

CIVIL AVIATION AUTHORITY OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

1. GENERAL INFORMATION

Agency Profile

The policy of the State is to provide safe and efficient air transport and regulatory services in the Philippines by providing for the creation of a civil aviation authority with jurisdiction over the restructuring of the civil aviation system, the promotion, development and regulation of the technical, operational, safety and aviation security functions under the civil aviation authority.

To implement the said policy, Republic Act No. 9497 or the Civil Aviation Authority Act of 2008 was issued creating the Civil Aviation Authority of the Philippines (CAAP) as an independent regulatory body with quasi-judicial and quasi-legislative powers and possessing corporate attributes. It is attached to the Department of Transportation and Communications (DOTC) for the purpose of policy coordination.

As cited under the Transitory Provisions of RA 9497, Section 85, Chapter XII, the Air Transportation Office (ATO) was abolished. All the powers, duties and rights vested by law and exercised by the ATO are transferred to CAAP. All assets, real and personal property, funds and revenues owned by or vested in the different offices of the ATO, including all contracts, records and documents relating to the operations of the abolished agency and its offices and branches were, likewise, transferred to the Authority. Any real property owned by the national government or government-owned corporation or authority which is being used and utilized as office or facility by the ATO shall also be transferred and titled in favor of the Authority.

Corporate Objectives

The objectives of the Authority are as follows:

- a. The development and utilization of the air potential of the Philippines;
- b. The encouragement and development of an air transportation system properly adapted to the present and future of foreign and domestic commerce of the Philippines;
- c. The regulation of air transportation in such a manner as to support sound economic condition in such transportation and to improve the relations between air carriers;
- d. Ensuring the safety, quality, reliability, and affordability of air transport services for the riding public; and
- e. The encouragement and development of a viable and globally competitive Philippine aviation industry.

Organizational Structure

The corporate powers of the Authority are vested in a board which is composed of seven (7) members, as follows:

- The Secretary of the Department of Transportation and Communications (DOTC) shall act as chairman ex-officio;
- The Director General of the Civil Aviation (DGCA) shall automatically be the vice-chairman of the Board;
- The Secretary of the Department of Finance (DOF);
- The Secretary of the Department of Foreign Affairs (DFA);
- The Secretary of the Department of Justice (DOJ);
- The Secretary of the Department of Interior and Local Government (DILG); and
- The Secretary of the Department of Labor and Employment (DOLE).

CAAP is headed by a Director General (DG), who is also the Chief Executive and Operating Officer responsible for all civil aviation in the Philippines and the administration of RA 9497. He shall be appointed by the President of the Philippines and shall have a tenure of office of four (4) years, which may be extended for another non-extendible term of four (4) years and shall only be removed for cause in accordance with the rules and regulations prescribed by the Civil Service Commission.

The DG has two (2) Deputy Director General to assist in handling the administrative, operational and other requirements of the Authority.

The Authority consists of the Authority Proper, Support Staff, the six (6) Services Group which include the Special Corporate Staff Group, Technical and Executive Staff Group, the Aviation Operations Service Group, the Aviation Administrative Service Group, Area Aerodrome Group, Aircraft Accident Investigation and Inquiry Board and the Flight Standards and Inspectorate Service.

With the creation of the Civil Aviation Authority, a new Airport Clustering Scheme was adapted grouping the airports nationwide into ten (10) Area Centers, to wit:

Area Center	Location	No. of Satellite Airports
Area 1	Laoag	12
Area 2	Plaridel	15
Area 3	Pto. Princesa	4
Area 4	Legaspi	7
Area 5	Iloilo	6

Area Center	Location	No. of Satellite Airports
Area 6	Mactan	6
Area 7	Tacloban	10
Area 8	Pagadian	9
Area 9	Cagayan de Oro	9
Area 10	Davao	7

Fiscal Autonomy

The Authority shall enjoy fiscal autonomy. All moneys earned by the Authority from the collection/levy of any and all such fees, charges, dues, assessments and fines it is empowered to collect/levy shall be used solely to fund the operations of the Authority. All monetary revenues collected shall accrue to the Authority and shall be deposited to its Bank Account. Funds collected by the Authority shall be retained effective March 23, 2008, date of effectivity of the CAAP Charter (Section 15 of the Implementing Rules and Regulations of RA 9497).

