



Republic of the Philippines
PHILIPPINE STATE COLLEGE OF AERONAUTICS
NOTES TO FINANCIAL STATEMENTS
(ALL FUNDS)

For the year ended December 31, 2023
(Amounts are denominated in Philippine Pesos)

1. General Information/Agency Profile

The financial statements (FSs) of the Philippine State College of Aeronautics (PhilSCA) were authorized for issue on February 14, 2024, as shown in the Statement of Management's Responsibility for Financial Statements signed by the PhilSCA President and the Acting Vice-President for Administration and Finance.

The PhilSCA was initially established in 1967 as Basa Air Base (BAB) Community College under AFP Regulations Series of 168-342 issued by the Armed Forces of the Philippines (AFP) on April 1, 1968, under the Department of National Defense (DND).

In 1977, BAB Community College established an Annex in Nichols Air Base, now Villamor Air Base (VAB), in Pasay City known as BABC-Annex. A Satellite Campus was established in Fernando Air Base (FAB) in Lipa City, Batangas.

Also, in 1977, President Ferdinand E. Marcos signed Presidential Decree (PD) No. 1078 converting BAB Community College to Philippine Air Force College of Aeronautics (PAFCA) with its Main Campus in VAB, Pasay City, Metro Manila.

In 1979, another Satellite Campus was established in Mactan - Benito Ebuen Air Base (MBEAB) Campus in Lapu-Lapu City, Mactan, Cebu.

On June 3, 1992, House Bill No. 26650 was signed into law as Republic Act (RA) No. 7605 by then President Corazon C. Aquino converting PAFCA into a state college known as the Philippine State College of Aeronautics. On July 8, 2010, the PhilSCA was transferred from its original location, at Manlunas Street, VAB, Pasay City (currently Newport City), to its new site at Piccio Garden, Villamor, Pasay City (West Service Road, South Luzon Expressway, near Sales Exit).

The PhilSCA is envisioned to become a leader institution committed to the scientific and technological advancement of aeronautical sciences, responsive to the dynamic and emerging demands for world-class professionals of the industry. Its mission is to produce world-class aeronautics professionals, imbued with commitment, excellence, responsibility, and integrity through advanced instruction and research.

2. Statement of Compliance and Basis of Preparation of FSs

The FSs have been prepared in accordance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) with corresponding Philippine Application Guidance (PAG) issued by the Commission on Audit (COA) pursuant to COA Resolution Nos. 2014-003 dated January 24, 2014, and 2020-001 dated January 9, 2020.

The FSs have been prepared on the basis of historical cost. The Statement of Cash Flows is prepared using the direct method.

The PhilSCA adopts a centralized accounting system whereby only one set of books of account is maintained for the Main Campus located at Piccio Garden, Villamor, Pasay City, and its Satellite Campuses in Cebu, Batangas, and Pampanga.

The FSs have been prepared by fund cluster in accordance with Fund Accounting prescribed under Section 13, Chapter 2 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, issued by COA per COA Circular No. 2015-007 dated October 22, 2015. The PhilSCA maintains the following funds:

<u>Code</u>	<u>Description</u>
01	Regular Agency Fund
05	Internally Generated Funds

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

The FSs are prepared on an accrual basis in accordance with the IPSASs.

3.2 Financial Instruments

a. Financial Assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 41 - Financial Instruments are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The PhilSCA determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the PhilSCA commits to purchase or sell the asset.

The PhilSCA's financial assets include cash and receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Derecognition

The PhilSCA derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

- The rights to receive cash flows from the asset have expired or are waived.
- The PhilSCA has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) it has transferred substantially all the risks and rewards of the asset; or (b) it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the PhilSCA assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not

individually significant. Upon determination that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the PhilSCA. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

b. Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 41 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value. The PhilSCA's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.

c. Offsetting of Financial Instrument

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand and cash at bank, and deposits on call. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.4 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Inventories are recognized as an expense when issued for utilization or consumption in the ordinary course of operations of the PhilSCA.

Semi-Expendables are items below the capitalization threshold of P50,000.00, and recognized as an expense once issued to end-user.

3.5 Property, Plant and Equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used for more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity;
- It meets the capitalization threshold of P50,000.00, and
- The cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement After Recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the PhilSCA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expenses in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as an expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation starts on the succeeding month.

Depreciation Method

The straight-line method of depreciation is adopted.

Estimated Useful Life and Residual Value

The PhilSCA uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA and uses a residual value equivalent to at least five percent of the cost of the PPE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

The PhilSCA derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Operating Lease

Leases in which the PhilSCA does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by the entity.

3.7 Intangible Assets

Recognition and Measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

Subsequent Expenditure on an Acquired In-process Research and Development Project

Subsequent expenditure on an in-process research or development project acquired separately and recognized as an intangible asset is:

- Recognized as an expense when incurred if it is a research expenditure;
- Recognized as an expense when incurred if it is a development expenditure that does not satisfy the criteria for recognition as an intangible asset; and
- Added to the carrying amount of the acquired in-process research or development project if it is a development expenditure that satisfies the recognition criteria for intangible assets.

Internally Generated Intangible Assets

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

Recognition of an Expense

Expenditure on an intangible item is recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent Measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful life.

The straight-line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful lives is not amortized. Intangible assets with an indefinite useful life or an intangible asset not yet available for use were assessed for impairment whenever there was an indication that the asset may be impaired.

The PhilSCA uses five (5) years as the useful life of finite intangible assets. The useful life for each type of finite intangible asset is established upon purchase of the asset based on the terms of the contract.

The amortization period and the amortization method, for an intangible asset with a finite useful life, were reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset were considered to modify the amortization period or method, as appropriate, and were treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from the derecognition of an intangible asset were measured as the difference between the net disposal proceeds and the carrying amount of the asset and were recognized in the surplus or deficit when the asset is derecognized.

Research and development costs

The PhilSCA recognizes expenses and research costs as incurred. Development costs on an individual project were recognized as intangible assets when the Institute can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition, intangible assets were carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit.

During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

3.8 Changes in Accounting Policies and Estimates

The PhilSCA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impractical.

It recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

It corrects material prior period errors retrospectively in the first set of FSs authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.9 Revenue from Non-Exchange Transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset were recognized as an asset if the following criteria were met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

Recognition of Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

The PhilSCA satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

Fees and fines not related to taxes

The PhilSCA recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria were met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues were recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Gifts and Donations

The PhilSCA recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind were recognized as assets when the goods were received, or there is a binding arrangement to receive the goods. If goods in-kind were received without conditions attached, a liability is recognized, which is reduced and revenue recognized as the conditions were satisfied.

On initial recognition, gifts and donations including goods in-kind were measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value was ascertained by reference to quoted prices in an active and liquid market.

Transfers

It recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

Services in-Kind

Services in-kind were not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities and related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the PhilSCA and can be measured reliably.

3.10 Revenue from Exchange Transactions

Measurement of Revenue

Revenue shall be measured at the fair value of the consideration received or receivable.

Rendering of Services

The PhilSCA recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred were recoverable.

3.11 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

As a result of the adoption of the cash basis for budgeting purposes, a separate Statement of Comparison of Budget and Actual Amounts is presented. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

The annual budget figures included in the financial statements are for the PhilSCA. These budget figures are those approved by the governing body both at the beginning and during the year following a period of consultation with the public.

3.12 Employee Benefits

The employees of the PhilSCA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The PhilSCA recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense and as a liability after deducting the amount paid.

It recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). Unused entitlements that have accumulated at the reporting date were not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

3.13 Measurement of Uncertainty

The preparation of financial statements in conformity with IPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the setting up of allowance for impairment to provide an adequate amount of uncollectible portion of receivables.

