

EXECUTIVE SUMMARY

PSS Single Audit Report as of September 30, 2004

Single Audit Summary No. 05-003, March 28, 2006

Summary

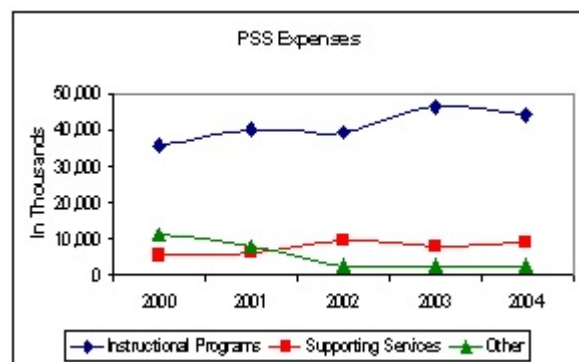
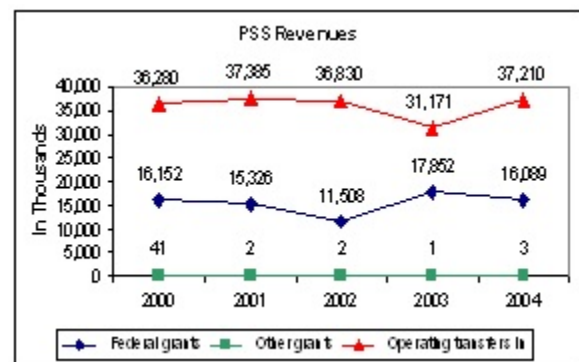
The Public School System (PSS) contracted with J. Scott Magliari & Company, an independent auditing firm, to conduct a financial audit of PSS for the fiscal ended September 30, 2004. The audit was conducted in accordance with auditing standards generally accepted in the United States and with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. This summary presents the Office of the Public Auditor's (OPA) review of J. Scott Magliari & Company's *Report on the Audit of Financial Statements in Accordance with Government Auditing Standards* for the year ended September 30, 2004. Included in the summary are audited data for the fiscal years (FY) ending September 30, 2000 through 2003.¹ This summary is provided solely for informational purposes. As the audit was conducted by J. Scott Magliari & Company, no audit opinion on the related data is expressed nor inferred by OPA.

The Opinion, Financial Statements, and Notes to the Financial Statements are the three primary components, which taken together, give an informed reader an overview of the financial condition of the audited entity. PSS received an unqualified opinion, or "clean" opinion, indicating that the data contained in the report can be relied upon.

Fiscal Year 2004 Performance

The Public School System operates 22 schools and employs over 1,150 government workers. PSS receives funding from several sources including federal grants and transfers from the CNMI government. In FY 2004, PSS received about \$16 million in federal grants and about \$37 million in transfers from the CNMI government, representing an 11.65% increase in revenues from the FY 2003 level. Most of this increase is attributable to the 19.37% increase in transfers from the CNMI government, from \$31 million in FY 2003 to \$37 million in FY 2004. Federal grants for the same period fell by almost \$1.8 million, or 9.88%.

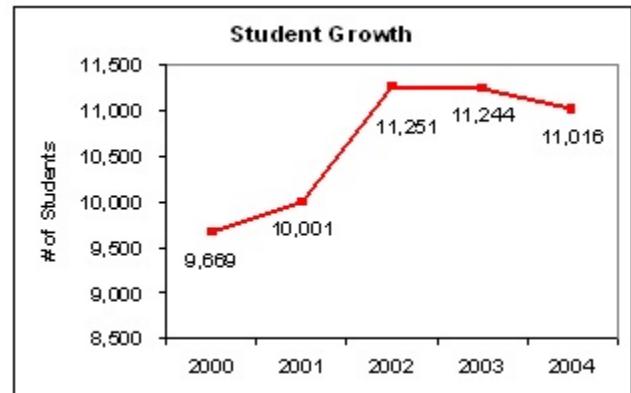
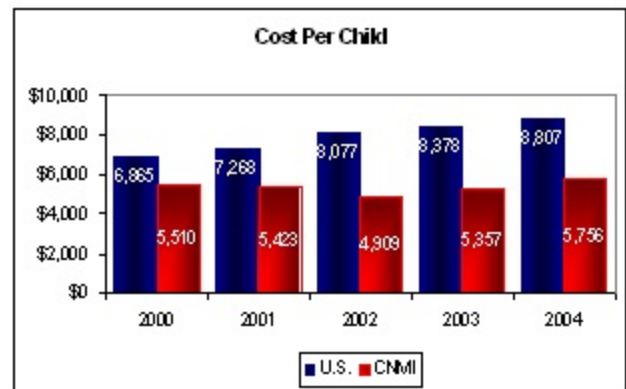
Expenses in FY 2004 decreased by approximately \$1.3 million or 2.4%. The major decrease in expenses was a result of roughly \$2.2 million cut in instructional expenses. In FY 2003, PSS spent \$46.3 million in instructional expenses while it only spent \$44.1 million in FY 2004. However, PSS experienced an increase in supporting



¹ J. Scott Magliari & Company was the contracted independent CPA firm who conducted the audits for fiscal years 2000 through 2003.

expenses. Over \$9 million in support services expenses were incurred in FY 2004 compared to less than \$8 million in FY 2003.

PSS has not incurred any long-term debt even with the opening of several new schools in recent years. CNMI House Joint Resolution No. 10-36 authorized PSS to issue general obligation bonds to help leverage federal capital improvement project funds to finance school construction projects. The bonds are to be repaid by the CNMI Government through the appropriation of liquid fuel taxes pursuant to Public Law 11-14. Consequently, the bonds are recorded on the books of the CNMI Government and not PSS. Furthermore, PSS has been able to operate all 22 schools without any major changes to its budget. This was made possible through the reprogramming of funds from other schools, as well as the cutting of certain expenses.



In FY 2004, the total CNMI cost per child was 34.64% less than that spent by the federal government. As depicted in the chart, the total CNMI spending per child has not varied significantly in the last five fiscal years. However, the narrowest gap between the two levels occurred in FY 2000 when the CNMI spent \$5,510 per child compared to federal spending of \$6,865 per child. What should be noted, however, is that in spite of the increase in student population since FY 2000, the CNMI spending level has remained somewhat constant per child.

Audit Findings

Audit findings are reportable items considered material by the auditors. Findings document situations where established policies, procedures or standards have not been followed. Such deviations may lead to losses for the CNMI or misstatements in its financial reports. Findings, if they remain uncorrected, can ultimately lead to qualifications in the Opinion of the auditors. For FY 2004, there were 20 reported findings, an increase from 8 reported findings in FY 2003.



A copy of this report is available at the Office of the Public Auditor

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