Capitalization

Under RA 9497, CAAP has an authorized capital stock of P50 billion which shall be fully subscribed by the Republic of the Philippines. The subscription of the National Government shall be paid as follows:

- a. The unexpended balances of the appropriations in the current General Appropriations Act and other acts in force upon approval hereof, pertaining to, held or used by ATO;
- b. The value of existing assets of ATO, which shall be determined by an independent and qualified appraisers within six (6) months from the effectivity of this Act, and after deducting the loans and other liabilities of ATO at the time of the takeover of the assets and property and;
- c. Such amounts as may be appropriated from time to time from the funds of the National Treasury, including any outlay from the infrastructure program of the National Government.

Exemption from Taxes, Customs and Tariff Duties

In accordance with Section 16 of RA 9497, the importation of equipment, machineries, spare parts, accessories and other materials including supplies and services used solely and exclusively in the operations of the Authority not obtainable locally shall be exempt from all direct and indirect taxes, wharfage fees and other charges and restrictions, the existence of pertinent laws to the contrary notwithstanding.

Likewise, all obligations entered into by the Authority and any income derived therefrom, including those contracted with private international banking and financial

institutions, shall be exempt from all taxes, both principal and interest. The Authority is also exempt from the payment of capital gains tax, documentary stamp tax, real property estate tax and all other local government imposed taxes and fees.

Principal Office

The Authority shall have its principal office at MIA Road, Pasay City, Metro Manila, Philippines and may hold hearings on any proceedings at such time and places within the Philippines, as it may provide by order in writing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements Presentation:

- 2.1 The Financial Statements have been prepared on a historical cost basis and transactions are recorded on Accrual Method of accounting for its income and expenses in accordance with generally accepted state accounting principles and standards in the Philippines.

Income is accounted for using the Accrual Method except for collection of fees and charges for licenses/permits/certificates and other services imposed under Department Order (DO) Nos. 94-762 s. 1993 where the Cash Basis Method is being used. Also, income are classified and recognized in accordance with the Department of Transportation and Communications - Department Order (DO) Nos. 94-762 s.1993, 98-1190, 99E-002 s. 1999 and 98-1178 s. 1999.

All expenses are recognized when incurred and reported in the financial statements in the period to which they relate.

- 2.2 Cash received from the National Treasury per Notices of Cash Allocation (NCA) were recorded as part of the Subscribed Capital Stock of the National Government.
- 2.3 The CAAP adopts a branch accounting system, which is commonly known as decentralized accounting system. Under this system, a complete set of books of accounts is kept and maintained by each Area Center to reflect the financial condition and activities of the satellite airports under its jurisdiction. The satellite airports are the airports under the Area Center, which do not maintain books of accounts but their transactions are collated and recorded in the Area Center. Reciprocal accounts, such as, Due from Regional Offices (142) and Due to Central Office (421) and Subsidy to Regional Office (872) and Subsidy from Central Office (653) are eliminated in the combined financial reports of the Central Office and the Area Centers.
- 2.4 Allowance for Doubtful Accounts is derived from the computations based on Aging of Accounts Receivable and percentages as follows:

<u>Age of Accounts</u>	<u>Percentage</u>
1 -60 days	1%
61 - 180 days	2%
181 days – 1 year	3%
More than 1 year	5%

- 2.5 Supplies and materials purchased for stock purposes are recorded using the perpetual inventory system. Regular purchases are coursed through the inventory account and issuance thereof are recorded as they take place except those purchased out of the cash advances of the Special Disbursing Officers that are charged directly to the appropriate expense accounts.
- 2.6 Petty Cash Fund (PCF) account is maintained under the impress system. All replenishments are directly charged to the appropriate expense account. The PCF is not used to purchase regular inventory for stock.
- 2.7 For assets under construction, all related expenses incurred during the construction of the project are capitalized and those incurred after the construction are charged against the operating cost.
- 2.8 All Property and Equipment classified as agency assets are carried at cost and are subject to depreciation, except land. These assets are depreciated using the straight line method.
- 2.9 Accounts Payable are recognized and recorded in the books of accounts only upon acceptance of goods/inventory/other assets and rendition of services to the agency.
- 2.10 Accounts were classified to conform to new Chart of Accounts prescribed under the New Government Accounting System, which was implemented effective 18 June 2002 under COA Circular No. 2002-002.
- 2.11 Accounting records of the Authority are maintained in Philippine peso. Income earned and expenses incurred which are denominated in foreign currencies are translated into Philippine peso at the exchange rate prevailing on the transaction dates in accordance with the paragraph 21 of PAS 21. These foreign currency monetary items will also be translated at the balance sheet date using the closing rate in accordance with paragraph 23 of PAS 21. The resulting gains or losses from the exchange differences are recognized in the statement of income and expenses.