Estimates were based on the best information available at the time of preparation of the financial statements and were reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. Cash and Cash Equivalent

Accounts	2023	2022
Petty Cash	77,840.30	690,000.00
Cash in Bank-Local Currency, Current Account	618,341,559.88	556,577,041.43
Cash in Bank-National Treasury, Modified Disbursement System (MDS), Regular	529,658.85	0.00
Total	618,949,059.03	557,267,041.43

The Cash & Cash Equivalent account represents collections of tuition, other school fees, and receipts which the PhilSCA is authorized to use under RA No. 8292.

The Petty Cash Fund (PCF) balance of P77,840.30 in CY 2023 is attributable to the unliquidated portion of the existing PCF of accountable officers as of December 31, 2023, due to the shift of the budget source allocation from Regular Agency Funds (F01) to Internally Generated Fund (F05) starting January 01, 2024.

Cash in Bank - Local Currency, Current Account amounting to P618,341,559.88 under the F05 includes restoration of P932,252.87 of unreleased commercial check to CIB-LCCA while the amount of P529,658.85 pertains to restoration of unreleased of MDS checks to suppliers. Those unreleased checks restored to cash accounts were reversed in the books of accounts in the 1st month of CY 2024. Cash in Bank - Local F05 includes P874,912.60 net amount to be transferred to Fund 01 as a result of F01 collection that should have been returned to F01.

5. Receivables

5.1 Aging/Analysis of Receivables as at December 31, 2023

Accounts	Total	Past Due	Past Due
		91 – 365 days	Over 2 Years
Loans and Receivables	26,966,782.55	967,537.36	25,999,245.19
Inter-Agency Receivables	44,859.72	44,859.72	0.00
Intra-Fund Receivable	874,912.60	874,912.60	0.00
Other Receivables	2,336,001.65	0.00	2,336,001.65
Total	30,222,556.52	1,887,309.68	28,335,246.84

5.2 Loans and Receivables

Accounts	2023	2022 Restated
Accounts Receivable	27,113,390.65	27,875,232.35
<i>Allowance for Impairment – Accounts Receivable</i>	<i>1,370,330.74</i>	<i>2,113,343.78</i>
Net Value - Accounts Receivable	25,743,059.91	25,761,888.57
Loans Receivable - Others	879,000.00	879,000.00
<i>Allowance for Impairment - Loans Receivable – Others</i>	<i>44,325.00</i>	<i>44,325.00</i>
Net Value - Loans Receivable - Others	834,675.00	834,675.00
Operating Lease Receivable	410,796.50	248,377.25
<i>Allowance for Impairment – Operating Lease Receivable</i>	<i>21,748.86</i>	<i>20,242.76</i>
Net Value – Operating Lease Receivable	389,047.64	228,134.49
Total	26,966,782.55	26,824,698.06

The CY2023 Accounts Receivable balance includes the amount of P968,914.18 collection made through an offsetting scheme from an overpayment made. After this collection, an exchange of checks and official receipts between the PhilSCA and the supplier for the same amount of P746,250.00 was made in February 2024. However, on the remaining balance of P222,664.18, the PhilSCA and the supplier agreed to defer the exchange of checks and official receipts pending the resolution of the counter-claim to be made by the supplier.

5.3 Inter-Agency Receivables

Accounts	2023	2022 Restated
Due from National Government Agencies (NGAs)	44,859.72	1,686,579.37
Total	44,859.72	1,686,579.37

The balance of Due from NGAs in CY2023 represents the remaining balance of undelivered common supplies paid to the Department of Budget and Management - Procurement Service (DBM-PS).

5.4 Intra-Agency Receivable

Particulars	Nature	Amount
Intra Fund Receivable of F01 against F05 IGI	Cash Gift & Year-end Bonus of two former employees funded by F01 but returned by Bank to Local fund Bank Account (3562-1003-84)	27,862.60
Intra Fund Receivable of F01 against F05 IGI	The recovery of F01 on the overpayment made to supplier collected by F05 IGI	746,250.00
Intra Fund Payable of F01 to F05 IGI	The return of F01 of training cost of resigned personnel paid in advance by Fund 05	100,800.00
Net Collectible of F05 to Fund 01		874,912.60

5.5 Other Receivables

Accounts	2023	2022 Restated
Receivables-Disallowances/Charges	1,367,096.79	1,367,096.79
Other Receivables	1,015,220.25	1,016,605.25
<i>Allowance for Impairment - Other Receivables</i>	<i>46,315.39</i>	<i>46,315.39</i>
Net Value - Other Receivables	968,904.86	970,289.86
Total	2,336,001.65	2,337,386.65

The Receivables – Disallowances/Charges Account for CY2022 was restated from P580,096.89 to P1,367,096.79 to record two received NFDs totaling P787,000.00, pursuant to COA Circular No. 2009-006, (P432,000 plus P355,000). NFD No. 2022-309 dated November 16, 2022, for the Notice of Disallowance (ND) Nos. 13-001-164-(11) and 13-002-164-(12) with total amount of P432,000.00 and NFD dated July 12, 2012, on ND No. 11-001-164 (07-09) amounting to P355,000.00 both for the payment of legal services. The

management properly reminded the concerned employees of the development and requested to inform the PhilSCA of their action plan (if any).

6. Inventories

Particulars	2023	2022
Inventory Held for Consumption		
Office Supplies Inventory	1,860,259.56	1,062,459.75
Accountable Forms, Plates and Stickers Inventory	436,995.00	110,887.00
Drugs & Medicine Inventory	633,301.00	633,301.00
Medical, Dental & Laboratory Supplies Inventory	168,981.00	168,981.00
Fuel, Oil & Lubricants Inventory	430,500.00	119,220.00
Textbook and Instructional Materials Inventory	481,595.00	481,595.00
Other Supplies & Materials Inventory	229,445.90	191,485.00
Carrying Amount, December 31	4,241,077.46	2,767,928.75
Semi-Expendable Machinery and Equipment Inventories		
Semi – expendable Office Equipment	16,370,644.95	10,851,664.95
Allowance for Impairment-Semi Expendable Office equipment	7,933,296.05	7,933,296.05
Net Value	8,437,348.90	2,918,368.90
Semi – expendable Information & Communication Technology equipment	437,878.00	431,988.00
Allowance for Impairment-Semi Expendable Information & Communication Technology equipment	239,393.35	239,393.35
Net Value	198,484.65	192,594.65
Semi – expendable Communication equipment	20,580.00	20,580.00
Allowance for Impairment-Semi expendable Communication equipment	16,292.50	16,292.50
Net Value	4,287.50	4,287.50
Semi – expendable Disaster Risk Reduction Equipment	81,126.00	0.00
Allowance for Impairment-Semi Expendable Disaster Risk Reduction Equipment	0.00	0.00
Net Value	81,126.00	0.00
Semi-expendable – Sports equipment	215,990.00	215,990.00
Allowance for Impairment – Semi expendable Sports equipment	76,960.29	76,960.29
Net Value	139,029.71	139,029.71
Semi expendable – Technical & Scientific equipment	466,950.00	466,950.00
Allowance for Impairment – Semi expendable Technical & Scientific equipment	392.67	392.67
Net Value	466,557.33	466,557.33
Semi-expendable – Medical Equipment	168,523.01	168,523.01
Allowance for Impairment – Semi Expendable Medical equipment	57,969.49	57,969.49
Net Value	110,553.52	110,553.52

Particulars	2023	2022
Semi-expendable – Other Equipment	436,629.00	299,890.00
Allowance for impairment – Other Equipment	114,156.13	101,621.34
Net Value	322,472.87	198,268.66
Semi – expendable – Other equipment	0.00	27,299.00
Allowance for Impairment – Other equipment	0.00	12,534.79
Net Value	0.00	14,764.21
Carrying Amount December 31	9,759,860.48	4,044,424.48
Semi-Expendable Furniture, Fixtures and Books		
Semi expendable – Furniture & Fixtures	1,459,170.10	1,074,452.00
Allowance for Impairment – Furniture & Fixtures	167,612.57	167,612.57
Net Value	1,291,557.53	906,839.43
Semi-expendable - Books	123,185.00	123,185.00
Allowance for Impairment – Semi expendable Books	33,485.53	33,485.53
Net Value	89,699.47	89,699.47
Carrying Amount December 31	1,381,257.00	996,538.90
Total Carrying Amount, December 31	15,382,194.94	7,808,892.13

The Semi-Expendable Machineries and Equipment Accounts inventory balances as of CY2022 were reclassified from various PPE accounts pursuant to COA Circular 2022-004 relative to the increased PPE capitalization threshold from P15,000.00 to P50,000.00.

