. It was noted that the P35.102 million was not fully accounted for because of the following:

a. The amount was reduced by P1.515 million because of the negative accounts per Schedule.

b. The Legal Services Department (LSD) provided a detailed list of deposits totaling P17.476 million. Reconciliation of the balances per FMSD and LSD resulted in the reconciled amount of P33.989 million. As of December 31, 2015, no adjustment was effected in the books, apparently because the documents needed to support the adjustment were not available.

c. In the review of the Deed of Absolute Sale (DOAS) for the acquisition of the 10,445 sq. m. of Lot 40-A situated in Barangay Santiago, Concepcion, Tarlac, it was noted that despite the Order of the Court, the P125,340 deposited in Court was not deducted from the payment for expropriated land. Hence, the payment for acquisition of land was overstated by the same amount. Management apprised the Team that the P125,340 representing the 100% zonal value is still with the Court and that a motion to withdraw the deposit will be filed accordingly.

We reiterated our recommendation that Management verify and reconcile the outstanding deposits for expropriation with the RTC Clerk of Courts to arrive at the correct balance of the account and thereby mitigate the risk of financial losses to the government.

15. Of the P5 million GAD budget, only P2.351 million was spent for GAD activities.

The most significant GAD activity in CY 2015 was aimed at providing opportunities for relocated women's economic participation thru implementation of livelihood projects based on specific needs of women in the community. The targeted outputs are: 1) identified clients/targets of GAD projects whose family income needs to be augmented by the first half of the year, and 2) 100 women engaged in livelihood skills training/certification/entrepreneurship programs and whose family income have been augmented and with greater economic independence by the end of the year. It has a budget of P2.5 million.

The Annual GAD Accomplishment Report of BCDA for FY 2015 showed that only the on-going census to be used as basis for project implementation and a rapid appraisal report summary were accomplished. Of the targeted 100 women, none was reported as engaged in livelihood and thus, no family income augmented. The actual cost incurred amounts to P2.187 million.

We recommended that Management:

a) Efficiently and effectively carry out its PCW-endorsed GAD Plan and Budget, and

b) Utilize the results of the census activity which was already started in pursuing its GAD activities to avoid waste of GAD funds.

Management commented that they recognize that the FY 2015 GAD budget was underutilized. They explained that in 2015 BCDA embarked on the full implementation of the Clark Green City (CGC) project and in order to maximize the utilization of the GAD budget for succeeding years, efforts are being exerted in the identification of women-focused activities and gender-related projects. This has started with the conduct of the census at affected communities within the CGC project area, the results of which shall be used as basis for GAD-related interventions, as correctly pointed out in the observation.

BCDA's commitment to gender mainstreaming is manifested in its attempts to earnestly comply with the various issuances of the Philippine Commission on Women (PCW) concerning GAD, not only on paper but also in practice. The continuous effort to find a sustainable GAD project that will impact on the lives of project-affected people through the conduct of survey and census is evidence of this earnest effort.

Organizationally, BCDA has seen the need to strengthen its Gender Focal Point System (GFPS) by reconstituting its membership at the onset of 2016, which it plans to further expand to more adequately address the concern on the implementation of its GAD Plan. In fact, the current GFPS plans to undergo capability-building on Gender Mainstreaming Evaluation Framework (GMEF), GAD budget attribution, and integration of gender concerns in project development, implementation, monitoring and evaluation after the completion of activities for the 2016 National Women's Month Celebration (NWMC).

BCDA assured that they will intensify their commitment to efficiently and effectively carry out its GAD Plan and Budget, as well as utilize the results of the census at the CGC areas to pursue gender-related agenda in their client-focused activities.

16. Status of Notice of Suspensions, Disallowances and Charges

As of year-end, the status of audit suspensions, disallowances and charges issued is as follows:

Audit Action	Beginning Balance January 1, 2015	Issued	Settled	Ending Balance December 31, 2015
Suspensions	0	0	0	0
Disallowances	3,108,000	0	0	3,108,000
Charges	0	0	0	0
Total	**3,108,000**	**0**	**0**	**3,108,000**

The disallowance of P3.108 million as of December 31, 2015 pertains to the following:

a. Payment of legal fees to private lawyers/consultants amounting to P2.845 million under Notice of Disallowance (ND) No. 09-0014-01111(2006-2008) dated October 22, 2009 which was affirmed under COA Decision No. 2013-201 dated November 20, 2013. With COA Order of Execution (COE) dated January 5, 2015. BCDA sent Statement of Accounts to persons liable.

   On February 2, 2015, a letter addressed to the Commission Proper was sent by an official of the BCDA, the only person still employed by BCDA. He is requesting for the deferment of the implementation of COE dated January 5, 2015.

   On February 27, 2015, a Motion to set aside COE dated January 5, 2015 was filed by a person liable in the ND, who was already retired from the service under COA CP Case No. 2010-252. The CP dismissed the motion for having been filed out of time per CP en banc Resolution issued on August 18, 2015.

