

CIVIL AVIATION AUTHORITY OF THE PHILIPPINES

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Agency Profile

The Civil Aviation Authority of the Philippines (CAAP) was created by virtue of Republic Act (RA) No. 9497, otherwise known as the Civil Aviation Authority Act of 2008, which was enacted on March 4, 2008. Under its Transitory Provisions (Section 85, Chapter XII), Air Transportation Office (ATO), created under RA 776, also known as the “Civil Aeronautics Act of the Philippines”, was abolished and all its powers, duties and rights vested by law and exercised by the said agency was transferred to CAAP. Likewise, all assets, real and personal property, funds and revenues owned by or vested in the different offices of ATO, including all contracts, records and documents relating to the operations of the abolished agency and its offices and branches, were similarly transferred to CAAP. 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 CAAP.

The mandate of CAAP is in line with the policy of the State to provide safe and efficient air transportation for the country as enunciated in Chapter I, Section 2 (Declaration of Policy) of RA 9497, to wit “*It is hereby declared the policy of the State 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 system, the promotion, development and regulation of the technical, operational, safety and aviation security functions under the civil aviation authority*”.

Chapter II, Section 4 (Organization of Authority) of its enabling law created 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.

CAAP is the administrator of the Flight Information Region (FIR) and the authority managing the aviation sector of the Philippines.

Corporate Objectives

The objectives of the Authority are as follows:

- a. Development and utilization of the air potential of the Philippines;
- b. Encouragement and development of an air transportation system properly adapted to the present and future of foreign and domestic commerce of the Philippines;
- c. 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. Assurance of the safety, quality, reliability, and affordability of air transport services for the riding public; and
- e. 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 eight members, as follows:

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

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 tenure of office of four years, which may be extended for another non-extendible term of four years and shall only be removed for cause in accordance with the rules and regulations prescribed by the Civil Service Commission (CSC).

The DG has two Deputy Director Generals (DDG). Prior to 2011, the two positions already existed to oversee the administrative and operational aspects of the Authority. In order for CAAP to realize its full corporate powers and pursue the objectives of RA 9497, specifically Section 15 (please refer to the next page, under '*Fiscal Autonomy*'), the need to create the position of the Chief Financial Officer (CFO) became apparent. The Board of Directors, through Board Resolution No. 2011-006, Series of 2011 approved the creation of the CFO, who shall assume a co-terminus appointment with the appointing authority and the corresponding qualification standards and salary shall be at par/equivalent with that of the DDG.

A Table of Organization (TO), which was developed in consultation with CSC and the Department of Budget and Management (DBM) in 2009, is presently in effect in CAAP. An Organizational Restructuring Program (ORP) was initiated in 2012 with a targeted implementation in 2013.

The ORP is currently undergoing further rationalization and alignment to CAAP's Sustainability Programs as a result of its regained stature as a credible civil aviation authority in the international civil aviation community. With the regaining of its Category 1 aviation safety status from the US Federal Aviation Administration (FAA) on April 10, 2014, CAAP has freed Philippine civil aviation from all restrictions that had hampered its growth and development since 2008, including the removal of the International Civil Aviation Organization (ICAO) Significant Safety Concerns (SSCs) in March 2013 and the delisting of the Philippine civil aviation from the European

Union (EU) Aviation Safety List in July 2013. The ORP was submitted on January 6, 2016 to the Governance Commission for GOCCs (GCG) for approval. It was returned on March 11, 2016 by GCG, without action, enjoining CAAP to align its submission according to the prescribed process and forms under GCG Memorandum Circular No. 2015-04, Reorganization, Rationalization and Personnel Planning in the GOCC Sector.

To further streamline the operations of the 81 airports under its management, CAAP implemented new Airport Clustering Scheme in 2013 and created 12 Area Centers from its previous 10, to wit:

Area Center	Location	No. of Satellite Airports
Area 1	Laoag	4
Area 2	Tuguegarao	5
Area 3	Plaridel	2
Area 4	Puerto Princesa	12
Area 5	Legaspi	6
Area 6	Iloilo	5
Area 7	Mactan	5
Area 8	Tacloban	9
Area 9	Zamboanga	8
Area 10	Laguindingan	5
Area 11	Davao	4
Area 12	Butuan	4

Exemption from Taxes, Customs and Tariff Duties

Under 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 there from, 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 tax and all other local government imposed taxes and fees.

Principal Office

The Authority's principal office is at MIA Road, Pasay City, Metro Manila, Philippines.

Other Significant Information

Sustaining Stature

Dedication and persistence were the hallmarks of achievement that enabled CAAP to regain its stature as a credible Civil Aviation Authority (CAA) in the international civil aviation community. Amid the challenges that tested its resiliency and capacity as the regulator of civil aviation of the country, it demonstrated its tenacity by removing constrictive sanctions that hobbled the growth and development of Philippine civil aviation. The perceptible vibrancy experienced by the civil aviation sector as a result is palpable in the robust increase of its key indicators that herald positive outcomes.

Fairness, Integrity, Accountability and Transparency (FIAT) are the corporate values that define its interaction with both domestic and global stakeholders in discharging its mandate as the regulator of Philippine civil aviation “to provide safe and efficient air transport and regulatory services in the Philippines” (Chapter 1, Section 2. Declaration of Policy) as stipulated in its enabling law (RA 9497) for the welfare and benefit of air travelers. These values are instilled across the organization through institutional strengthening exemplified by the reforms undertaken to ensure the responsiveness of CAAP to the needs of its constituencies.