7. Other Current Assets

Accounts	2023	2022
Advances		
Advances to Special Disbursing Officers	1,440,494.77	2,635,434.99
Advances to Officers and Employees	709,663.59	759,120.38
Prepayments		
Prepaid Insurance	239,608.54	258,839.71
Prepaid Subscription	3,643,661.11	3,624,477.78
Other Prepayment	445,000.00	0.00
Advances to Contractors	25,173,963.87	11,847,692.33
Grand Total	31,652,391.88	19,125,565.19

Other Prepayment Account amounting to P445,000.00 represents payment made to supplier for the subscription of Literary Folio.

The increase in payment of Advances to Contractors account represents the 15% mobilization fee of supplier/contractor, in accordance with applicable provisions of RA9184 for the training hours of Bachelor of Science in Air Transportation (BSAT) students and for other procurement and construction projects.

8. Property, Plant and Equipment

Particulars	Land & Other Land Improvements	Furniture, Fixtures and Books	Other Property, Plant & Equipment	Building & Other Structure	Infrastructure & Communication Network
Carrying Amount, 1/1/2023	269,500,610.53	2,478,380.59	77,580.10	370,629,307.67	4,596,798.40
Additions/Acquisitions/	-	166,730.00	-	23,000,000.00	-
Adjustment	-	(363,503.59)	(39,155.10)	4,800,326.69	-
Subtotal	269,500,610.53	2,281,607.00	38,425.00	398,429,634.36	4,596,798.40
Depreciation	(14,960.43)	(269,915.90)	-	(16,106,079.18)	(563,129.60)
Carrying Amount, 12/31/2023	269,485,650.10	2,011,691.10	38,425.00	382,323,555.18	4,033,668.80
Gross Cost, 12/31/2023	269,709,424.50	4,039,055.00	384,250.00	522,727,712.13	5,863,840.00
Less: Accumulated Depreciation	(223,774.40)	(2,027,363.90)	(345,825.00)	(140,192,136.95)	(1,830,171.20)
Less: Impairment Losses	-	-	-	(212,020.00)	-
Carrying Amount, 12/31/2023	269,485,650.10	2,011,691.10	38,425.00	382,323,555.18	4,033,668.80

Particulars	Transportation Equipment	Machinery & Equipment	Construction in Progress	Total
Carrying Amount, 1/1/2023	65,088,156.27	31,932,960.83	72,810,120.64	817,113,915.03
Additions/Acquisitions/	14,127,340.00	15,248,000.00	-	52,542,070.00
Adjustment	(67,369,100.00)	39,500,645.10	7,157,106.12	(16,313,680.78)
Subtotal	11,846,396.27	86,681,605.93	79,967,226.76	853,342,304.25
Depreciation	(774,008.62)	(9,951,163.64)	-	(27,679,257.37)
Carrying Amount, 12/31/2023	11,072,387.65	76,730,442.29	79,967,226.76	825,663,046.88
Gross Cost, 12/31/2023	34,964,341.45	133,976,259.98	79,967,226.76	1,051,632,109.82
Less: Accumulated Depreciation	(23,891,953.80)	(57,245,817.69)	-	(225,757,042.94)
Less: Impairment Losses	-	-	-	(212,020.00)
Carrying Amount, 12/31/2023	11,072,387.65	76,730,442.29	79,967,226.76	825,663,046.88

PPEs are carried at cost less accumulated depreciation. The Constructive Period Theory is used for costing construction in progress assets. Regular maintenance, repair and minor replacements are charged against Maintenance and Other Operating Expenses (MOOE).

On November 2010, the PhilSCA transferred its Main Campus address from its original location at Manlunas Street, VAB, Pasay City to its new address at Piccio Garden, Villamor, Pasay City in Metro Manila as a result of MOA and Deed of Assignment (DOAS) from Bases Conversion and Development Authority (BCDA) as per Board Resolution No. 35 s. 2010 with provisions quoted as follows:

“Whereas, during its 2nd regular meeting on May 24, 2010, the Chairman informed the Board that he was furnished a copy of the latest Environmental Compliance Certificate issued by the DENR NCR Regional Office Director on the temporary relocation site and buildings of the PhilSCA,

copy of which is made an integral part of the resolution as ANNEX “A” thus, upon exhaustive deliberation and careful consideration of all the circumstances and with the higher interest of the PhilSCA and its constituents foremost in the minds, the Board arrived at a consensus to agree in principle to the proposed relocation site provided that the BCDA agrees to comply with the following terms and conditions:

1. Xxx
2. Xxx
3. Xxx
4. Xxx
5. Xxx
6. That a permanent school site for the PhilSCA other than the proposed relocation site at the VAB Driving range owned by BCDA with an area of approximately 20 hectares be identified, segregated and made available to the PhilSCA by BCDA; and (underlining ours).
Xxxx

Whereas, the transfer of the PhilSCA to the proposed site at the VAB Driving range shall be considered temporary in nature, such that within 3 to 5 years from transfer to such proposed site, the BCDA shall set aside a parcel of land in a location to be agreed upon by the BCDA and the PhilSCA for use as a permanent relocation site of the PhilSCA Main Campus in accordance with the development plans determined by the PhilSCA constituents and approved by the Board of Trustees, copy of which is attached as “ANNEX B” of this resolution.”

On May 21, 2012, in response to the August 1, 2011, letter of the previous PhilSCA resident COA auditor, a new MOA and DOAS between the BCDA and the PhilSCA, was drafted by BCDA for the approval of the PhilSCA BOT which provides that:

“The parties herein agree that Lot 4, Pcs-00-013512 under Transfer Certificate Title No. 003-201100568 particularly described above shall be the Permanent Relocation site of the PhilSCA. The parties agree that BCDA will no longer be obligated to favorably endorse the segregation of at least twenty (20) hectares within Basa Air Base as the PhilSCA’s final relocation site, since BCDA does not have any property within and jurisdiction over the Basa Air Base. While BCDA is no longer bound by the said obligation, it shall however, exert best efforts to identify and segregate a portion of the land under its title and within its jurisdiction and transfer or convey the same to the PhilSCA for the operation of Flying School and/or other consistent with its purpose. The first paragraph of Section 6 of the MOA dated June 10, 2010, is hereby amended accordingly.” (underlining ours).

The Office of Solicitor General (OSG) and the Office of Government Corporate Counsel (OGCC) both issued favorable opinions on the new draft MOA. However, the MOA and DOAS were still unsigned by both parties pending compliance by the BCDA to the terms and conditions on the identification, segregation and making available to the PhilSCA, the approximately 20 hectares of land owned by the BCDA. Despite letter follow-ups and visitations made by the present PhilSCA President to the BCDA Office, the PhilSCA cannot issue the Certificate of Acceptance and the BCDA cannot process the Transfer Certificate of Title of the subject land to the PhilSCA, resulting in the site of the PhilSCA at Piccio Garden, Villamor, Pasay City as temporary site, still subsisting.

The occupied sites in the PhilSCA BAB and MBEAB Campuses are inside respective Philippine Air Force (PAF) camp area and use is allowed until notified to vacate. On the other hand, FAB Campus was relocated to a specified place within the same camp under a usufruct agreement.