3. CASH AND CASH EQUIVALENTS

This consists of:

		2009		2008
Cash-Collecting Officer	P	6,510,595	P	32,908,708
Petty Cash Fund		378,353		447,823
Payroll Fund		333,897		531,080
Cash Nat'l. Treasury, (MDS Fund 102)		-		7,382,144
Cash in Bank-Foreign Currency, SA		316,523,141		666,836,043
Cash in Bank-Local Currency, CA		331,024,853		233,503,064
Cash in Bank-Local Currency, SA		364,585,190		1,027,677,952
Cash in Bank-Local Currency, TD		1,720,891,339		-
Cash in Bank-Foreign Currency TD		932,762,475		-
	P	3,673,009,843	P	1,969,286,814

- a. The account Cash-Collecting Officers represents undeposited collections from receivables, National Committee on Anti-Hijacking (NACAHT) Trust Fund, refund of cash advances and others not considered as income.
- b. Cash-National Treasury, (MDS Fund 102) account represents cash to cover the payment of accounts payable to NEC Philippines, Inc. was re-classified under Cash in bank – Local Currency, Current Account.
- c. Cash in Bank-Foreign Currency Savings is the peso equivalent of the balance of the dollar savings account of US\$7,389,515.62 and US\$10,753,350 as of December 31, 2009 and 2008, respectively.
- d. Cash in Bank-Local Currency, Current Account included fund transfers from the Department of Transportation and Communications (DOTC)-Head Office for the payment of foreign assisted infrastructure projects amounting to P111,130,699, broken down as follows:

Fund		Amount
Fund 101 (Old)	P	12,451,435
Fund 102 (102)		98,679,264
	P	111,130,699

Also included is the amount of P189,258,486 transferred to Area Centers and to their Satellite Airports that are subject to liquidation, details are as follows:

Area 1	P	20,816,681
Area 2		55,345,278
Area 3		10,760,146
Area 4		7,352,828
Area 5		12,893,618
Area 6		8,168,177
Area 7		23,983,411
Area 8		10,389,033
Area 9		11,882,948
Area 10		27,666,366
	P	189,258,486

- e. Cash in Bank-Local Currency, Savings account pertains to the fund transfers from the MDS accounts of the CAAP-Head Office to the following:

ATM Payroll account maintained for the payment of personnel services	P	4,056,875
Trust fund received from the MIAA for payment of honorarium of CAAP technical personnel		201,533
Deposit of collections		360,326,782
	P	364,585,190

- f. Cash in Bank-Local Currency, Time Deposit (LBP) and UCPB consists of:

Bank	Rate	Period		Amount
LBP	4.687%	29 days	P	1,020,891,339
UCPB	3.25%	30 days		700,000,000
			P	1,720,891,339

- g. Cash in Foreign Currency, Time Deposit LBP and UCPB consists of:

Bank	Rate	Period		Amount	Peso Equivalent
LBP	2.25%	180 days	\$	12,000,000	P 569,874,098
	1.0625%	30 days		3,000,000	132,528,377
UCPB	2.50%	30 days		5,000,000	230,360,000
			\$	20,000,000	P 932,762,475

4. RECEIVABLES

This account consists of:

	2009	2008
Accounts Receivable	P 5,272,991,182	P 5,139,114,759
Less: Allowance for Doubtful Accounts	421,605,677	203,414,945
Accounts Receivables-Net	4,851,385,505	4,935,699,814
Due from Regional Offices	3,855	193,433,439
Due from Central Office	10,280,708	157,003,601
Due from National Government Agencies	69,624,017	71,268,311
Due from LGUs	42,470,888	57,159,598
Receivables-Disallowances/Charges	29,337,202	29,589,690
Due from Operating Units	280	13,092,348
Due from National Treasury	4,377,145	10,595,831
Due from GOCCs	262,558	264,168
Due from Officers and Employees	-	85,257
Interest Receivable	1,158,015	-
Other Receivables	1,064,043	34,045
	P 5,210,894,216	P 5,468,226,102