Compliance to international aviation safety standards embodies its fidelity to its Vision of being a pre-eminent CAA in the world and a global brand of excellence in civil aviation and its commitment to its Mission of ensuring a safe, secure and green Philippine sky. It is also one of the vital foundations of CAAP’s Twin Pillars of Regulatory Framework.

Upholding the standing of the Philippines as a sovereign state in the community of nations is affirmed as a fundamental tenet of CAAP by adhering to its Principles of “Sovereignty indivisible with National Security” and “Reciprocity indivisible with Parity”. It is also the confirmation of its role as administrator and guardian of the airspace of the country, or the Philippine Flight Information Region (FIR).

Espousing its unwavering belief in the innate talents of the Filipino, CAAP is broadening its reach to attract young and fresh recruits to join the aviation sector. Its emphasis on evolving the next generation of Aviation Professionals who are products of globally-accredited training courses with skills and competence that are internationally recognized underlie its aspiration that “Yes, The Filipino Can”. With the tremendous linkages that can be created by these opportunities for the country and the Filipino people, CAAP’s Dream that “The Future is in the Sky” shall have been given full meaning.

To ensure that it remains on track in attaining its goals, CAAP has formulated a Strategic Roadmap to marshal the collective efforts of the organization through the accomplishment of the Programs for Sustainability of its Operating Units. Invigorated by the reforms designated to create synergy, CAAP is poised to sustain its momentum towards greater heights of excellence and achievement.

Strategy

After regaining its stature from various safety concerns in 2013, CAAP faced the most challenging stage of development, “Sustainability”. The results of the series of meetings held by the Director General with the CAAP Management Team, which by his intent and guidance, has defined the CAAP Thrusts for 2015 consistent with the objectives of CAAP Flight Plan 2020.

In 2015, CAAP continuously implemented its “Flight Plan 2020”, its medium-term strategic plan that delineates its programs for sustainability until the year 2020. The key initiatives of the plan includes: a) strengthening of RA 9497, b) enhancing regulatory compliance, c) focusing on education and training, d) broadening the scope of MIS, e) engaging its stakeholders, f) re-orienting aerodromes, g) capitalizing the ASEAN Single Aviation Market, h) building international cooperation, i) synergizing civil military aviation and j) accounting of CAAP assets. These initiatives were taken into account in setting the performance metrics of CAAP in formulating its Performance Agreement Negotiation (PAN) with the Governance Commission for GOCCs (GCG), as basis for availing of bonuses of its Performance Based Bonus (PBB) and other financial incentives given by the government.

A. Strengthening RA 9497

CAAP is proposing amendments to its enabling law to enhance its capability and flexibility to discharge its regulatory mandate based on its twin pillars of aviation safety and good corporate governance. It also aims to capitalize on its fiscal autonomy to enable it to be responsive to the needs of its stakeholders and of the Philippine civil aviation as a whole. It also aims to enhance its legislative and judicial powers as mandated by law. It further pursues its institutional strengthening initiatives particularly the restructuring of its organization to make it attuned to the needs of its constituents in the civil aviation sector.

In 2015, CAAP submitted to Legislature (House of Representatives) the proposed enhanced authority of the DG, broader corporate powers of the Authority, expanded powers of the CAAP Board of Directors and the draft of the proposed house bill for the Aeronautics Act of the Philippines and the National Screening Bureau (NATSB).

B. Enhancing regulatory compliance

The strategic geographical location of the Philippines at the crossroads of the major sea lanes in Southeast Asia makes it an ideal hub of trade, commerce and tourism as well as a key transit point of migration. Its archipelagic topography has the unique value as a corridor of transportation and communication in promoting peace and tranquility as well as a platform of protection and defense in times of distress and conflict in the region. These circumstances definitively uphold the primacy of air travel as the most prolific mode of transport connectivity of the country.

The exigency of regulatory oversight on aviation has been apparent from its infantile years in the Philippines. Since the first office to regulate commercial and private aviation in the Philippines was created on November 20, 1931, the role of regulating civil aviation has evolved through grueling stages of change from the stresses of birth to the anxieties of maturity and to the challenges of sustainability. The

irreversible surge of technology from the post-World War 2 period to the 21st century accentuates an indisputable relevance of its role as a catalyst of economic growth and national development of the country.

The remarkable rise in the volume of both passenger and cargo traffic and the increased density of flights in recent years buoyed by the inexorable developments in technology has revolutionized the role of aviation affirming the primacy of air connectivity. The consequent burgeoning in the number of airline companies particularly with the emergence of Low Cost Carriers (LCCs) has placed a stress on all aspects of aviation such as air traffic and navigation services as well as aerodromes. The demand for aviation professionals across the spectrum from pilots to ground crews has strained the supply of manpower to the limit. With this development comes the imperative of compliance to high aviation safety standards, one of the pillars of the regulatory framework, which CAAP exemplifies by its adherence to the Annexes and Standards and Recommended Practices (SARPs) of the International Civil Aviation Organization (ICAO), the sole regulator of global civil aviation.