The transfer of registration and titling of donated properties received in the name of the PhilSCA is on-going as per the PhilSCA President's memorandum/order to the concern campus director.

The rehabilitation/repair of damaged buildings and structures in MBEAB campus caused by typhoon "Odette" in year 2019 was substantially completed as of December 31, 2023 and was completed and accepted in January, 2024.

On June 16, 2022, the application for claim on insurance claim for the damages sustained to MBEAB properties/facilities caused by typhoon "Odette" was timely submitted to GSIS accredited insurance company. On March 7, 2024, the PhilSCA received the result of the evaluation from the GSIS accredited insurance with the equivalent amount of damaged claim to be paid to the PhilSCA. The equivalent amount was agreed upon by the PhilSCA, and currently the preparation of check is on-going.

The increase in the Land account balance for CY 2023 amounting to P12,393,000.00 is broken down as follows:

- Recognition of 2 donated land in Curva, Medellin, Cebu amounting to P11,343,000.00, which is based on the market value of each as appeared in the Tax Declaration No. 043-27-005755 & 043-27-005805 issued by the Province of Cebu as per Ordinance No. 2019-17 dated December 26, 2019 respectively;
- The PhilSCA also booked a donated parcel of lot located in Dalipit East, Cuenca, Batangas based on available Tax Declaration (TD) No. 08-0012-00001 with OCT/TCT No. P-30924 signed by the Municipal Assessor's Office of Cuenca, Batangas, the total land area as appeared in TD is 39,744 square meters with latest market value of P2,782,080.00 as of 2014 entry. Since the land is undivided, the PhilSCA calculated the market value for 15,000 square meter land at P1,050,000.00 based on result of allocation made pending availability of latest market valuation to be done by the professional appraiser to be commissioned by the PhilSCA.

The increase in the account Buildings & Other Structures amounting to P36,274,069.28 is attributable to the recognition of completed construction of school building in BASA Air Base and the value of donated school building in Medellin Cebu. The increase of P20,000,000.00 is attributable to the unrecorded 20M 2-storey academic and administration building donated by the Provincial Government of Pampanga thru Sangguniang Panlalawigan Ordinance No.588 on May 27, 2013 and accepted by the PhilSCA BOT on July 23, 2013 per Secretaries Cert. No. 42-2013. The said value was used pending availability of latest market valuation to be done by the professional

appraiser to be commissioned by the PhilSCA. The accounts also include dropped PPEs located in the old site of FAB campus specifically Buildings amounting to P6,446,802.00 gross value was dropped from the books of accounts as of December 31, 2023 on the basis of certification that those properties belong to high school prior to its transferred to PAF issued by Angelica F. Olosa, principal of Fernando Airbase National High school dated May 2, 2024.

The increase in the Machineries & Equipment accounts amounting to P15,248,000.00 is attributable to the payment of project “Integrated School Management Information System (ISMIS) Phase II” (P14,888,000.00) and P360,000.00 for the purchase of ID-Maker machines.

The increase in Motor Vehicle and Aircraft & Aircraft Ground Equipment account totaling P14,127,340.00 is attributable to the 4 units of brand-new Toyota vehicles amounting to P6,637,340.00 and for one (1) unit Mock-Up engine P7,490,000.00.

9. Intangible Assets

Accounts	2023	2022
Computer Software	31,365,823.00	128,000.00
<i>Less: Accumulated Amortization – Computer Software</i>	<i>13,339,208.92</i>	<i>0.00</i>
Total	18,026,614.08	128,000.00

Intangible asset consists of computer software and website recorded based on its acquisition cost and being amortized over 5 years using straight line method.

The CY 2023 balance of intangible assets amount of P31,237,823.00 is attributable to the reclassification made from ICT Equipment accounts to Intangible Asset to properly reflect the nature of the assets.

10. Financial Liabilities

Accounts	2023	2022 Restated
Accounts Payable	12,526,656.99	9,401,456.62
Due to Officers and Employees	1,710,129.87	2,865,525.83
Guaranty/Deposits Payable	1,366,574.08	0.00
Total	15,603,360.94	12,266,982.45

The Accounts Payable account CY 2023 balance of P12,526,656.99 is attributable to the unpaid four (4) brand new Toyota vehicles, unpaid security & utilities services and other unreleased checks.

Guaranty Deposit amounting to P1,366,574.08 is the current portion and was presented under Current Asset (Guaranty/Deposit) Note No.14.

11. Inter-Agency Payables

Accounts	2023	2022 Restated
Due to BIR	3,198,082.67	4,353,016.25
Due to GSIS	872,331.95	522,000.38
Due to Pag-IBIG	728,698.65	722,893.92
Due to PhilHealth	21,158.37	21,103.82
Due to NGAs	51,994,261.57	41,573,453.57
Due to GOCCs	18,908.73	18,908.73
Total	56,833,441.94	47,211,376.67

For CY 2023 a substantial portion was remitted to the concerned government institutions in the ensuing year, while unaccounted amounts in prior years of the Due to BIR, Due to GSIS, Due to Pag-IBIG and Due to PhilHealth accounts amounting to P1,034,095.37, P280,551.61, P722,893.92 and P21,103.82, respectively, are still subject for reconciliation.

The increase in the Due to NGAs account in CY 2023 is attributable to the receipt of cash grant from CHED amounting to P14,100,000.00 for the project “Procurement of Gas Turbine Engine Assembly/Dis-Assembly”. The contract with the winning bidder was signed on January 5, 2024.

As of December 31, 2023, the PhilSCA may incur liability for non-refundable Commitment Fee amounting to 40,000.00 Canadian Dollar which is expected to be paid sometime April, 2024 upon issuance of required invoice/billing from the foreign supplier. The PhilSCA cannot reliably estimate the equivalent value of remaining commitment fee in Philippine Peso together with related bank transfer fees and charges.

The commitment fee was part of the cash grant of CHED amounting P16,000,000.00 for the project “Twinning and Training Program” between Philippine State College of Aeronautics (PhilSCA), Philippine Air Force (PAF), (WCC) and British Columbia Information Technology (BCIT).

Due to GSIS Account was restated in CY 2022 from P457,600.38 to P522,000.38 representing payment of unpaid prior years government share in GSIS premium for the employee designated as Vice President.

12. Intra-Agency Payable

Particulars	Nature	Amount
Intra Fund Payable of F05 IGI to F01	Cash Gift & Year-end Bonus of two former employees funded by F01 but returned by Bank to Local fund Bank Account (3562-1003-84)	27,862.60
Intra Fund Payable of F05 IGI against F01	The return to F01 of the overpayment made to supplier recovered & collected	746,250.00

Particulars	Nature	Amount
	by F05 IGI	
Intra Fund Receivable of F05 IGI to F01	The return of F01 of training cost of resigned personnel paid in advanced by Fund 05	100,800.00
Net Payable of F05 to Fund 01		874,912.60

13. Other Payables

The Other Payables account in the amount of P199,984.72 in CY 2023 refers to the balance due for remittance next month to the PhilSCA's accredited employees' association from membership dues and loan repayments.

14. Trust Liabilities

Accounts	2023		2022	
	Current	Non-Current	Current	Non-Current
Guaranty/Deposit Payable	1,366,574.08	2,476,892.30	0.00	8,366,544.35
Total	1,366,574.08	2,476,892.30	0.00	8,366,544.35

The Guaranty/Deposits Payable account under the non-current portion in CY 2023 refers to the ten percent (10%) retentions made against payments to contractors.

15. Service and Business Income

Accounts	2023	2022 Restated
Business Income		
School Fees	293,580,666.33	122,784,681.33
Rent/ Lease Income	1,383,615.52	847,866.08
Interest Income	226,980.42	236,297.48
Fines and Penalties	277,590.25	149,383.75
Other Business Income	2,264,237.92	4,291,793.88
Miscellaneous Income	1,357,841.20	3,213,787.78
Total	299,090,931.64	131,523,810.30

Business Income account comprises different types of fees: School Fees and Fines and Penalties collected from students; Rent/Lease Income is collection from the rental of spaces; Interest Income comes from the interest earned from bank accounts; and Other Business and Miscellaneous Income are income collected from Income Generating Projects.

