

PUBLIC SCHOOL SYSTEM

---

REPORT ON THE AUDIT OF  
FINANCIAL STATEMENTS  
IN ACCORDANCE WITH  
OMB CIRCULAR A-133

YEAR ENDED SEPTEMBER 30, 1999

---

PUBLIC SCHOOL SYSTEM

TABLE OF CONTENTS  
September 30, 1999

<u>Item</u>	<u>Page No(s)</u>
I. COMPREHENSIVE FINANCIAL STATEMENTS	
A. Independent Auditor's Report on Financial Statements	1-2
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	4
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund	5
Notes to Financial Statements	6-13
B. Combining Financial Statements	
Special Revenue Funds:	
Combining Balance Sheet	14
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	15
Capital Project Funds:	
Combining Balance Sheet	16
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	17
C. Supplementary Information	
Schedule of Expenditures of Federal Awards:	
Capital Improvement Projects	18
Federal Grants Fund	19-30
Notes to the Schedule of Expenditures of Federal Awards	31
II. SINGLE AUDIT REPORTS	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting in Accordance with <i>Government Auditing Standards</i>	32-33
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	34-35

PUBLIC SCHOOL SYSTEM

TABLE OF CONTENTS, CONTINUED  
September 30, 1999

<u>Item</u>	<u>Page No(s)</u>
II. SINGLE AUDIT REPORTS, CONTINUED	
Schedule of Findings and Questioned Costs	
Section I - Summary of Auditor's Results	36-38
Section II - Financial Statements Findings	39-50
Section III - Federal Awards Findings and Questioned Costs	51-84
Summary Schedule of Prior Audit Findings	85-111
III. SUMMARY OF UNRESOLVED QUESTIONED COSTS	112
IV. AUDITEE GENERAL RESPONSE ON UNRESOLVED QUESTIONED COSTS	113-114

PUBLIC SCHOOL SYSTEM

---

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS

---

YEAR ENDED SEPTEMBER 30, 1999

J. Scott Magliari  
COMPANY

CERTIFIED PUBLIC ACCOUNTANT

SAIPAN:  
PMB 297 PPP Box 10000 • SAIPAN, MP 96950  
TEL: (670) 233-1837 • FAX: (670) 233-8214

GUAM:  
P. O. Box 12734 • TAMUNING, GUAM 96931  
TEL: (671) 472-2680 • FAX: (671) 472-2686

INDEPENDENT AUDITOR'S REPORT

Board of Education  
Public School System

I have audited the accompanying financial statements of the Public School System (PSS), a component unit of the Commonwealth of the Northern Mariana Islands, as of September 30, 1999, and for the year then ended. These financial statements are the responsibility of PSS's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraphs, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The general fixed assets account group shown in the balance sheet has not been updated since 1995. Because there are no detailed property records available for audit, I was not able to apply auditing procedures necessary to satisfy myself about the amounts reported as investment in fixed assets, net of accumulated depreciation.

Because of inadequacies in the accounting records, I was unable to determine that accounts receivable-CNMI, travel advances, due from grantor agencies, vouchers payable and contract retention payable were fairly stated as of September 30, 1999. Furthermore, in my judgment, the balances of accounts receivable-CNMI, travel advances, due from grantor agencies, vouchers payable and contract retention payable materially affect revenues, expenditures and operating transfers in for the year ended September 30, 1999.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the propriety of the General Fixed Assets Account Group been determinable and had the propriety of accounts receivable-CNMI, travel advances, due from grantor agencies, vouchers payable, contract retention payable, revenues, expenditures and operating transfers in for all Government Fund Types been determinable, such financial statements present fairly, in all material respects, the financial position of PSS as of September 30, 1999, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining balance sheets and statements of revenues, expenditures and changes in fund balances (deficit) for special revenue funds and capital project funds (pages 15 through 18), which are also the responsibility of the management of PSS, are presented for purposes of additional analysis and are not a required part of the financial statements of PSS. Such additional information has been subjected to the auditing procedures applied in my audit of the financial statements and, except for the matters discussed in the third and fourth paragraphs, in my opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 20, 2001 on my consideration of PSS's internal control structure over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Commonwealth of the Northern Mariana Islands  
July 20, 2001