   A Motion for Reconsideration was filed with the Commission by the Manager of the Budget Department of BCDA requesting for exclusion from liability under the ND on December 17, 2013. The Motion was granted under COA Decision No. 2014-235 dated September 11, 2014 and subsequently a Notice of Finality of Decision (NFD) was issued on May 12, 2015.

b. The amount of P0.263 million represents the unsettled balance of the disallowed payment of Christmas Package/annual gift check to the members of the Board of Directors and consultant in CYs 2003-2007 totaling P1.318 million. This is due from two payees who are no longer connected with BCDA. An Appeal dated January 13, 2010 was filed at the Office of the then Cluster B Director, CGS which was received on February 23, 2010 under Order Docket No. (CGS-B) 2010-005 dated February 26, 2010.

The above do not include the Notices of Disallowance, Notices of Charge and Notices of Suspension issued prior to the effectivity of the Rules and Regulations on the Settlement of Accounts issued by the COA.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the sixteen (16) audit recommendations contained in the CY 2014 Annual Audit Report (AAR), five (5) were implemented, eight (8) were partially implemented and three (3) were not implemented, as shown below:

Reference	Audit Observations	Recommendations	Status/Actions Taken
CY 2014 AAR, Observation No.1, page 53	Share of the Armed Forces of the Philippines (AFP) on the dividends received from Fort Bonifacio Development Corporation (FBDC) was not remitted to the Bureau of the Treasury (BTr) using as basis Office of Government Corporate Counsel (OGCC) Opinion No. 181, series of 2011.	In CY 2012 and 2013 Annual Audit Reports (AARs), the Audit Team recommended that Management comply with the provisions of EO 309 by remitting to the BTr the 50 per cent share of the AFP on the dividends received from FBDC. Management did not agree and commented that a MOA is underway. In the alternative, it was recommended that Management expedite the finalization of the MOA being arranged with DND/AFP and that the same be submitted to the OP for approval in case the terms and conditions thereof will deviate from the provisions of EO 309.	Partially implemented Management remitted to the BTr the share of the AFP in the proceeds from FBDC dividends collected by BCDA in CYs 2014 and 2015, amounting to P1.125 billion under Check No. 002724744 dated March 22, 2016, which was acknowledged by the BTr under OR No. 8204015 dated March 28, 2016. But Management has yet to recognize in the books of accounts the share of the AFP from the dividends received from FBDC from 2001 to 2013 and to remit the same to the BTr. Reiterated in Observation No.

Reference	Audit Observations	Recommendations	Status/Actions Taken
			1 of this report.
CY 2014 AAR, Observation No. 2, page 55	AFP share from the ALI-Serendra Condominium proceeds was not recognized in the books and not remitted to the BTr.	Comply with the provisions of EO 309 by recognizing the 50% share of the AFP from the collections from the ALI-Serendra Condominium.	Implemented The amount of P134.018 million representing the share of AFP from ALI-Serendra Condominium proceeds was recorded in the books per JV No. 2300003834 dated 9-30-15 by debiting Expenses-Contributions to AFP Modernization and crediting Due to National Treasury.
		Observe regular reconciliation of accounts with ALI to avoid delay in the recognition and remittance.	Implemented Remittance of share of AFP in the ALI-Serendra Condominium was made in March 2016.
CY 2014 AAR, Observation No. 3, page 56	AFP 50 per cent share from Serendra Retail rental proceeds though recognized in the BCDA books was not remitted to the BTr pending reconciliation.	Facilitate the reconciliation and validation of revenues and expenses related to the Serendra Retail so that necessary adjustment in the books may be made and the AFP share may be remitted to BTr.	Implemented AFP share previously recorded as P65 million was already adjusted after validation/reconciliation.

Reference	Audit Observations	Recommendations	Status/Actions Taken
			Remittance of the amount due to the AFP was already made in March 2016.
CY 2014 AAR, Observation No.4, page 56	Land assets valued at approximately P6.561 billion were not accounted for by specific Transfer Certificates of Title (TCTs), while TCTs for land assets valued at P2.860 billion were not available upon inspection.	Identify the land assets valued at P6.561 billion by indicating the specific TCT number, area and value.	Partially implemented The value of land assets that are not accounted for by specific TCTs is P6.561 billion as of December 31, 2014 and P6.512 billion as of December 31, 2015, the difference of P.049 billion is due to the 2,916 sq. m lot areas in Villamor Air Base that are now titled in BCDA's name. This observation was first raised in CY 2013 AAR. Reiterated in Observation No. 8 of this report.
		Account for the TCTs of land assets valued at P2.860 billion which were not available upon inspection.	Partially implemented This observation was first raised in CY 2014 AAR. Reiterated in Observation No.