The School Fees consist of collection from paying and non-paying students. Non-Paying students are those qualified and opted to avail the benefits of Universal Access to Quality Tertiary Education Act (UAQTEA) under RA No. 10931. The School Fees

collection for CY 2023 represents Billing to CHED amounting to P274,955,880.00) broken down as follows; 95,007,110.00 - 1st Sem AY 2022-2023; 88,341,965.00 – 2nd Sem AY 2022-2023 and 91,606,805.00 – 1st Sem AY2023-2024

Miscellaneous Income collected for CY 2023 amounting P1,357,302.40 consist of P722,092.12 – Liquidated Damages; 585,693.00 – Sales of scrap/unserviceable equipment and 49,517.28 –Others

16. Personnel Services

This account refers to all payments related to the salaries & other compensation of regular personnel and benefits received by the teaching and non-teaching personnel of the PhilSCA, broken down as follows:

16.1 Salaries and Wages

Account	2023	2022 Restated
Basic Salary-Civilian	95,498,150.60	90,759,804.49
Total	95,498,150.60	90,759,804.49

16.2 Other Compensation

Accounts	2023	2022 Restated
Personal Economic Relief Allowance (PERA)	4,963,162.78	5,463,886.75
Representation Allowance (RA)	462,000.00	417,000.00
Transportation Allowance (TA)	360,000.00	417,000.00
Clothing/ Uniform Allowance-Civilian	1,188,000.00	1,266,000.00
Subsistence Allowance	17,250.00	17,475.00
Laundry Allowance	2,352.20	2,376.08
Honoraria-Civilian	15,525,957.26	15,282,183.83
Year End Bonus-Civilian	7,839,653.55	7,493,604.90
Cash Gift-Civilian	1,027,500.00	1,050,750.00
Mid-Year Bonus-Civilian	7,693,458.00	7,552,925.00
Collective Negotiation Agreement Incentive	2,862,120.00	2,157,360.00
Productivity Enhancement Incentive - Civilian	0.00	1,026,000.00
Other Bonuses and Allowances	1,008,000.00	0.00
Total	42,949,453.79	42,146,561.56

The Subsistence Allowance and Laundry Allowance balances for CY 2022 were restated from P10,725.00 and 1,455.65 respectively to P17,475.00 and P2,376.08 to reflect the payment made in CY 2023 for the account of CY 2022.

16.3 Personnel Benefit Contributions

Accounts	2023	2022 Restated
Retirement and Life Insurance Premiums	12,423,807.42	10,806,527.33
Pag-IBIG Contributions	247,500.00	786,128.81
PhilHealth Contributions	1,821,363.69	1,723,720.09
Employees Compensation Insurance Premiums	260,702.31	252,300.00
Total	14,753,373.42	13,568,676.23

The Retirement and Life Insurance Premiums account as of December 31, 2022, was restated from P10,766,915.84 to P10,806,527.33 balance due to remittances of RLIP made in 2023 which properly pertain to CY2022.

16.4 Other Personnel Benefits

Accounts	2023	2022
Terminal Leave Benefits-Civilian	4,163,340.21	1,890,244.50
Other Personnel Benefits	4,139,000.00	2,095,000.00
Total	8,302,340.21	3,985,244.50

The increase in the Other Benefits Account of CY 2023 is attributable to the payment of Leave Monetization, Terminal Leave and Service Recognition Incentives and Loyalty awardees for CY 2023.

17. Maintenance and Other Operating Expenses

17.1 Traveling Expenses

Accounts	2023	2022 Restated
Traveling Expenses - Local	7,113,185.71	3,394,995.61
Traveling Expenses - Foreign	1,175,200.01	780,110.47
Total	8,288,385.72	4,175,106.08

The Traveling Expenses-Local account as of December 31, 2022, was restated from P3,203,678.61 to P3,394,995.61 due to prior period expense that was recorded only in CY 2023.

The Travelling Expense-Foreign balance in CY 2022 was also restated from P151,763.57 to P780,110.47 due to unrecorded expenses amounting to P628,346.90. The CY 2023 increase in the account is attributable to the official business trips to Canada, Vietnam & San Diego California, USA by different PhilSCA officials during the CY 2023.

17.2 Training and Scholarship Expenses

The Training and Scholarship expense for CY 2023 compose of Training expenses of BSAT students and of personnel.

17.3 Supplies and Materials Expenses

Accounts	2023	2022 Restated
Supplies and Materials Expenses		
Office Supplies Expenses	3,027,335.09	1,924,898.39
Accountable Forms Expenses	24,392.00	5,064.00
Drugs and Medicines Expenses	19,418.75	17,140.75
Medical, Dental and Laboratory Supplies Expenses	22,494.00	101,522.40
Fuel, Oil, and Lubricants Expenses	1,130,960.54	1,088,637.66
Other Supplies and Materials Expenses	9,467,543.36	5,923,977.83
Subtotal	13,692,143.74	9,061,241.03
Semi-Expendable expenses		
Semi-Expendable Office Equipment Expenses	405,735.00	0.00
Semi-Expendable Furniture and Fixtures Expenses	223,150.00	0.00
Semi-Expendable Books	407,590.00	0.00
Semi-Expendable Sports Equipment Expenses	800,600.00	0.00
Subtotal	1,837,075.00	0.00
Total	15,529,218.74	9,061,241.03

The Office Supplies Expenses account as of December 31, 2022 was restated from P1,881,892.77 to P1,924,898.39 balance due to the prior period expense that was only recorded in CY 2023.

The Drugs and Medicines Expenses account was restated from P2,617.25 to P17,140.75 balance due to the prior period expense that was only recorded in CY 2023.

The Medical, Dental and Laboratory Supplies Expenses account was also restated from P85,612.40 to P101,522.40 balance due to the prior period expense that was only recorded in CY 2023 amounting to P15,910.00.

The Fuel, Oil and Lubricants Expenses account was restated from P940,717.90 to P1,088,637.66 balance due to the prior period expense that was only recorded in CY 2023 amounting to P147,919.76.

The Other Supplies and Materials Expenses account was also restated from P4,125,495.76 to 5,923,977.83 balance due to the prior period expense that was only recorded in CY 2023 amounting to P1,798,482.07.

17.4 Utility Expenses

Accounts	2023	2022 Restated
Water Expenses	7,241,662.36	4,530,126.65
Electricity Expenses	8,795,793.13	6,471,831.89
Total	16,037,455.49	11,001,958.54

The Water Expenses account as of December 31, 2022, was restated from 4,226,276.07 to P4,530,126.65, leaving a difference of P303,850.58 due to the prior period expense for CY 2022 that was paid only in CY 2023.

The Electricity Expenses account was also restated from P6,224,750.40 to 6,471,831.89 balance due to the CY 2022 expenses recorded in CY 2023 amounting to 247,081.49.

17.5 Communication Expenses

Accounts	2023	2022 Restated
Postage and Courier Services	190,287.50	36,324.54
Telephone Expenses	457,626.00	506,729.00
Internet Subscription Expenses	1,215.00	984,008.52
Cable, Satellite, Telegraph and Radio Expenses	1,058,739.36	0.00
Total	1,707,867.86	1,527,062.06

The Postage and Courier Services Expenses account as of December 31, 2022 was restated from P26,201.96 to P36,324.54 balance due to the expenses pertaining to CY 2022 that was recorded only in CY 2023.

The Telephone Expenses account as of December 31, 2022 was restated from P503,679 to P506,729.00 balance due to the prior period expenses pertaining to CY 2022 that was recorded only in CY 2023.

The Internet Subscription Expenses account was also restated from P966,110.52 to P984,008.52 balance due to the CY 2022 expenses that was recorded only in CY 2023.