The Corporate Values enunciated by CAAP which are Fairness, Integrity, Accountability and Transparency (FIAT) embody the essence of the other pillar which is defined by Good Corporate Governance. CAAP seeks the inclusiveness of its stakeholders to practice these tenets to effect a mutually engaging and beneficial outcome. It is equally unwavering in its intent and commitment to apply the same metrics on the performance of its personnel to ensure a rewarding and productive convergence of regulation and enforcement. Guided by its enabling law, RA 9497, CAAP remains steadfast in discharging its covenant with the Filipino people as the regulator of Philippine Civil Aviation.

CAAP remained committed to strictly comply with international civil aviation safety standards promulgated by the ICAO as well as other global aviation bodies to sustain the renewed trust and confidence bestowed upon it by the international civil aviation community. Equally, it is stringent in its enforcement of the provisions and circulars of the Philippine Civil Aviation Regulations (PCAR) consistent with the purpose of its twin pillars of regulatory management – aviation safety and good corporate governance. It is also pro-actively involved in updating the PCAR to address the dynamism of civil aviation such as the regulation of the use of the remotely-controlled aircraft system (RPAS) or “drones”.

C. Focusing on education and training

CAAP has bolstered its implementation of the Memorandum of Understanding (MOU) with the Direction Generale de l'Aviation Civile (DGAC) France, which was signed on March 2, 2011 and will be valid until 2019, with the engagement of the French National Aviation University École Nationale de l'Aviation Civile (ENAC) through the offering of an Advanced Master in Aviation Safety Management starting in September 2016 at the Civil Aviation Training Center (CATC). CAAP has renewed its membership with the ICAO Trainair Plus and is exploring further technical cooperation agreements with the EU and the US Federal Aviation Administration (FAA) and the US Agency for International Development (USAID). Moreover, it successfully launched the Civil Aviation Officer Candidate Scholarship Program (CAOCSP) in line with its intent to generate a “new generation of aviation

professionals”. The first batch started last December 1, 2015 and it had 60 members with the intakes for the next two batches set for 2016.

CAAP also launched “OPLAN Protect Renaissance”, a program that aims to provide the infrastructure to rejuvenate its premises, both in the Central Office and in the Area Centers to make them conducive as a working environment. One of the completed component project was the refurbishing of the CATC. It was inaugurated in March 2015 featuring a new façade, multi-media classrooms, spacious administrative offices and a state-of-the-art Auditorium, which was named after Jesus V. Singson, the former Director of the Bureau of Air Transportation (BAT).

D. Broadening the scope of MIS

This key thrust of CAAP Flight Plan 2020 seeks to rationalize the purpose and use of its information management function for both technical and management decision-making purposes. It is being developed to be a platform for data sourcing and storage in various applications to support the regulatory management framework of CAAP and its engagement of its stakeholders through the use of social media. Information dissemination through the CAAP website is a focal activity in this effort.

E. Engaging the stakeholders

Through a sustained program to engage its stakeholders, CAAP hosted an Approved Maintenance Organizations (MRO) Forum in January 2015 and an Aerospace Industries Forum in April 2015. CAAP was invited and participated in the Aviation Schools Forum in March 2015 organized by the Aviation Schools Association of the Philippines (ASAP).

Enhancing its stature as a credible Civil Aviation Authority (CAA) among its local stakeholders, CAAP hosted the first Philippine Aviation Summit on September 24-25, 2015 gathering the broadest participation of stakeholders in Philippine aviation both civilian and military. It served as the occasion to present the CAAP Flight Plan 2020 to all stakeholders in the spirit of inclusivity.

F. Re-orienting aerodromes

Pursuant to the Philippines Transport Strategic Study and Civil Aviation Master Plan in 1992, the need to revise the airport classification was determined in the “Study on the Strategy for the Improvement of National Airports in the Philippines” by the Japan International Cooperation Agency (JICA). The following reclassification of national airports is hereby adopted:

International Airports	:	Airports with border control facility used for international flights
Principal Airports	:	Airports used for domestic scheduled flights (or domestic airports served by carriers certified under AO No. 121)
Principal Class I	:	Airports used for Jet services (Jet aircraft including B737, A320, DC9 or greater, which has equal to or more than 100-seat capacity)

Principal Class II	:	Airports used for the Prop services (Prop aircraft or jet aircraft smaller than those indicated in Class I which has equal to or more than 19-seat capacity)
Community Airport	:	Airports used for General Aviation aircraft

An effort to infuse “green technology” in CAAP, particularly in its eighty-one (81) managed airports, is exemplified by the use of cost-efficient LED lights and the potential use of solar panels and water recycling systems. The development of airport premises for agricultural use to promote greenery to absorb carbon dioxide for cleaner air may also be undertaken.

G. Capitalizing ASAM

With the onset of the integration of the ASEAN Economic Community (AEC) in 2015, the imperatives of rationalization and harmonization are paramount in the agenda of ensuring its smooth and effective implementation among Member States (MSs) of ASEAN. Crucial to the success of this transformative development is the coordination and cooperation of the MSs to work as a collective body within the ambit of their respective national interests. Among the key sectors that will play a vital role in this remarkable phenomenon is transportation, particularly, air travel. The uptrend in passenger traffic and cargo volume, evidenced by thick flight densities across all air routes in the Southeast Asian region, underlie the tremendous potential for growth and expansion of the civil aviation sector among the ASEAN MSs.