PUBLIC SCHOOL SYSTEM

Balance Sheet  
September 30, 1999  
(With Comparative Totals as of September 30, 1998)

	Governmental Fund Types			Account Groups		Total (Memorandum Only)	
	General	Special	Capital	General	General	1999	1998
	Fund	Revenue Funds	Projects Funds	Long-Term Debt	Fixed Assets		
<b>ASSETS</b>							
Cash	\$ 2,001,729	\$ -	\$ -	\$ -	\$ -	\$ 2,001,729	\$ 2,412,469
Accounts receivable-CNMI (note 4)	4,424,696	14,739	487,609	-	-	4,927,044	4,844,519
Travel Advances	508,212	-	-	-	-	508,212	441,170
Advances	49,733	89,668	-	-	-	139,401	48,878
Due from other funds	-	919,438	311,167	-	-	1,230,605	1,087,372
Due from grantor agencies (note 3)	-	766,798	-	-	-	766,798	497,655
Other receivables	42,957	12,759	-	-	-	55,716	58,889
Investment in fixed assets, net of accumulated depreciation	-	-	-	-	58,201,244	58,201,244	58,201,244
Amount to be provided for retirement of long-term debt	-	-	-	2,589,885	-	2,589,885	2,257,866
	<u>\$ 7,027,327</u>	<u>\$ 1,803,402</u>	<u>\$ 798,776</u>	<u>\$ 2,589,885</u>	<u>\$58,201,244</u>	<u>\$70,420,634</u>	<u>\$69,850,062</u>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities:</b>							
Vouchers payable	\$ 434,055	\$ -	\$ -	\$ -	\$ -	\$ 434,055	\$ 969,724
Contract retention payable	-	-	221,170	-	-	221,170	221,170
Accrued payroll and others	2,388,782	612,603	-	2,589,885	-	5,591,270	4,307,778
Due to other funds	569,617	243,160	417,828	-	-	1,230,605	1,087,372
Due to grantor agencies (note 3)	-	-	170,266	-	-	170,266	170,266
Total liabilities	<u>3,392,454</u>	<u>855,763</u>	<u>809,264</u>	<u>2,589,885</u>	<u>-</u>	<u>7,647,366</u>	<u>6,756,310</u>
<b>Fund equity:</b>							
Investment in general fixed asset	-	-	-	-	58,201,244	58,201,244	58,201,244
<b>Fund balances (deficit):</b>							
Reserved for encumbrances	2,521,206	5,799,796	-	-	-	8,321,002	4,325,660
Unreserved	1,113,667	(4,852,157)	(10,488)	-	-	(3,748,978)	566,848
Total fund equity	<u>3,634,873</u>	<u>947,639</u>	<u>(10,488)</u>	<u>-</u>	<u>58,201,244</u>	<u>62,773,268</u>	<u>63,093,752</u>
Contingencies and commitments (notes 7 and 8)	-	-	-	-	-	-	-
	<u>\$ 7,027,327</u>	<u>\$ 1,803,402</u>	<u>\$ 798,776</u>	<u>\$ 2,589,885</u>	<u>\$58,201,244</u>	<u>\$70,420,634</u>	<u>\$69,850,062</u>

See accompanying notes to financial statements.

**PUBLIC SCHOOL SYSTEM**

Statement of Revenues, Expenditures  
and Changes in Fund Balances (Deficit)  
Year Ended September 30, 1999

(With Comparative Totals for the Year Ended September 30, 1998)