17.6 Awards/ Rewards, Prizes and Indemnities

The account Awards/Rewards, Prizes, and Indemnities totaling P50,000.00 for the CY 2023 represent the financial rewards and incentives awarded to the PhilSCA Aeronautical Engineering graduates who made it to the top 10 spots in the PRC board examination, while the P10,250.00 represents various prizes to participants during contests.

17.7 Confidential, Intelligence, and Extraordinary Expenses

The Extraordinary and Miscellaneous Expenses accounts for CYs 2023 and 2022 amounted to P92,772.97 and P115,378.35, respectively.

17.8 Professional Services

Accounts	2023	2022 Restated
Legal Services	630,000.00	625,700.00
Auditing Services	111,614.56	59,026.29
Consultancy Services	0.00	475,250.00
Other Professional Services	36,462,196.10	39,358,500.94
Total	37,203,810.66	40,518,477.23

The Auditing Services account as of December 31, 2022 was restated from P48,792.29 to P59,026.29 balance due to the payment of prior period services in CY 2022 but were only recorded in CY 2023.

The Other Professional Services account represents the professional fee for the Contract of Service Faculty and other professional services rendered. The account was also restated due to the payment of prior period services in CY 2022 but was only recorded in CY 2023.

17.9 General Services

Accounts	2022	2022 Restated
Security Services	12,366,383.14	13,835,696.75
Janitorial Services	12,485,044.11	11,774,630.38
Other General Services	18,893,747.41	17,745,853.82
Total	43,745,174.66	43,356,180.95

The Security Services account represents the contract made with the security services company for the security maintenance of all PhilSCA Campus. The account was restated from P12,601,486.19 to P13,835,696.75 balance due to the payment of prior period services in CY 2022 but was only recorded in CY 2023 amounting to P1,234,210.56.

The Janitorial Services account represents the contract made with the manpower services company for the maintenance and cleanliness of the PhilSCA-Villamor Campus. This was also restated from P10,802,582.99 to P11,774,630.38 balance due to the payment of prior period services in CY 2022 but was only recorded in CY 2023.

The Other General Services account represents the payments for the services rendered mostly by the Contract of Service personnel.

17.10 Repairs and Maintenance

Accounts	2023	2022 Restated
Repairs and Maintenance - Buildings and Other Structures	1,155,957.35	2,747,522.75
Repairs and Maintenance - School Buildings	660,362.00	79,211.00
Repairs and Maintenance - Other Structures	0.00	7,208.97
Repairs and Maintenance - Machinery and Equipment	83,446.00	118,052.00
Repairs and Maintenance - Office Equipment	239,126.00	69,231.00
Repairs and Maintenance - ICT Equipment	800.00	0.00
Repairs and Maintenance - Transportation Equipment	281,251.49	236,776.29
Repairs and Maintenance - Motor Vehicles	188,488.00	261,542.65
Repairs and Maintenance -Aircrafts and Aircrafts Ground Equipment	319,841.14	90,466.73
Repairs and Maintenance - Furniture and Fixtures	41,015.00	0.00
Repairs and Maintenance - Other Property, Plant and Equipment	0.00	290,000.00
Repairs and Maintenance - Semi-Expendable Office Equipment	16,200.00	1,000.00
Total	2,986,486.98	3,901,011.39

The Repairs and Maintenance – School Buildings account as of December 31, 2022, was restated from P70,876.00 to 79,211.00 balance due to the recording of CY 2022 adjustment in CY 2023.

The Repairs and Maintenance – Office Equipment account as of December 31, 2022, was restated from P62,906.00 to P69,231.00 balance due to recording of CY 2022 adjustment in CY 2023.

The Repairs and Maintenance - Motor Vehicles account was restated from P230,572.65 to P261,542.65 due to recording of prior period expenses in CY 2022 but was only recorded in CY 2023 amounting to P30,970.00.

The Repairs and Maintenance –Aircraft and Aircraft Ground Equipment account as of December 31, 2022 was restated from P81,941.98 to P90,466.73 balance due to recording of CY 2022 adjustment in CY 2023.

17.11 Taxes, Insurance Premiums and Other Fees

Accounts	2023	2022 Restated
Taxes, Duties and Licenses	206,834.25	745,108.98
Fidelity Bond Premiums	511,982.86	139,741.08
Insurance Expenses	4,666,718.55	4,311,627.06
Total	5,385,535.66	5,196,477.12

The Taxes, Duties and Licenses account as of December 31, 2022 was restated from P744,458.98 to P745,108.98 due to CY 2022 expense that was only recorded in CY 2023.

17.12 Other Maintenance and Operating Expenses & Subsidy-Others

Particulars	2023	2022 Restated
Other Maintenance and Operating Expenses		
Advertising, Promotional and Marketing Expenses	383,130.00	0.00
Printing and Publication Expenses	2,323,784.00	1,250,212.00
Representation Expenses	5,170,717.49	4,161,607.14
Transportation and Delivery Expenses	0.00	0.00
Rent/Lease Expenses	3,501,095.07	2,221,890.00
Membership Dues and Contributions to Organizations	2,711,690.51	638,570.08
Subscription Expenses	1,839,554.16	2,551,503.82
Other Subscription Expenses	48,242.84	9,794.47
Library and Other Reading Materials Subscription Expenses	87,350.00	0.00
Web Maintenance	300,000.00	0.00
Other Maintenance and Operating Expenses	3,522,641.76	152,190.00
Subtotal	19,888,205.83	10,985,767.51
Subsidy - Others		
Subsidy – Others	274,955,880.00	112,215,260.00
Subtotal	274,955,880.00	112,215,260.00
Total	294,844,085.83	123,201,027.51

The Printing and Publication Expenses account as of December 31, 2022, was restated from P1,233,297.00 to P1,250,212.00 balance due to CY 2022 expense that was recorded in CY 2023.

The Representation Expenses account was restated from P3,730,103.47 to P4,161,607.14 having a difference of P431,503.67, which was due to CY 2022 expense that was recorded in CY 2023.

The Rent/Lease Expenses account was restated from P2,156,190.00 to P2,221,890.00, having a difference of P65,700.00, which was due to CY 2022 expense that was recorded in CY 2023.

17.13 Research Expenses

The account Research, Exploration, and Development Expenses for CYs 2023 and 2022 amounted to P500.00 and P47,156.54, respectively.

18. Financial Expenses

Accounts	2023	2022 Restated
Bank Transaction Fee	0.00	150.00
Other Financial Charges	100.00	365.00
Total	100.00	515.00

19. Non-Cash Expenses

This expense account consists of all the depreciation expenses for PPE and impairment loss from receivables, broken down as follows:

19.1 Depreciation

Accounts	2023	2022 Restated
Depreciation - Other Land Improvements	14,960.43	14,960.43
Depreciation - Power Supply Systems	12,129.60	12,129.60
Depreciation - Communications Network	551,000.00	551,000.00
Depreciation – School Buildings	12,281,250.53	11,208,250.16
Depreciation – Buildings	1,110,581.50	318,914.84
Depreciation - Other Structures	2,714,247.15	2,712,208.42
Depreciation - Technical and Scientific Equipment	6,263,650.11	907,506.51
Depreciation - Communication Equipment	53,350.58	53,350.58
Depreciation - Office Equipment	238,970.60	163,077.00
Depreciation - ICT Equipment	3,178,198.02	5,799,162.87
Depreciation – Motor Vehicles	430,678.88	280,547.57
Depreciation – Aircrafts and Aircraft Ground Equipment	343,329.74	2,031,495.24
Depreciation – Medical Equipment	15,960.00	31,920.00
Depreciation – Furniture and Fixtures	230,721.75	236,204.83
Depreciation – Sports Equipment	24,832.73	40,706.28
Depreciation – Other Equipment	176,201.60	779,562.82
Depreciation – Books	39,194.15	25,444.80
Depreciation - Motor Vehicles	0.00	280,547.57
Total	27,679,257.37	25,446,989.52

The Depreciation Expense accounts as of December 31, 2022 was restated from P26,245,246.24 to P25,446,989.52 balance due to adjustments in the recorded depreciation expense of ICT equipment amounting to P798,256.72.