- a. Accounts Receivable pertains to amount due from customers for Operating Services by the Head Office and Area Centers. Details follow:

	2009	2008
Head Office	P 3,571,322,584	P 3,714,204,816
Area 10	569,368,138	491,674,673
Area 5	466,612,618	418,345,007
Area 9	169,086,863	136,395,891
Area 8	142,549,173	127,845,908
Area 7	91,876,560	79,079,719
Area 3	81,040,525	77,372,250
Area 6	65,413,725	17,961,329
Area 4	51,970,327	41,163,687
Area 1	40,837,510	35,071,479
Area 2	22,913,159	-
	P 5,272,991,182	P 5,139,114,759

- b. Due from Regional Offices represents unliquidated fund transfers from CAAP-Head Office to the Area Centers and Satellite Airports.

- c. Due from Central Office pertains to fund transfers from CAAP-Head Office to Area Centers for the payment of various personal services and operating expenses not yet received as of December 31, 2008.
- d. Due from National Government Agencies pertains to fund transfers to the Department of Public Works and Highways (DPWH) and other national government agencies amounting to P71,143,201 and the remaining balance of P125,109 pertains to operational charges to the concerned government agencies for landing and take off of aircrafts owned by Philippine government.
- e. Due from LGUs pertain to fund transfers from the CAAP–Head Office and some Area Centers to the Provincial Government for land acquisition and construction in progress.
- f. Due from Department of Transportation and Communication (DOTC) pertains to fund transfer to CAAP-Head Office then to Area Centers for payment of various personal services and operating expenses not yet received as of December 31, 2008.
- g. Receivables-Disallowances/Charges pertain to audit disallowances/charges of public/private individuals/entities which became final and executory.
- h. Due from National Treasury pertains to collections of Bidders Bond and remuneration fees that were deposited with the National Treasury. These will be requested from DBM for refund.
- i. Due from Operating Units represents fund transfers from Area Center to Satellite airports subject to liquidation.

5. ADVANCES TO OFFICERS AND EMPLOYEES

Advances to Officers and Employees of P50,061,249 pertains to the balances of Cash Disbursing Officers and Due from Officers and Employees which were reclassified to this account to conform to COA Accounting Circular Letter No. 2004-001 dated May 7, 2004.

6. OTHER CURRENT ASSETS

This consists of:

		2009		2008
Guaranty deposits	P	122,572	P	34,077,409
Other assets		52,318		52,318
	P	174,890	P	34,129,727

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accu. Depr.	Net book Value
Land	P 218,527,410 P	-	P 218,527,410
Land Improvement	313,765,760	165,405,537	148,360,224
Runways/Taxiways	705,103,066	468,939,515	236,163,551
	1,237,396,236	634,345,052	603,051,184
Other Structures	1,194,639,507	600,763,655	593,875,852
Building	158,559,334	91,735,915	66,823,419
Electrification, Power & Energy Structures	9,264,756	1,680,187	7,584,569
	1,362,463,597	694,179,757	668,283,840
Firefighting Equipment & Accessories	428,601,742	371,042,459	57,559,283
Communication Equipment	224,842,092	60,559,426	164,282,666
Aircrafts and Aircraft Ground Equipment	180,450,510	162,078,492	18,372,018
Other Machineries and Equipment	13,317,830	5,969,711	7,348,119
Airport Equipment	321,204,410	149,966,467	171,237,943
Motor Vehicles	49,627,466	43,195,347	6,432,119
IT Equipment and Software	39,808,888	27,305,999	12,502,889
Furniture's and Fixtures	15,738,109	2,956,486	12,781,623
Office Equipment	15,120,580	3,774,196	11,346,384
Medical, Dental and Laboratory Equipment	2,657,000	318,840	2,338,160
Sports Equipment	13,000	-	13,000
Machineries	412,603	-	412,603
Other Property, Plant & Equipment	729,300	128,922	600,378
	1,292,523,530	827,296,345	465,227,185
Construction in Progress-Agency Assets	17,622,329	-	17,622,329
Const. in Progress -Other Public Infra	307,650,473	-	307,650,473
	325,272,802	-	325,272,802
	P 4,217,656,165 P	2,155,821,154	P 2,061,835,011