Reference	Audit Observations	Recommendations	Status/Actions Taken
			9, but the land value was reduced from P2.860 billion in CY 2014 to P1.330 billion in CY 2015.
CY 2014 AAR, Observation No.5, page 59	Land assets valued at P5.822 billion are not titled in the name of the Authority.	Take appropriate actions to expedite the titling of the land in the Authority's name to dispel doubts as to their legal ownership.	Not implemented This observation was first raised in CY 2012 AAR. Reiterated in Observation No. 7 of this Report.
CY 2014 AAR, Observation No.6, page 61	14 TCTs in the possession of Treasury and Investment Department (TID) are not listed in the Schedule of Land Assets.	Recognize in the books of accounts the lots covered by the 14 TCTs that are in the possession of TID after determining ownership thereof.	Partially Implemented As of December 31, 2015, 13 out of the 14 TCTs in the possession of the TID are still not listed in the Schedule of Land assets prepared by FMSD. This observation was first raised in CY 2014 AAR. Reiterated in Observation No. 11 of this Report.
		Record in the books of accounts the land area covered by TCT No. 28632	Not implemented

Reference	Audit Observations	Recommendations	Status/Actions Taken
		with total area of 18,485 sq. m. Report in the Schedule of Land Assets the remaining land area of the 18,485-sq. m. lot of 17,677.60 sq. m.	TCT No. 28632 is portion of the 11 TCTs titled in the name of FBDC which are unrecorded in the books of accounts. Reiterated in Observation No. 11 of this Report.
CY 2014 AAR, Observation No.7, page 62	Land assets valued at P1.00 per square meter understated the recorded National Government's (NG) equity in the Authority and Land account, a deviation from Section 2 of Executive Order (EO) 40.	Record all land assets transferred by the NG to the Authority based on appraised value as required under Section 2 of EO 40.	Partially implemented The BTPI road was revalued at its appraised value and the corresponding Capital of the NG was adjusted from P1 to P37.827 million under JV No. 2300004580 dated December 29, 2015. This observation was first raised in CY 2012 AAR. Reiterated in Observation No. 10 of this Report.
CY 2014 AAR, Observation No.8, page 63	The following conditions may have understated the balances of Land and Capital Stock accounts reported in the	Clarify the incomplete accounting of lots covered by specific TCTs.	Partially implemented Only two of the five conditions

Reference	Audit Observations	Recommendations	Status/Actions Taken
	financial statements: Incomplete accounting of lots covered by TCT No. 134811; Incomplete accounting of lot covered by TCT No. 142230; Incomplete accounting of Road Lot 9; Incomplete accounting of lot covered by TCT No. 134813; and Non-recognition of lots covered by TCT Nos. 13413 and 13426 before recording the derecognition.		remained unresolved. This observation was first raised in CY 2014 AAR. Reiterated in Observation No. 12 of this Report.
CY 2014 AAR, Observation No.9, page 65	The Deposits for Expropriation account amounting to P61.696 million was not completely accounted for.	Verify and reconcile the outstanding deposits for expropriation with the Regional Trial Court Clerk of Courts to arrive at the correct balance of the account and thereby mitigate the risk of financial losses to the government.	Partially implemented Management has already identified adjustments to be made to arrive at the adjusted balance of the Deposits for Expropriation per FMSD and LSD records, but the supporting documents are still to be gathered/ retrieved, hence no adjustments were effected as of reporting date.

Reference	Audit Observations	Recommendations	Status/Actions Taken
			This observation was first raised in CY 2014 AAR. Reiterated in Observation No. 14 of this Report.
CY 2014 AAR, Observation No.10, page 65	Unreconciled balance between balance per books and per confirmation of the accounts "Investment in Fort Bonifacio Development Corporation (FBDC)" and "Receivables from FBDC".	Reconcile the variances noted and make adjustments as may be necessary.	Partially implemented The variance was reduced substantially.
CY2014 AAR, Observation No.11, page 66-67	The Due to the Registry of Deeds account balance of P11.422 million as of December 31, 2014 consists mainly of accounts which have been dormant or non-moving for more than five years.	Verify and determine the validity of the payable to the Registry of Deeds which still appears in the books and make the necessary adjustments as may be necessary.	Implemented Dormant account was adjusted or derecognized in the books of accounts.
CY 2014 AAR, Observation No.12, page 67-68	Potential revenue from the disposition of the unsold parking spaces at the Pacific Plaza Towers Condominium amounting to P23.800 million was not realized, with five out of the 68 unsold parking spaces appearing to be unaccounted for.	Expedite the disposition of the parking slots. Establish proof of ownership over the five unaccounted slots.	Implemented As of December 31, 2015, only 24 parking slots remain unsold. Not implemented Five parking slots are still unaccounted for and for reconciliation with the records of PPTCC.

Reference	Audit Observations	Recommendations	Status/Actions Taken
			This observation was first raised in CY 2014 AAR. Reiterated in Observation No. 6 of this Report.