	Government Fund Types			Total	
	General	Special	Capital	(Memorandum Only)	
	Fund	Funds	Funds	1999	1998
<b>Revenues:</b>					
Federal grants	\$ -	\$12,781,428	\$ -	\$12,781,428	\$12,062,899
Other grants	2,216	1,616,868	-	1,619,084	1,638,369
<b>Total revenues</b>	<u>2,216</u>	<u>14,398,296</u>	<u>-</u>	<u>14,400,512</u>	<u>13,701,268</u>
<b>Expenditures:</b>					
Elementary education	17,394,284	-	-	17,394,284	19,918,025
Secondary education	10,368,231	-	-	10,368,231	12,101,074
Administration	5,605,820	-	-	5,605,820	6,979,086
Consolidated grants	-	2,858,551	-	2,858,551	3,721,279
Special education	2,605,722	3,062,872	-	5,668,594	4,904,195
Food Service	-	3,953,268	-	3,953,268	3,581,066
Headstart	544,631	1,194,126	-	1,738,757	2,181,842
Child Care	-	618,657	-	618,657	784,110
Individual programs	276,978	-	-	276,978	294,907
Capital expenditures	-	-	-	-	-
Liaison offices	641,989	-	-	641,989	866,595
Bilingual education	464,328	218,436	-	682,764	886,445
Curriculum development	-	-	-	-	-
Board of Education	102,316	-	-	102,316	132,943
Miscellaneous	-	2,192,646	-	2,192,646	1,933,052
<b>Total expenditures</b>	<u>38,004,299</u>	<u>14,098,556</u>	<u>-</u>	<u>52,102,855</u>	<u>58,284,619</u>
<b>Revenues over expenditures</b>	<u>(38,002,083)</u>	<u>299,740</u>	<u>-</u>	<u>(37,702,343)</u>	<u>(44,583,351)</u>
<b>Other sources (note 4):</b>					
Operating transfers in	37,964,079	-	-	37,964,079	42,581,138
<b>Total other sources</b>	<u>37,964,079</u>	<u>-</u>	<u>-</u>	<u>37,964,079</u>	<u>42,581,138</u>
<b>Excess (deficiency) of revenues and other sources over expenditures</b>	<u>(38,004)</u>	<u>299,740</u>	<u>-</u>	<u>261,736</u>	<u>(2,002,213)</u>
<b>Decrease in reserve for encumbrances</b>	<u>(83,498)</u>	<u>(3,911,844)</u>	<u>-</u>	<u>(3,995,342)</u>	<u>1,468,373</u>
<b>Net change in unreserved fund balance for the year</b>	<u>(121,502)</u>	<u>(3,612,104)</u>	<u>-</u>	<u>(3,733,606)</u>	<u>(533,840)</u>
<b>Fund balances (deficit) - unreserved beginning of the year</b>	1,497,717	(920,381)	(10,488)	566,848	37,410
<b>Prior period adjustments (note 9)</b>	<u>(262,548)</u>	<u>(319,672)</u>	<u>-</u>	<u>(582,220)</u>	<u>1,063,278</u>
<b>Fund balances (deficit) - unreserved end of the year</b>	<u>\$ 1,113,667</u>	<u>\$(4,852,157)</u>	<u>\$ (10,488)</u>	<u>\$(3,748,978)</u>	<u>\$ 566,848</u>

See accompanying notes to financial statements.



PUBLIC SCHOOL SYSTEM

Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Budget (GAAP Basis) and Actual - General Fund  
Year Ended September 30, 1999

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues	\$ -	\$ 2,216	\$ (2,216)
Total revenues	-	2,216	(2,216)
Expenditures:			
Elementary education	16,736,147	17,394,284	(658,137)
Secondary education	8,896,771	10,368,231	(1,471,460)
Administration	6,845,457	5,605,820	1,239,637
Special education	2,520,845	2,605,722	(84,877)
Headstart	1,127,308	544,631	582,677
Individual programs	297,332	276,978	20,354
Liaison offices	666,482	641,989	24,493
Bilingual education	640,005	464,328	175,677
Curriculum development	-	-	-
Board of Education	-	102,316	(102,316)
Total expenditures	37,730,347	38,004,299	(273,952)
Revenues under expenditures	(37,730,347)	(38,002,083)	271,736
Other sources (note 4):			
Operating transfers in	37,730,347	37,964,079	(233,732)
Excess (deficiency) of revenues and other sources over expenditures	-	(38,004)	38,004
Other changes in unreserved fund balance:			
Reserved for encumbrances	-	(83,498)	83,498
Unreserved fund balance at beginning of year	-	1,497,717	(1,497,717)
Prior period adjustment (note 9)	-	(262,548)	262,548
Unreserved fund balance at end of year	\$ -	\$ 1,113,667	\$ (1,113,667)

See accompanying notes to financial statements.