This account includes property that are being used by CAAP-Area Centers. The details of these balances could not be established in the absence of records and supporting documents. Nationwide physical inventory was started to establish the existence of these property and to identify property that are already unserviceable and outdated but the inventory taking has not yet been completed as of year-end. The CAAP Management is exerting extra efforts to finish the inventory taking. There were no provisions for accumulated depreciation for the accounts Land Improvements, Other Machineries and Equipment, Furniture and Fixtures, and Airport Equipment due to lack of detailed information, such as, breakdown of the accounts, dates of acquisition/completion of these property, etc. Upon identification and completion of the required documents, some of the assets will be transferred to and be recorded in the books of the Area Centers.

PPE's which cannot be identified and properly supported with valid documents amounting to P 4,572,435,130 are reclassified to Other Assets.

- a. The significant balance/purchases of Communication Equipment pertains to the supply and installation of Manila Aeronautical Fixed Telecommunication Network (AFTN). The balance/acquisition of the other accounts pertains to the Rehabilitation of Airfield Lighting System at Kalibo Airport, Kalibo Aklan, transferred assets from DOTC.
- b. Aircrafts and Aircraft Ground Equipment of P18,372,018 pertains to the net book amount of the 1991 Beechcraft transferred from DOTC. These assets are fully depreciated while the balance of Medical, Dental and Laboratory Equipment of P2,657,000 pertains to the cost of mobile x-ray to be used by medical unit.

8. DEFFERED ASSETS

This consists of:

	2009	2008
Deferred Charges	P 302,773	P 139,327,451
Advances to Contractors	4,605,239	23,719,973
Deposits on Letter of Credit	18,332,140	18,332,140
Prepaid Insurance	502,078	1,951,947
Other Prepaid Expenses	56,718,407	47,500,909
	P 80,460,637	P 230,832,420

- a. Deferred Charges pertains to the payment to the International Civil Aviation Organization (ICAO) for the Trust Fund Project (PH/95/01) to provide assistance to CAAP in implementing an extensive training program in the field of flight safety. The project is a five-year Trust Fund Agreement with ICAO. The corresponding expense accounts will be taken up upon submission of the ICAO of the details of disbursements.
- b. Advances to Contractors pertains to advances for mobilization funds of contractors.
- c. Deposits on Letters of Credit pertains to Letters of Credit opened to import various spare parts, equipment, and etc.
- d. Other Prepaid Expenses consists of unused office supplies, accountable forms, fuel, oil, lubricants, drugs and medicines.

9. OTHER ASSETS

The account consists of:

	2009	2008
		P
Land Improvements	P 1,140,535,859	1,140,535,859
Land	1,081,908,431	1,119,585,100
Buildings	920,451,399	920,451,399
Construction in Progress-Agency Assets	303,051,227	303,501,227
Office Equipment	266,406,325	266,406,325
Due from Regional Offices	159,306,751	159,306,751
Communication Equipment	136,106,503	136,106,503
Due from National Government Agencies	109,619,420	109,619,420
Airport Equipment	99,385,690	99,385,690
Const. in Progress-Other Public Infra	98,711,725	98,711,725
Due from National Treasury	54,623,403	54,623,403
Other Current Assets	44,747,098	44,747,098
Advances to Officers and Employees	37,607,281	37,607,281
Cash in Bank-Local Currency, CA	35,515,494	35,515,494
IT Equipment & Software	19,662,589	19,662,589
Furniture & Fixtures	10,678,979	10,678,979
Deposits on Letters of Credit	9,741,461	9,741,461
Runways/Taxiways	4,027,000	4,027,000
Other assets-Unserviceable	2,671,828	2,671,828
Other assets-Area Centers	424,486,383	453,212,920
	P 4,959,244,846	P 5,026,083,224

This account pertains to dormant, undocumented, non-moving and unidentified assets previously reclassified from the PPE to this account pending verification and final disposition. Details follow:

	2009	2008
Head Office	P 4,483,185,745	P 4,572,885,130
Area 1	313,011,066	313,011,066
Area 5	88,221,573	516,200
Area 8	52,935,391	52,925,769
Area 7	19,419,790	19,419,790
Area 4	1,443,467	1,683,836
Area 9	1,027,814	6,450,841
Area 2 & 3	-	59,190,592
	P 4,959,244,846	P 5,026,083,224

10. ACCOUNTS PAYABLE

The account refers to unpaid obligations as of year end, details follow:

	2009		2008	
Head Office	P	122,081,106	P	124,270,307
Area 10		11,628,516		2,213,474
Area 5		10,437,818		9,674,325
Area 4		1,524,092		1,710,476
Area 9		999,500		3,289,782
Area 8		900,155		2,021,281
Area 1		784,332		3,199,958
Area 6		546,719		1,186,109
Area 7		238,669		107,701
Area 2 & 3		71,196		1,881,643
	P	149,212,103	P	149,555,056

Only Head Office Accounts Payable has available aging schedule as follows:

Age of Accounts	General Fund		Infra 101	
	Percentage	Amount	Percentage	Amount
less than 90 days	86%	₱66,878,041	13%	₱ 5,994,770
91-355 days	13%	9,769,357	87%	38,562,408
Over 1 year	1%	852,563	-	-
over 2 years	0%	18,000	-	-
TOTAL	100%	P77,517,961	100%	P44,557,178

11. DUE TO OFFICERS AND EMPLOYERS

This account includes the provision for the terminal leave benefits of employees.

12. DUE TO OTHER GOVERNMENT AGENCIES

This account consists of:

	2009		2008	
Due to National Treasury	P	1,104,773,570	P	5,170,491,662
Due to Other Government Agencies		35,920,107		38,885,459
Due to National Government Agencies		8,124,554		7,850,513
	P	1,148,818,231	P	5,217,227,634

- a. The balance of Due to National Treasury pertains to income as of June 30, 2008, the cut-off date of the transfer from ATO to CAAP which should have been credited to Government Equity as agreed by the DBM and CAAP as part of the subscription of the National Government to the Authority and pursuant to Section 15 of the Implementing Rules and Regulations (IRR) of RA 9497.
- b. Due to Other National Government Agencies includes the funds received from the Department of Tourism amounting to P5 Million for the Asphalt Paving of the runway shoulder at the Kalibo Airport while the rest pertains to the funds received from the DOTC for the salaries of employees assigned at the Cotabato Airport under the Autonomous Region of Muslim Mindanao (ARMM).
- c. Due to other government agencies consists of the following:

		2009		2008
Due to BIR	P	14,799,528	P	20,925,176
Due to GSIS		18,255,894		14,925,190
Due to PAG-IBIG		1,533,541		1,339,883
Due to PHILHEALTH		1,302,802		488,836
Due to LGUs		27,414		25,739
Due to GOCCs		927		1,180,635
	P	35,920,107	P	38,885,459

13. DUE TO CENTRAL OFFICE

The account consists of:

		2009		2008
Due to Central Office – DOTC	P	51,399,606	P	51,399,606
Due to Central Office - CAAP		(71,834,363)		76,118,322
	P	(20,434,757)	P	127,517,928

- a. Due to Central Office-DOTC pertains to unliquidated fund transfers from the DOTC for implementation of various projects by the ATO, now CAAP. This will be reclassified to Due to Other National Government Agencies in the CY 2010 considering that the financial statements of the CAAP are no longer combined with the DOTC financial statements.

14. DUE TO REGIONAL OFFICES

This account represents outstanding obligations of the CAAP-Head Office to the Area Centers.

15. TRUST LIABILITIES

The account consists of:

		2009		2008
Performance/bidders/bail bonds	P	13,533,737	P	12,644,206
Guaranty deposits payable		25,736,424		852,556
	P	39,270,161	P	13,496,762

16. DEFERRED CREDITS

The account pertains to unidentified collections of accounts receivables from foreign clients. Foreign clients made payments directly to the Authority's depository bank, however, the credit memos submitted by the bank did not specify the name/identity these foreign clients, hence, said collections were temporarily credited to this account pending the identification of the concerned client. Once the foreign client is identified, a debited to this account and a credit to accounts receivable account will be made.