Cognizant of this prospect, the European Union (EU) funded and launched the ASEAN Air Transport Integration Project (AATIP), which started in December 2012 and will end in December 2016. With EU as the template for evolving the ASEAN Single Aviation Market (ASAM), the project aims to “facilitate the development of the institutional frameworks to strengthen institutional capacities within ASEAN with a view to support the achievement of a safe, secure, and sustainable ASAM based on high regulatory standards” consistent with the Annexes and Standards and Recommended Practices (SARPs) promulgated by the International Civil Aviation Organization (ICAO), the sole regulator of global civil aviation.

In terms of market liberalization, it subscribes to the full 5th Freedom of the Air Right. In aviation safety, it supports the alignment of regulatory capability and common safety standards; the mutual recognition of certificates, approvals and licenses; and regulatory convergence and harmonization process. In air traffic management, it contributes in harmonization of airspace procedures; cross-border, air traffic flow management-enabling technologies/Communications, Navigation and Surveillance (CNS) systems and regional Air Traffic Management (ATM) initiatives; integration of aerodromes in the ATM network; and the establishment of the ASEAN Network Collaborative Framework. The sustained interaction and engagement of stakeholders in the civil aviation sector is the objective of the project’s communication and awareness-raising theme.

With the operational and cost efficiencies that ASAM is expected to create, CAAP is optimistic that this development can provide value to the viability of its stakeholders, as well as sustainability to its regulatory management. Beyond the synergies in technology and procedures, CAAP aims to use ASAM as the platform to launch many successful careers in aviation by evolving its Next Generation of Aviation

Professionals (NGAP), through global and regional education and training cooperation, as its ultimate contribution to international civil aviation.

H. Building International Cooperation

In line with its efforts to build international partnerships through technical cooperation and assistance, CAAP sustained its active involvement in the ASEAN Air Transport Integration Project (AATIP), an EU-funded project which started in 2013 that seeks to promote the ASEAN Single Aviation Market (ASAM) using the experiences from the EU model, used four themes as platforms for convergence, namely aviation safety, air traffic management, economic and market laws, and communication. The AATIP, which is scheduled to end on May 2016, has created structures to start the institutionalization of the ASAM such as the Mutual Recognition Agreements (MRAs), ASEAN Foreign Operators Service Agreement and the ASEAN Aviation Regulatory Management System (AARMS) for aviation safety; the seamless Air Traffic Management for ATM, the holding of National ASAM Conventions by ASEAN Member States (AMSs) for communication and the subscription of all AMSs to the full 5th Freedom of the Air Right (capital city to capital city open sky). The Philippines subscribed to full open sky in December 2015.

CAAP also hosted the 52nd Directors General Civil Aviation (DGCA) Asia and Pacific regions on October 26-30, 2015 convening the participation of thirty-three out of the thirty-nine Member States. Its theme – “Evolving the New Generation of Aviation Professionals towards a Safe, Secure and Green Asia Pacific Skies” exemplifies CAAP’s thrust to build a steady stream of fresh, young and competent recruits to meet the burgeoning demand of aviation professional moving forward.

I. Synergizing civil-military aviation

This key thrust of CAAP Flight Plan 2020 emphasizes the need for the sharing of resources and facilities primarily in managing and defending the Philippine Flight Information Region (FIR) for civil and military aviation purposes and for national security concerns as well. It seeks to provide an avenue for coordination and cooperation between CAAP and the Armed Forces of the Philippines (AFP), the Philippine Air Force (PAF) in general, in the full aspect of aviation. It also affords a huge multiplier effect if CAAP becomes an Affiliated Unit of the AFP with the latter providing adequate military training and orientation to CAAP personnel to enhance their readiness to respond to emergencies in its managed-airports and humanitarian assistance and disaster response (HADR).

While aiming to sustain its role as an economic driver of national development, CAAP remains focused on its vital role as administrator and protector of the country’s Flight Information Region (FIR) or Philippine airspace. It is with this intent that it has initiated the joint use of airspace with the military synergizing their operations with civil aviation in the defense of the national sovereignty of the country. With the maritime conflict in the West Philippine Sea which may progressively include aviation issues, CAAP has installed an ADS-B in the Kalayaan Island to better monitor air traffic in that area.

Key Accomplishment

Under the inspired and focused leadership of LGEN WILLIAM K HOTCHKISS III, AFP (RET), CAAP Director General who assumed office of June 21, 2012, CAAP, with fiscal prudence and diligent housekeeping, had successfully regained its stature and reputation as a respected CAA in the world with Philippine Civil Aviation at par with international civil aviation standards and world class excellence. CAAP Management and personnel continuously profess fidelity and adherence to its vision, mission, corporate values, principles of “sovereignty indivisible with national security” and “reciprocity indivisible with parity”, belief in “The Filipino Can” spirit and its dream of “The Future is in the Skies”.