19.2 Impairment Losses

Accounts	2023	2022 Restated
Impairment Loss - Loans and Receivables	0.00	111,980.33
Impairment Loss – Operating Lease Receivables	471.85	5,174.25

Accounts	2023	2022 Restated
Impairment Loss - School Building	0.00	212,020.00
Impairment Loss - Other Assets	0.00	2,098,569.72
Total	471.85	2,427,744.30

The Impairment Loss - Other Assets for CY 2023 is attributable to the reversal of various semi-expendable items pursuant to COA Circular 2022-004 relative to the increase capitalization threshold from P15,000.00 to P50,0000.00.

19.3 Amortization of Intangibles

Accounts	2023	2022 Restated
Amortization of Expense – Computer software	3,972,030.37	758,489.73
Total	3,972,030.37	758,489.73

20. Restatement of Accounts Due to Prior Period Errors

During CY 2023, the PhilSCA has restated its previously issued FSs for the year 2022 to correct the prior year's errors and/or omissions in recording transactions, as follows:

No.	Particulars/Nature of Error	Net Effect to Accumulated Surplus/(Deficit), January 1, 2023
Fund Cluster 01		
1.	Record return of Salary at Year End Bonus	39,407.86
2.	Record Operating Expense	(3,981,633.83)
3	Record Over depreciation of ICT equipment	39,766.99
Fund Cluster 05		
1	Record of Prior Year's Expenses	(4,913,954.09)
2	Returns of Fund to CHED as Liquidating damages	1,447,776.00
3	Record of return of Salary	895.24
4	Prior Year's Income	162,147.05
Subtotal		(7,205,594.78)

The effects of the restatement on various FSs accounts are summarized below:

No.	Accounts Affected	Effect on CY 2022 FSs Increase/ (Decrease)
Fund Cluster 01		
1.	Various expenses	3,942,225.97
	Accounts Payable	3,727,675.30
	Due to Officers and Employees	214,550.67

No.	Accounts Affected	Effect on CY 2022 FSs Increase/ (Decrease)
2.	Depreciation - Technical and Scientific Equipment	898,800.00
	Accumulated Depreciation - Technical and Scientific Equipment	898,800.00
3.	Depreciation - ICT Equipment	(798,256.72)
	Accumulated Depreciation - ICT Equipment	(798,256.72)
4.	Depreciation - Aircrafts and Aircrafts Ground Equipment	(898,800.00)
	Accumulated Depreciation - Aircrafts and Aircrafts Ground Equipment	(898,800.00)
5.	Amortization Expense - Computer Software	758,489.73
	Accumulated Amortization - Computer Software	758,489.73
Fund Cluster 05		
1.	Miscellaneous Income	1,609,923.05
	Due from National Government Agencies	1,609,923.05
2.	Various expenses	4,913,058.85
	Accounts Payable	3,813,824.14
	Due to Officers and Employees	1,099,234.71

21. Other Adjustments

No.	Accounts Affected	Effect on CY 2022 FS Increase / (Decrease)
Fund Cluster 01		
1.	Record Return of Overpaid Salary	1,385.00
2.	Overpayment of Repair & Rehab of Bldg. A & B in VAB	746,250.00
3	Record penalty on Tax Remittance to BIR	(281,434.53)
Fund Cluster 05		
1	Recognition of payment of penalty on late payment to BIR	(281,434.53)
2	Recognition of Disallowance Receivable	787,000.00
3	Overstatement of Depreciation of various PPE	3,702,030.31
4	Recognition of Amortization expense	(4,209,448.33)
5	Understatement of Depreciation expense	(7,273,976.83)
6	Recognition of Semi-Expendable expense	3,308,400.00
7	Recognition of donation in Kind	46,667,115.98
8	Record adjustment in Operating Lease Receivable	(1,034.25)
9	Record adjustment in Impairment Loss	320,695.85
10	Record reversal of Operating Lease Income	(107,865.00)
Subtotal		43,377,683.67

22. Adjustment of Net Revenue Recognized Directly in Net Assets/Equity

The amount of P722,978.83 reflected in the Statement of Changes in Net Assets/Equity pertains to the recorded amount under the account Cash-Treasury Agency Deposit,

Regular upon remittance to the BTr and closed to the Accumulated Surplus/(Deficit) in CY 2023.

23. Net Assistance/Subsidy

Particulars	2023	2022
NCA received for the year	474,200,237.00	301,751,685.00
Tax Remittance Advice (TRA)	8,934,137.52	9,466,724.00
Total	483,134,374.52	311,218,409.00
Less: Reversal of unutilized NCA	(1,277,553.58)	(62,066.72)
Net Financial Assistance/Subsidy	481,856,820.94	311,156,342.28

24. Receipt of Notice of Cash Allocations (NCA)

Month	2023	2022
January	12,924,000.00	12,557,000.00
February	109,282,134.00	13,377,362.00
March	13,543,012.00	13,238,681.00
April	26,394,756.00	26,502,556.00
May	22,084,049.00	21,480,582.00
June	13,312,012.00	13,043,681.00
July	14,131,012.00	13,159,681.00
August	13,539,012.00	13,449,156.00
September	102,117,977.00	125,279,941.00
October	13,621,012.00	13,087,681.00
November	26,744,447.00	22,345,682.00
December	106,506,814.00	14,229,682.00
Total	474,200,237.00	301,751,685.00

25. Collection of Income/Revenues

The total income realized by the PhilSCA for FY 2023 is broken down as follows:

Particulars	2023	2022
Service and Business Income	299,369,554.59	121,744,240.60
Other Income	738,489.35	0.00
Receipt of Shares, Grants, and Donations	0.00	19,000,000.00
Receipt of Prior Years' Income	31,975.24	463,210.47
Total	300,140,019.18	141,207,451.07

The amount of P112,215,260.00 in Service and Business Income represents collection from DBM for the FHE Subsidy budget downloaded to the Regular Agency Fund (F01) representing billing made for the enrolled qualified students. The amount is being transferred to Internally Generated Funds (F05) for use in the PhilSCA's operations.

26. Receipt of Assistance and Subsidy from Other NGAs, LGUs and GOCCs

The amount of P18,548,958.00 balance pertains to the collected financial subsidy from DBM and financial assistance from CHED - TES, Tulong-Dunong, and other Scholarships.

27. Collection of Receivables

The collection of accounts receivables by the PhilSCA for CYs 2023 and 2022 amounted to P539,177.52 and P504,848.40, respectively

28. Other Receipts and Adjustments

Particulars	2023	2022 Restated
Refund of Cash Advances	2,134,541.07	1,567,074.35
Unused Petty Cash Fund	106.00	0.00
Refund of guaranty deposits	2,091,222.89	3,323,088.49
Refund of clothing allowance	6,000.00	0.00
Refund from overpayment of personnel services	72,342.96	0.00
Refund of year-end bonus/Cash gift	53,288.00	0.00
Refund of advances to contractors	12,390,099.50	12,222,815.25
Collection of Disallowed hazard pay	0.00	25,500.00
Collection of Liquidated Damages	162,777.05	0.00
Constructive Receipt of TRA	6,735,796.55	9,472,868.36
Adjustment – Restoration to Cash Account of Unreleased Check	21,865.36	811,966.31
Total	23,668,039.38	27,423,312.76

29. Payment of Expenses

Particulars	2023	2022 Restated
Payment of PS	147,222,596.85	133,502,422.64
Payment of MOOE	103,369,447.60	111,376,233.41
Payment of financial expenses	100.00	0.00
Payment of expenses pertaining to / incurred in the prior years	4,038,780.41	1,458,451.27
Subtotal	254,630,924.86	246,337,107.32
Remittance to National Treasury	722,978.83	120,045.59
Subtotal	722,978.83	120,045.59
Total	255,353,903.69	246,457,152.91