## PUBLIC SCHOOL SYSTEM

Notes to Financial Statements  
September 30, 1999

### (1) Organization

The Public School System (PSS), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI) was established as a public non-profit corporation by the CNMI Public Law 6-10 (The Education Act of 1988), effective October 25, 1988, and began operations on October 1, 1988. The PSS, as the state education agency for pre-school, elementary and secondary educations programs in the CNMI is under the direction of the Board of Education (BOE), which consists of five voting members elected at-large on a nonpartisan basis: one from Rota, one from Tinian, and three from Saipan. The Commissioner of Education, who is appointed by the Board of Education, is responsible for administering the PSS in accordance with applicable laws and Board policies.

Pursuant to CNMI Constitutional Amendment 38, the public education school system is guaranteed an annual budget of not less than fifteen percent of the general revenues of the CNMI. This budgetary appropriation may not be reprogrammed for other purposes, and any unencumbered fund balance at the end of a fiscal year shall be available for reappropriation.

### (2) Summary of Significant Accounting Policies

PSS uses funds and an account group to report on its financial position and the results of its operations in conformity with standards of fund basis accounting for local governments promulgated by the Governmental Accounting Standards Board (GASB).

#### Fund Accounting

In governmental accounting, a fund is defined as an independent fiscal and accounting entity, with a self-balancing sets of accounts, recording cash and/or other financial resources together with all related liabilities and residual equities and balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations.

The PSS has established the following fund types and account groups as follows:

#### A. Governmental Funds

General Fund - Accounts for all financial resources except for those required to be accounted for in another fund. The General Fund is the PSS's major operating fund.

Special Revenue Funds - Account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Project Funds - Account for financial resources to be used for the acquisition or construction of all major governmental projects.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements  
September 30, 1999

(2) Summary of Significant Accounting Policies, Continued

Fund Accounting, Governmental Funds, Continued

The Commissioner of Education has directed that indirect costs of the general fund expended for federal grant activity be accounted for in a special revenue fund and be used for particular programs and activities.

B. Account groups

General Fixed Assets Account Group - Accounts for all general fixed assets used in governmental fund type operations rather than in governmental funds.

General Long-Term Debt Account Group - Accounts for all long-term debt of PSS.

Basis of Accounting:

Basis of accounting refers to the timing of recognition, that is, when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred.

Revenues from other sources are recognized when received. Expenditures are generally recognized in the fiscal year the goods or services are received and the related fund liability is incurred. Debt service expenditures for principal interest on general long-term obligations are recognized when due unless resources have been provided for payment early in the subsequent fiscal year. Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating cost to the fiscal year when items are used. Expenditures for claims, judgments, compensated absences and employer retirement contributions are reported as the amount accrued during the fiscal year that normally would be liquidated with expendable available financial resources. Budgetary encumbrances are not reported as expenditures.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements  
September 30, 1999

(2) Summary of Significant Accounting Policies, Continued

PSS has no authority to impose taxes to generate revenue. PSS is a dependent school district as revenue and expenditure authorizations come from the CNMI Legislature. The CNMI legislative budgets are adopted on a basis consistent with generally accepted accounting principles of the United States of America. An annual appropriated budget is adopted by the Legislature for PSS through an Annual Appropriations Act. Budgets for special revenue funds are not included in the annual appropriation act. Budgets for these funds are based upon grant awards received (and are thus non-appropriated). Project-length financial plans are adopted for all capital project funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable budget, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash

For purposes of the balance sheets, cash is defined as amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired. As of the total amounts deposited with FDIC banks of approximately \$2,700,431, \$200,000 is subject to coverage by FDIC with the remaining balance exceeding insurable limits. Remaining cash is deposited with a non-FDIC institution. PSS does not require collateralization of bank accounts, and therefore, amounts in excess of insurable limits are uncollateralized.