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 income and expenses in accordance with state accounting principles generally accepted 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 DOTC Department Order (DO) No. 94-762, s. 1993 where the cash basis method is being used. Also, income are classified and recognized in accordance with the DOTC - 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 Allowance for doubtful accounts is derived from computations based on percentage and aging of accounts receivable, 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%

2.3 Supplies and materials purchased for stock purposes are recorded using the weighted average perpetual inventory system, also called as the moving average inventory method. 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.

- 2.4 Petty cash fund account is maintained under the imprest fund system. Replenishments/liquidations are then charged to the appropriate expense account.
- 2.5 For assets under construction, all related expenses incurred during the construction of the project are capitalized and charged to Construction in Progress (CIP) account. Upon completion of the construction, the balance of CIP account is transferred to appropriate asset accounts. Those incurred after the construction are accounted for as operating costs.
- 2.6 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 with 10 per cent residual value.
- 2.7 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 Authority.
- 2.8 Accounts were classified to conform to the new Chart of Accounts prescribed under the New Government Accounting System, which was implemented effective September 20, 2004 under COA Circular No. 2004-008.
- 2.9 The financial statements are presented in Philippine peso, the Authority's functional currency. 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 paragraph 21 of PAS 21. These foreign currency monetary items will also be translated at the reporting date using the closing rate in accordance with paragraph 23 of PAS 21. The resulting gains or losses from exchange differences are recognized in profit or loss.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2015	2014
Cash in Bank-Local Currency, Time Deposit	5,310,577,875	4,242,218,583
Cash in Bank-Local Currency, Current Account	1,599,307,091	1,589,346,308
Cash in Bank-Local Currency, Savings Account	659,065,799	438,496,412
Cash in Bank-Foreign Currency Time Deposit	638,677,134	596,604,599
Cash in Bank-Foreign Currency, Savings Account	271,978,725	171,127,956
Cash-Collecting Officers	19,222,822	21,466,299
Cash-Disbursing Officers	305,141	51,718
Petty Cash Fund	921,638	1,107,051
Payroll Fund	1,037,024	243,887
	8,501,093,249	7,060,662,813

4. RECEIVABLES

This account consists of:

	2015	2014
Accounts Receivable	9,185,178,261	8,895,012,263
Less: Allowance for Doubtful Accounts	452,987,050	437,953,905
	8,732,191,211	8,457,058,358
Due from National Gov't Agencies	112,193,407	86,945,193
Receivables-Disallowances/Charges	63,573,364	30,116,704
Due from Local Government Units	42,647,176	42,614,451
Interest Receivable	8,295,719	6,215,536
Due from National Treasury	4,191,382	4,191,382
Due from GOCCs	130,461	261,067
Due from Officers and Employees	10,565	0
Due from Regional Offices	0	76,652,094
Other Receivables	15,017,518	13,857,737
	8,978,250,803	8,717,912,522

Accounts Receivable pertains to amounts due from customers for operating services by the Head Office and Area Centers.

Receivables-Disallowances/Charges pertains to audit disallowances/charges of public/private individuals/entities which became final and executory.

Due from Local Government Units pertains to fund transfers from the CAAP–Head Office and some CAAP Area Centers to various provincial government for land acquisition.

Due from National Treasury pertains to collections Area Center 11 - Davao of bidders bond and remuneration fees that were inadvertently deposited with the National Treasury. These will be requested for refund from the Department of Budget and Management.

Due from Regional Offices represents unliquidated infrastructure fund transfers from Head Office to Area Centers and Satellite Airports.

5. ADVANCES TO OFFICERS AND EMPLOYEES

The account pertains to the balances of unliquidated cash advances for local and foreign travels, and intelligence funds.

6. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land and Land Improvements	Building and Other Structures	Furniture and Equipment	Construction in Progress	TOTAL
Cost:					
At January 1, 2015	2,118,503,505	1,771,175,218	2,128,136,969	585,679,454	6,603,495,146
Additions	353,765,500	115,514,458	2,759,519,140	568,958,822	3,797,757,920
Disposals	0	0	(833,257)	(2,496,782)	(3,330,039)
Adjustments	(119,489,927)	(69,608,250)	(1,177,741,653)	(194,230,040)	(1,561,069,870)
At December 31, 2015	2,352,779,078	1,817,081,426	3,709,081,199	957,911,454	8,836,853,157
Accumulated depreciation					
At January 1, 2015	934,365,465	932,506,072	1,255,845,098	0	3,122,716,635
Depreciation Expense	281,050,700	58,483,960	41,401,272	0	380,935,932
Adjustments	(116,917,614)	12,821,856	140,323,463	0	36,227,705
At December 31, 2015	1,098,498,551	1,003,811,888	1,437,569,833	0	3,539,880,272
Net carrying amount					
December 31, 2015	1,254,280,527	813,269,538	2,271,511,366	957,911,454	5,296,972,885
December 31, 2014					
Cost	2,118,503,505	1,771,175,218	2,128,136,969	585,679,454	6,603,495,146
Accumulated Depreciation	934,365,465	932,506,072	1,255,845,098	0	3,122,716,635
Net carrying amount					
December 31, 2014	1,184,138,040	838,669,146	872,291,871	585,679,454	3,480,778,511

The infrastructure projects completed in 2015 include:

	Amount
Construction of Administration Building at San Jose Mindoro	4,479,751
Jolo Airport Development Project	49,324,667
Masbate Airport Development Project	15,447,451
Palanan Airport Development	22,541,436
Construction of Perimeter Fence at Borongan Airport	2,456,973
Construction of Runway Extension at Calbayog Airport	8,428,632
Rehabilitation/Improvement of Legazpi Airport Terminal Building	34,625,816
Continuation of Improvement of Runway and Concreting of Apron At Lubang Airport	42,949,054
	180,253,780

7. DEFERRED ASSETS

This account consists of:

	2015	2014
Deferred Charges	97,249,941	103,490,607
Advances to Contractors	38,861,781	163,628,900
Deposit on Letters of Credit	18,332,140	18,332,140
Other Prepaid Expenses	54,255,301	50,367,062
Prepaid Rent	4,645,896	0
	213,345,059	335,818,709

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 by ICAO of the details of disbursements.