17. OTHER LIABILITIES

The account represents trust liabilities pertaining to deductions authorized by concerned CAAP officials and employees for payment of salary loans, insurance premiums, etc. of employees for remittance to various non-governmental agencies, such as, AMWSLAI, LBP, Manila Bankers, PHILAM, etc.

18. GOVERNMENT EQUITY

This pertains to the amount invested by the National Government in the form of net assets transferred by ATO and fund transferred/appropriated for the capitalization of CAAP. The twenty five percent (25%) of the total authorized capital stock of P50 Billion should be subscribed and at least twenty five percent (25%) of which shall be paid.

a. Prior Period adjustments to Paid-in-Capital:

		2009		2008
Collections and remittance of Area Centers to CAAP for June 30, 2008 and below	P	666,159	P	243,672
Remittance to National Treasury		(478,311)		-
Prior years' expenses (June 30, 2008 and below)		(18,911,667)		(57,857,232)

	2009	2008
Fund Transfers for prior years obligation	1,653,815	-
Liquidation of prior years cash advances	1,298,992	-
Reclassification of Subsidy from HO	161,423	551,465,358
Adjustment to inventory accounts	500	32,558
Refund of unutilized fund transfer from HO	(119,372,783)	10,589,263
Adjustment of allotment July to Dec. 2008	(22,680,474)	-
Liquidation and refund of PY cash advance	(7,354,470)	(752,953)
Reclassification of Prior Year's Net Loss	(612,000)	-
Refund of Cash Advance	(38,266)	-
Retained Operating Surplus reclassification	(33,617)	(39,471,111)
Uncollected billings reconsidered as liability	-	(490,972,900)
Refund from satellite airports	-	(54,993)
	P (250,041,986)	P (26,778,338)

b. Prior Period adjustments to Retained Earnings:

	2009
Prior years' interest income	P 1,951,529
Accrual of prior years' expense through setting up of payables	767,005
Settlement of CSB	16,140
Adjustment to ATM payroll for closed account	10,892
Liquidation of ICAO funds paid by CAAP	(124,921,461)
Prior years' disbursements	(109,433,465)
Prior years' collections and remittance of Area Centers	(17,945,324)
Prior years' liquidation and refund of travel, SDO and Petty Cash	(7,510,546)
Payment of flight inspection services	(3,672,538)
Reclassification of Retained Operating Surplus	(795,761)
Adjustment on Tax withheld on Prior Years Payable	(164,485)
Subscription renewal of Avantext Software, Nov. 2008	(26,934)
	P (261,724,948)

19. INCOME

This account consists of:

	2009	2008
Business income	P 2,720,752,875	P 1,275,270,861
Service income	962,766,152	374,173,011
Rent income	83,202,932	28,882,219
Fines and penalties	825,567	379,399
	P 3,767,547,526	P 1,678,705,490

- a. Business Income pertains to operational charges, telecommunications charges, and other fees and charges for the use of aeronautical and air navigation facilities.
- b. Services income pertains to fees and charges for licenses, permits, certificates, landing and take-off/ terminal and other service.
- c. Rent income pertains to rental of land and floor areas within the vicinity of CAAP.
- d. Fines and penalties pertain to the charges for delinquent account due at the interest rate of 1% compounded monthly from receipt of a demand letter.

20. PERSONAL SERVICES

The account consists of the following:

		2009		2008
Salaries and Wages - Regular Pay	P	490,818,220	P	270,830,019
Terminal Leave Benefits		214,688,139		8,693,859
Salaries and Wages – Casual		73,960,764		43,171,077
Life and Retirement Insurance Cont.		62,317,836		36,021,060
Overtime and Night Pay		57,598,050		16,373,007
Year End Bonus		52,556,542		33,285,519
Additional Compensation (ADCOM)		49,766,963		29,699,079
Other Bonuses and Allowances		47,141,229		27,523,772
Salaries and Wages – Contractual		25,432,258		3,399,315
Cash Gift		19,952,651		5,124,470
Personnel Economic Relief Allowance		19,093,865		11,535,617
Clothing / Uniform Allowance		12,069,553		4,301,050
Productivity Incentive Allowance		8,451,707		2,554,666
PAG-IBIG Contributions		3,629,022		2,139,938
ECC Contributions		3,256,199		3,545,747
PHILHEALTH Contributions		3,308,860		2,429,735
Representation Allowance (RA)		620,494		340,458
Transportation Allowance (TA)		510,206		263,750
Honoraria		413,049		1,250
Subsistence, Laundry and Quarter Allow.		164,250		74,200
Longevity Pay		120,189		94,638
Health Workers Benefits		23,850		11,400
Salaries and Wages – Emergency		20,000		-
Other Personnel Benefits		118,818,556		200,977,682
	P	1,264,732,452	P	702,391,308