30. Purchase of Inventories

Particulars	2023	2022
Purchase of Semi-Expendable Equipment		
Purchase of Disaster Response and Rescue Equipment	69,703.48	0.00
Purchase of Semi-Expendable - Furniture and Fixtures	223,150.00	49,515.00
Purchase of Semi-Expendable - Books	407,590.00	0.00
Purchase of Semi-Expendable - Office Equipment	405,735.00	707,700.00
Purchase of Semi-Expendable – Sport Equipment	800,600.00	0.00
Purchase of Semi -Expendable - Technical and Scientific Equipment	0.00	412,207.81
Purchase of Semi-Expendable - ICT Equipment	0.00	457,802.11
Purchase of Semi-Expendable - Other Equipment	0.00	25,080.36
Purchase of Semi-Expendable - Medical Equipment	0.00	65,424.71
Subtotal – Semi Expendable Equipment	1,906,778.48	1,717,729.99
Purchase of Inventories		
Purchase of Office supplies Inventory	795,328.95	0.00
Purchase of medical, dental, and laboratory supplies inventories	0.00	10,428.70
Purchase of drugs and medicines inventory	0.00	592,162.38
Purchase of disaster response and rescue equipment	69,703.48	
Purchase of fuel, oil and lubricants inventory	0.00	166,798.57
Purchase of other supplies and materials inventory	37,960.90	30,507.37
Purchase of Inventory held for consumption	13,090,633.94	0.00
Subtotal – Inventories	13,993,627.27	799,897.02
Grand Total	15,900,405.75	2,517,627.01

31. Grant of Cash Advances

The total Cash Advances/Payroll Fund/Petty Cash Fund granted is as follows:

Particulars	2023	2022
Special Disbursing Officers	22,567,529.50	16,109,060.00
Officers and Employees	5,588,693.17	2,363,129.41
Total	28,156,222.67	18,472,189.41

32. Prepayments

Particulars	2023	2022
Prepaid Insurance	4,647,071.38	4,717,355.35
Other Prepayment	445,000.00	0.00
Prepaid Subscription	3,643,661.11	1,959,750.00
Total	8,735,732.49	6,677,105.35

The Prepaid Insurance for CY 2023 represents payments made for the insurance of properties and the Student's Personal Accident insurance which will expire during CY 2023.

Payment for Prepaid Subscription is an advance payment made for the three (3) year period from CY 2022 to CY 2024 for subscription of Anti-Plagiarism Honesty Clause Checker and Computer-Based Air Traffic Control Training Software.

33. Payment of Guaranty Deposit Payable

The amount represents the return of the retention deposit amount collected from contractor billing upon completion and acceptance of the construction project.

34. Payment of Accounts Payable

The prior year's account payable amounting to P1,942,020.51 and P4,578,243.03 in CYs 2023 and 2022, respectively, represents payment made for contractor's billing for the delivered item and or completed contract where prior commitment of funds was made.

35. Remittance of Personnel Benefit Contributions and Mandatory Deductions

This refers to the total monthly remittances of GSIS/Pag-IBIG/PhilHealth and other payables, broken down as follows:

Particulars	2023	2022 Restated
Remittance of taxes withheld not covered by TRA	8,866,831.08	11,418,569.77
Remittance to GSIS/Pag-IBIG/PhilHealth	37,815,676.55	35,650,818.27
Remittance of other payables	5,235,345.96	6,911,764.84
Total	51,917,853.59	53,981,152.88

36. Grant of Financial Assistance/Subsidy

This amount of P2,400.00 and P72,262.50 for the CY 2023 and 2022 respectively, pertains to the receipt of Administrative Service Cost (ASC) from CHED-Grants of Scholarships. The adjustment for CY 2023 is attributable to the financial grant to the student trustees amounting to P3,066,400.00

37. Released in Intra-Agency Fund Transfer

The Subsidy-Others amounting to P274,955,880.00 pertains to the FHE Subsidy received from DBM to the Regular Agency Fund account (F01) and transferred to Internally Generated Funds (F05) for use in the PhilSCA's operation.

38. Reversal of the Unutilized NCA

The total lapsed NCA balance for FY 2023 amounted to P1,277,553.58, which was reverted to the account of the National Treasury as of December 31, 2023.

39. Other Disbursements – Adjustment

The adjustment for CY 2023 is attributable to the other financial grant to the student trustees amounting to P50,620.00.

40. Purchase of Property, Plant and Equipment

Particulars	2023	2022 Restated
Purchase/Construction of Property, Plant and Equipment		
Construction in Progress	29,870,898.05	71,181,750.10
Purchase of Office Equipment	360,000.00	65,600.00
Purchase of Aircraft and Aircrafts Ground Equipment	7,490,000.00	49,022,075.00
Purchase of ICT Equipment	14,888,000.00	0.00
Purchase of Other PPE	0.00	1,849,800.00
Purchase of Transportation Equipment	25,741,783.91	0.00
Payment for Retention Fee to Contractors	0.00	3,497,976.83
Advances to Contractors	24,054,600.00	21,415,055.94
Payment of Guaranty Deposit	0.00	1,196,438.30
Sub-Total	102,405,281.96	148,228,696.17
Purchase of Intangible Assets		
Purchase of Intangible Assets	0.00	121,142.85
Sub-Total	0.00	121,142.85
Total	102,405,281.96	148,349,839.02

41. Comparison of Budget and Actual Amounts

The original budget for Personnel Services in the amount of P155,175,000.00 was increased by P9,348,002.00. The final budgeted amounts for MOOE and Capital Outlays for FY 2023 were P562,541,207.16 and P32,000,000.00, respectively.

The total disbursements for Personnel Services amounted to P146,345,401.56 leaving a difference of P18,177,600.44 from the final budget allocation for Personnel Services, while the MOOE total disbursements amounted to P319,564,118.92 with a balance of P242,977,088.24. The significant difference was attributed to unreleased appropriations. The total disbursements for Capital Outlays amounted to P3,749,250.00, leaving a balance of P28,250,750.00 from the final budget allocation for Capital Outlay which is due to unreleased current year appropriations.

41.1 Personnel Services

Particulars	Budgeted Amount		Actual Amounts on Comparable Basis
	Original	Final	
Agency Specific Budget	143,842,000.00	146,704,120.00	129,475,059.06
Automatic Appropriations	11,333,000.00	12,294,974.00	11,825,499.74
Special Purpose Fund	0.00	5,523,908.00	5,044,842.76
Total	155,175,000.00	164,523,002.00	146,345,401.56

41.2 Maintenance and Other Operating Expenses

Particulars	Budgeted Amount		Actual Amounts on Comparable Basis
	Original	Final	
Current Year Appropriations	362,537,500.00	562,541,207.16	319,564,118.92

41.3 Capital Outlays

Particulars	Budgeted Amount		Actual Amounts on Comparable Basis
	Original	Final	
Machinery and Equipment	25,000,000.00	32,000,000.00	3,749,250.00

42. Related Party Transactions

42.1 Key Management Personnel

The key management personnel of the PhilSCA are the members of the BOT, the President, and the members of the senior management group. The BOT is composed of members appointed by CHED, representatives from NEDA, the student body, the faculty and alumni association, and the private sector.

42.2 Key Management Personnel Compensation

The aggregate remuneration of the members of the governing body and the number of members determined on a full-time equivalent basis receiving remuneration within this category are:

Particulars	Aggregate Remuneration	
	2023	2022
Salaries and Wages	5,150,192.85	4,373,273.00
Other Compensation and Benefits	1,533,884.00	1,545,480.35
Honoraria	165,000.00	155,000.00
Total	6,849,076.85	6,073,753.35