Advances to Contractors pertains to advances for mobilization funds of contractors.

Deposits on Letters of Credit pertains to letters of credit opened to import various spare parts, equipment, and etc.

Other Prepaid Expenses consists of unused office supplies, accountable forms, fuel, oil, lubricants, drugs and medicines.

Prepaid Rent pertains to payment of lease of lot for the Proposed Remote Apron Parking Area for Disabled Aircraft at Tagbilaran City, Bohol for the entire three-year period.

8. OTHER ASSETS

This account consists of the following:

	2015	2014
Land Improvements	1,140,535,859	1,140,535,859
Land	1,045,829,500	1,119,585,100
Buildings	920,451,399	920,451,399
Office Equipment	266,406,325	266,406,325
Due from Regional Offices	254,895,140	159,306,750
Construction in Progress-Agency Assets	194,249,976	199,791,999
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
Due from National Treasury	54,623,403	54,623,403
Other Current Assets	44,747,098	44,747,098

	2015	2014
Advances to Officers and Employees	37,607,281	37,607,281
Cash in Bank-Local Currency, CA	34,587,532	34,587,532
IT Equipment & Software	11,680,589	11,680,589
Furniture & Fixtures	10,678,979	10,678,979
Deposits on Letters of Credit	9,741,461	9,741,461
Construction in Progress-Other Public Infrastructure	5,673,438	131,415
Runways/Taxiways	4,027,000	4,027,000
Other assets-Unserviceable	2,667,278	2,667,278
Other assets-Area Centers	300,546,176	223,317,962
	4,684,060,047	4,584,999,043

The amounts of P4,681,392,769 and P4,582,331,765 as of December 31, 2015 and 2014, respectively, pertains to dormant, undocumented, non-moving and unidentified assets pending verification and the balance of P2,667,278 represents unserviceable assets awaiting final disposition which include office building, office equipment, furniture and fixtures, firefighting equipment and accessories and motor vehicles.

9. ACCOUNTS PAYABLE

The account refers to unpaid obligations as of reporting date.

10. DUE TO OFFICERS AND EMPLOYEES

The account refers to the amounts due to officers and employees of the agency.

11. DUE TO GOVERNMENT AGENCIES

This account consists of:

	2015	2014
Due to Bureau of the Treasury	2,041,457,588	2,041,457,588
Due to Other Government Agencies	138,335,848	127,002,216
	2,179,793,436	2,168,459,804

Due to Bureau of the Treasury pertains to unpaid dividends which represents 50% of net profit from 2008 to 2012 relative to RA 7656, An Act Requiring Government-Owned and Controlled Corporations to Declare Dividends under Certain Conditions to the National Government and for Other Purposes. Dividend computation is shown in the following page:

	2012	2011	2010	2009	2008	Total
Audited Net Income						
After Tax but						
Before Subsidy	1,933,567,300	1,402,510,776	1,417,031,242	1,240,033,215	354,809,523	
Add: Allowance for						
Doubtful Accts.	22,450,239	(108,192,925)	9,237,626	218,190,732	1,559,945	
Forex Loss	125,487,953		72,787,123	164,903,293		
Total	2,081,505,492	1,294,317,851	1,499,055,991	1,623,127,240	356,369,468	
Less: Forex Gain	0	44,881,116	0	0	619,750	
Dividends Base	2,081,505,492	1,249,436,735	1,499,055,991	1,623,127,240	355,749,718	
Multiply by Dividend						
rate	50%	50%	50%	50%	50%	
Dividends Due	1,040,752,746	624,718,368	749,527,995	811,563,620	177,874,859	3,404,437,588
Payments made			374,840,000	810,260,000	177,880,000	1,362,980,000
Balance	1,040,752,746	624,718,368	374,687,995	1,303,620	(5,141)	2,041,457,588

Under Section 15 of the Implementing Rules and Regulations of RA 9497, the Authority shall enjoy fiscal autonomy. All revenues 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, the date of effectivity of the CAAP Charter. CAAP, however, being a government owned and controlled corporation (GOCC) is mandated by RA 7656 to declare and remit at least fifty percent (50%) of its annual net earnings as cash, stock or property dividends to the National Government (NG). In light of the need for CAAP to invest in infrastructure and technology, particularly with the onset of the ASEAN Single Aviation Market (ASAM) in January 2015, CAAP has made known, through a letter to the Department of Finance (DOF) dated February 18, 2013, its preference to defer the implementation of this provision of RA 7656 and, in the future through appropriate procedures, be exempted from this provision as a measure of achieving its sustainability objectives. The flexibility of managing its own revenues is a key factor to ensure CAAP's ability to exercise its regulatory mandate expediently and effectively.