21. MAINTENANCE AND OTHER OPERATING EXPENSES

The account consists of the following:

		2009		2008
Subsidy to Regional Offices	P	-	P	138,265,500
Doubtful accounts expense		215,584,895		1,575,973
Electricity Expenses		155,514,831		80,081,318
Repairs & Maintenance		142,239,262		71,425,490
Depreciation expense		125,977,028		60,361,230
Training Expenses		117,157,599		23,130,117
Security Services		79,583,521		50,217,721
General Services		45,534,637		19,907,469
Internet Expenses		35,811,819		3,662,527
Gasoline, Oil and Lubricants Exp.		31,846,279		15,880,415
Janitorial Services		29,534,036		16,914,928
Other Professional Services		24,085,473		44,716,366
Traveling Expenses		23,105,381		22,444,836
Consultancy Services		21,158,533		5,220,200
Other Supplies Expenses		19,485,375		7,319,215
Office Supplies Expenses		17,926,526		8,069,525
Rent Expenses		15,566,486		11,489,701
Telephone Expenses		11,839,740		6,788,316
Water Expenses		11,061,928		7,143,883
Representation Expenses		6,283,106		1,530,388
Insurance Expense		2,953,477		1,931,016
Postage and Deliveries		2,479,395		1,284,855
Transportation & Delivery Expenses		2,018,821		450,325
Cable, Satellite, Tel., and Radio		1,926,595		2,459,488
Accountable Forms Expenses		1,495,547		404,936
Survey Expenses		1,250,100		122,536
Legal Services		1,204,950		2,279
Printing and Binding Expenses		1,033,625		287,874
Fidelity Bond Premiums		690,768		306,063
Auditing Services		546,635		296,369
Advertising Expenses		483,975		1,781,660
Subscription Expenses		467,054		4,435,138
Drugs & Medicines Expenses		447,577		239,484
Taxes, Duties and Licenses		333,559		316,472
Extraordinary Expenses		234,854		792,698
Food Expenses		223,992		82,833
Medical, Dental and Lab. Supplies		164,019		876,188
Donations		127,500		-
Membership Dues & Cont. to Org.		3,400		1,000
Textbooks and Instructional Materials		300		-
Fuel, Oil and Lubricants Expenses		-		1,269,755
Zoological/animal maint. Expenses		-		118,193
Miscellaneous Expenses		1,282,568		633,336
Other MOE		4,907,052		4,914,481
	P	1,153,572,218	P	619,152,097

22. FINANCIAL EXPENSES

The account consists of the following:

		2009		2008
Other Financial Charges	P	2,813,028	P	-
Bank charges		9,529		56,019
Interest expenses		642		999
Documentary stamps expense		-		1,552
	P	2,823,199	P	58,570

23. GAIN/LOSS ON FOREIGN EXCHANGE

This account pertains to amount of gain/loss in the conversion of foreign currencies.

24. INTEREST INCOME

This account pertains to interest earned on savings and current account for both peso and dollar deposits.

25. MISCELLANEOUS INCOME

This account pertains to income not falling under any of the specific income account as enumerated in Note 19.

26. SUBSIDIES

This account refers to NCA received and fund transfers of Head Office to Area Center for Personal Services and Maintenance and Other Operating Expenses.

27. NOTICE OF CASH ALLOCATION

This account pertains to cash allocations received for the Area Centers and Satellites but were not used and were automatically reverted back to the National Treasury at the end of the year. In view of the fiscal autonomy of CAAP (Note 1), this account will no longer be used for succeeding financial statements.

28. AUTHORITY FOR ISSUANCE

The financial statements have been approved for issue by the CAAP Board of Directors on September 17, 2010.