Accounts Receivable

Accounts receivable are amounts due primarily from the CNMI government and from Federal grantor agencies.

Travel Advances

The Board of Education's policy considers travel advances as loan to the traveler until proper reconciliation of approved travel expenses has been authorized. Travel advances are liquidated upon submission of required travel documents in accordance with PSS policy.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements  
September 30, 1999

(2) Summary of Significant Accounting Policies, Continued

Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Measurement focus refers to what is being expressed in reporting an entity's financial performance and position. The general, special revenue and capital projects funds (Governmental Fund Types) and expendable trust funds are reported using the current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e. expenditures and other financing uses) in net current assets. Unreserved fund balance represents a measure of available expendable resources.

In 1995, PSS has started to account for its property, plant and equipment that arise from its governmental fund type operations (general fixed assets) and had begun including a General Fixed Account Group in its financial statements in same fiscal year, however, it has not been updated since then. Accordingly, the amount shown in the general fixed assets account group consists of fixed assets recorded during fiscal year 1995 for all governmental fund types.

Retirement Plan

PSS contributes to the Northern Mariana Islands Retirement Fund (the Fund), a defined benefit, cost-sharing multi-employer pension plan established and administered by the CNMI.

The Fund provides retirement, security and other benefits to employees, and their spouses and dependents, of the CNMI Government and CNMI agencies, instrumentalities and public corporations. Benefits are based on the average annual salary of the beneficiary over the term of credited service. Generally, benefits vest after three years of credited service. Members, who retire at or after age 60, or with 25 years of vesting service, are entitled to retirement benefits. CNMI Public Law 6-17, the Northern Mariana Retirement Fund Act of 1988, is the authority under the benefit provisions are established.

PSS's total payroll for fiscal year 1999 was 32,525,243, which was covered in total by the Fund's pension plan. As a result of the Fund's actuarial valuation report (as of October 1, 1996), it has been determined that for the year ended September 30, 1999, the funding requirement for employer is 23% of covered payroll, and funding requirements for employees are 6.5% and 9.0% of covered payroll for Class I and Class II members, respectively. The funding requirement is calculated as that percentage of total payroll, which is necessary to accumulate sufficient assets to pay benefits when due. The Fund uses the level percentage of payroll method to amortize the unfunded liability over a period not to exceed 40 years from October 1980. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements  
September 30, 1999

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

The Fund utilizes the actuarial cost method termed "entry age normal cost" with actuarial assumptions used to compute the pension benefit obligation as follows: (a) a rate of return of 7.5% per year on the investment of present and future assets, (b) a 5% increase in employee salaries compounded annually until retirement, (c) expenses at 1.1% of total payroll, and (d) retirement age of the earlier of age 62 and 3 years of vesting service (not including 5 additional years granted after 20 years of service) for Class I or age 60 and 25 years of service for Class II members (including 5 additional years granted after 20 years of service).

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employment service to date. The measure is intended to assist users to evaluate the Fund's funding status on a going-concern basis, and evaluate progress made in accumulating adequate assets to pay benefits when due.

The Fund's October 1, 1998 actuarial valuation determined the unfunded pension benefit obligation as follows:

	<u>Class I</u>	<u>Class II</u>	<u>Total</u>
Retirees and beneficiaries currently Receiving benefits and terminated Employees not yet receiving benefits	\$ 23,249,034	\$ 354,316,767	\$ 377,565,801
Active	102,579,373	184,649,001	287,228,374
Inactive including contributions held for non-vested terminated employees	<u>1,804,694</u>	<u>2,324,064</u>	<u>4,128,758</u>
Total pension benefit obligation	127,633,101	541,289,832	668,922,933
Net assets available for benefits, At market value	<u>114,326,461</u>	<u>221,930,471</u>	<u>336,256,932</u>
Unfunded pension benefit obligation	<u>\$ 13,306,640</u>	<u>\$ 319,359,361</u>	<u>\$ 332,666,001</u>

The actuarial valuation did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor.