Due to Other Government Agencies pertains to the following:

	2015	2014
Prior years' ATO transactions transferred to CAAP books	51,399,606	51,399,606
Funds received from DOT for asphalt paving of runway shoulder at Kalibo Airport	5,000,000	5,000,000
Funds from DOTC for the salaries of employees assigned at the Cotabato Airport under ARMM	2,741,011	2,741,011
Unremitted funds for Anti-Hijacking and Terrorism Campaign	1,751,615	1,751,615
Due to BIR	50,109,197	39,873,756
Due to GSIS	23,815,170	22,634,101
Due to Pag-IBIG	2,747,424	2,860,943
Due to PhilHealth	706,428	691,788
Due to LGUs	15,652	15,651
Others	49,745	33,745
	138,335,848	127,002,216

12. TRUST LIABILITIES

The account consists of:

	2015	2014
Guaranty Deposits Payable	99,373,997	49,893,604
Performance/Bidders/Bonds Payable	24,401,285	24,701,907
	123,775,282	74,595,511

13. OTHER LIABILITIES

The account's balances of P185,422,672 and P98,954,244 as of December 31, 2015 and 2014, respectively, pertains to the Head Office's credit memos representing payments received through fund transfers from Airlines abroad for air navigation charges. The account is subject to verification/identification of payees to possibly close the account.

14. GOVERNMENT EQUITY

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 of RA 9497 pertaining to, held or used by ATO;
- b. The value of existing assets of ATO, which shall be determined by independent and qualified appraisers within six months from the effectivity of RA 9497 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.

15. RETAINED EARNINGS

This account pertains to the accumulated earnings (losses) starting July 2008 onwards when CAAP was established and became operational.

Correction of prior years' income pertains to the following:

	2015	2014
Adjustments on Depreciation	(135,981,968)	14,594,514
Adjustment of Receivables/Income	5,391,790	(2,720,529)
Transfer of Assets to Other Area	0	(1,105,452)
Liquidation/Reimbursement of Cash Advances	(15,501,406)	(23,840,910)
Payment of Various Expenses	(13,577,084)	(115,757,423)
Reclassifications/Adjustments	129,411,008	(1,134,782)
Payment of Accountable Forms/Supplies	(2,405)	(378,552)
	(30,260,065)	(130,343,134)

16. INCOME

This account consists of:

	2015	2014
Business Income	3,916,192,181	3,473,176,157
Service Income	2,482,476,576	1,942,422,551
Rent Income	108,618,903	101,028,334
Interest Income	69,714,173	56,258,653
Fines and Penalties	4,387,326	8,423,365
Miscellaneous Income	73,759,169	156,633,457
	6,655,148,328	5,737,942,517

Business Income pertains to operational charges, telecommunication charges, and other fees and charges for the use of aeronautical and air navigation facilities. The balances at December 31, 2015 and 2014 pertains substantially to income from communication facilities of P3,876,157,804 and P3,428,323,590, respectively.

Service Income pertains to fees and charges for licenses, permits, certificates, landing and take-off terminal and other services. This consists of:

	2015	2014
Toll and Terminal Fees	1,888,508,324	1,459,851,418
Landing and Parking Fees	416,759,428	361,487,169
Other Service Income	131,273,246	74,205,702
Clearance & Certification Fees	15,139,681	11,362,048
Franchising and Licensing Fees	13,787,642	24,921,053
Medical, Dental & Laboratories Fees	8,593,220	3,261,150
Comprehensive Examination Fees	7,738,897	6,323,615
Inspection Fees	636,138	944,396
Permit Fees	40,000	66,000
	2,482,476,576	1,942,422,551

Rent Income pertains to rental of land and floor areas within the vicinity of CAAP airports.

Interest Income pertains to interest earned from savings and current account for both peso and dollar deposits.

Fines and Penalties pertains to the charges for delinquent accounts at interest rate of 1% compounded monthly from receipt of a demand letter.

Miscellaneous Income pertains to income not falling under any of the specific income accounts as enumerated above.

17. SALARIES AND WAGES

The account consists of the following:

	2015	2014
Salaries and Wages - Regular Pay	840,104,002	715,008,718
Salaries and Wages - Casual	1,535,591	58,224,806
	841,639,593	773,233,524

18. PERSONNEL BENEFITS CONTRIBUTION

The account consists of the following:

	2015	2014
Life and Retirement Insurance Contributions	98,262,152	85,825,009
PhilHealth Contributions	7,950,043	6,868,569
ECC Contributions	2,900,806	2,284,725
Pag-IBIG Contributions	2,842,924	2,557,749
	111,955,925	97,536,052

19. OTHER COMPENSATION

The account consists of the following:

	2015	2014
Overtime and Night Pay	141,728,211	126,048,717
Year-End Bonus	71,514,567	61,353,523
Personnel Economic Relief Allowance	57,298,496	46,107,436
Hazard Pay	38,732,841	34,647,586
Clothing/Uniform Allowance	12,543,000	11,944,800
Cash Gift	12,443,012	10,457,845
Representation Allowance	8,051,486	7,664,125
Transportation Allowance	7,440,909	7,057,079

	2015	2014
Other Bonuses and Allowances	6,555,933	25,523,334
Honoraria	4,401,710	587,400
Longevity Pay	577,038	60,000
Subsistence, Laundry and Quarter Allowance	221,250	187,550
Productivity Incentive Allowance	75,000	4,928,481
Additional Compensation	0	2,251,909
	361,583,453	338,819,785

20. OTHER PERSONNEL BENEFITS

The account consists of the following:

	2015	2014
Terminal Leave Benefits	146,064,682	77,858,360
Technical Incentive Allowance	37,122,496	133,058,761
Retirement Benefits – Civilian	0	893,623
	183,187,178	211,810,744

21. PROFESSIONAL SERVICES

The account consists of the following:

	2015	2014
Security Services	200,490,846	169,970,788
General Services	181,848,079	260,856,092
Janitorial Services	109,737,663	96,087,834
Consultancy Services	62,568,260	82,219,417
Auditing Services	25,045,954	15,093,444
Legal Services	52,832	48,687
Other Professional Services	152,600,431	159,941,448
	732,344,065	784,217,710

22. UTILITIES

The account consists of the following:

	2015	2014
Electricity Expenses	295,031,742	295,077,603
Water Expenses	18,318,682	17,702,425
	313,350,424	312,780,028

23. REPAIRS AND MAINTENANCE

The account consists of the following:

	2015	2014
Repairs & Maintenance - Office Buildings	34,931,489	29,736,562
Repairs & Maintenance - Runways/Taxiways	32,683,228	28,979,019
Repairs & Maintenance - Land Improvements	10,410,926	7,293,205
Repairs & Maintenance - Other Structures	55,604,561	32,888,862
Repairs & Maintenance - Airport Equipment	24,239,682	17,958,414
Repairs & Maintenance - Motor Vehicles	8,194,478	11,540,045
Repairs & Maintenance - Office Equipment	3,495,916	2,447,533
Repairs & Maintenance - Communication Equipment	2,528,984	109,349
Repairs & Maintenance - Firefighting Equipment & Accessories	1,923,440	7,898,133
Repairs & Maintenance - Aircraft & Aircraft Ground Equipment	1,054,248	1,217,567
Repairs & Maintenance - Other Machineries & Equipment	22,504,903	31,286,482
Repairs & Maintenance - Other Property & Equipment	2,976,408	4,690,146
	200,548,263	176,045,317

24. SUPPLIES AND MATERIALS

The account consists of the following:

	2015	2014
Gasoline, Oil and Lubricants	34,041,889	41,269,667
Office Supplies	26,011,847	34,098,168
Accountable Forms	11,906,037	10,080,587
Drugs and Medicines	462,149	659,990
Other Supplies and Materials	65,121,802	53,800,066
	137,543,724	139,908,478

25. TRAVELING

The account consists of the following:

	2015	2014
Traveling - Local	52,520,983	52,048,155
Traveling - Foreign	12,131,437	7,345,138
	64,652,420	59,393,293

26. COMMUNICATION

The account consists of the following:

	2015	2014
Cable, Satellite, Telegraph and Radio	42,718,903	41,887,281
Telephone - Landline	9,072,389	9,414,356
Internet	5,304,025	4,869,970
Postage and Deliveries	2,656,488	2,405,730
Telephone - Mobile	2,264,682	1,911,056
	62,016,487	63,488,393

27. RENT

The increase in the account pertains substantially to the rental of aircraft with automatic flight inspection system provision and services which shall be used for the certification of navigation aids facilities through periodic flight inspection and calibration to ensure the safety of the flying public.

28. REPRESENTATION

This account pertains to expenses for official meetings and conferences. The significant increase was mainly driven by the expenses incurred during the 52nd Directors General Civil Aviation (DGCA) Asia and Pacific Regions conference hosted by CAAP last October 26-30, 2015.

29. CONFIDENTIAL, EXTRAORDINARY AND MISCELLANEOUS EXPENSE

Under Joint Circular No. 2015-01 dated January 8, 2015 among the Commission on Audit, Department of Budget and Management, Department of Interior and Local Government, Governance Commission on GOCCs, and Department on National Defense, confidential expenses may now be recognized in the agency books upon submission of the liquidation vouchers to the Office of the Chairman, COA instead of upon receipt of the Credit Notice.

30. OTHER MAINTENANCE AND OPERATING EXPENSES

This account pertains to the expenses not otherwise classified under the specific maintenance and other operating expense accounts. The significant increase was due to the payment of European AIS Database (EAD) Software Maintenance/Support of the Aeronautical Information Service (AIS) Automated System for year 6 in the amount of P30,790,084.

31. GAIN (LOSS) ON FOREIGN EXCHANGE

This account pertains to the amount of gain or loss in the conversion of foreign currencies in accordance with the par. 23 of PAS 21. The significant increase was due to the inflation of year-end closing peso per U.S. dollar rate from P44.617 in CY 2014 to P47.166 in CY 2015.

32. INCOME FROM GRANTS AND DONATIONS

This account pertains to the donation of vehicle by Bangko Sentral ng Pilipinas to General Santos Airport in CY 2015 and three aircrafts from Department of Education in CY 2014.