Ten-year historical trend information designed to provide information about the Fund's progress in accumulating adequate assets to meet payment of benefits when due is included within the Fund's audited financial statements.

Grants

Federal grants and assistance awards from various federal agencies made on the basis of entitlement periods are recorded as revenues when entitlement occurs. Federal reimbursement-type grants are recorded as revenues when the related expenditures or expenses are incurred.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements  
September 30, 1999

(2) Summary of Significant Accounting Policies, Continued

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. The liability as of September 30, 1999 is \$2,589,885. No expenditure is reported for these amounts. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Total-Memorandum Only

The "Total (Memorandum Only)" columns represent an aggregation of the combined financial statement amounts of the fund types and account groups and are presented only for analytical purposes. These amounts are not comparable to a consolidation and do not represent the total resources available to or used by the PSS. Interfund eliminations have not been made in the aggregation of the totals.

(3) Due From/To Grantor Agencies

PSS is a recipient of federal grants from various federal agencies. Excess grant disbursements over receipts are recognized as a receivable due from grantor agencies.

Changes in the due from/to grantor agency accounts for the year ended September 30, 1999, are as follows:

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Balance at beginning of year	\$ 497,655	\$ (170,266)
Additions - program outlays	12,781,428	-
Deductions - cash receipts from grantor agencies	<u>(12,512,285)</u>	<u>-</u>
Balance at end of year	<u>\$ 766,798</u>	<u>\$ (170,266)</u>

(4) Transfer in from CNMI Government

In accordance with Public Law 10-34, the CNMI government appropriated \$37,730,347 for PSS's operational use for the year ended September 30, 1999. The amount actually received in cash and/or services was \$37,470,780 and \$4,424,696 was receivable at September 30, 1999.

**PUBLIC SCHOOL SYSTEM**

Notes to Financial Statements  
September 30, 1999

(5) Special Revenue Funds

Specific revenues earmarked to finance particular program and activities of the Public School System are accounted for in Special Revenue Funds. A summary of PSS's Special Revenue Funds as of September 30, 1999 follows:

- Federal Grants Fund - This fund accounts for activities pertaining to federal operations grants. The primary revenue source of this fund is grant awards from various federal agencies.
- Local Donations Fund - This fund accounts for activities pertaining to local donations received for specific purposes. The primary revenue source of this fund is donations from private individuals or organizations.
- CNMI Grants Fund - This fund was established to account for projects that were appropriated without fiscal year limitation by Public Law 8-2.
- School Lunch Fund - This fund was established to account for PSS's share of Pachinko license fees specifically earmarked for the School Lunch Program by Public Law 9-29.
- Indirect Costs Fund - This fund, established through directive of the PSS Commissioner of Education, accounts for indirect cost of PSS related to federal grants.

(6) Capital Projects Funds

Specific revenues earmarked to finance the acquisition or construction of all major general fixed assets are accounted for in PSS's Capital Projects Funds. A summary of PSS's Capital Projects Funds as of September 30, 1999 follows:

Federal Capital Projects Fund

This fund accounts for activities pertaining to the construction or acquisition of major general fixed assets where PSS has utilized federal funds. The primary source of revenue is from the Commonwealth Development Authority (a component unit of the CNMI Government), passed through to PSS for specific projects.

Local Capital Projects Fund

This fund accounts for activities pertaining to the construction or acquisition of major general fixed assets where PSS has utilized locally generated revenues. The primary source of revenues is from CNMI Legislature appropriations to PSS for specific capital projects.

Non-Resident Workers' Fund

This fund was established to account or activities pertaining to specific funds appropriated by the CNMI Legislature through Public Law 7-5.



**PUBLIC SCHOOL SYSTEM**

Notes to Financial Statements  
September 30, 1999

(7) Contingencies

The PSS administers significant financial assistance from the Federal government in the form of grants and entitlements. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal government or their designees. As of September 30, 1999, expenditures in the amount of \$1,571,323.27 and various amounts for which a value cannot be determined have been questioned as a result of Single Audits in fiscal years 1993 through 1999. Disallowances and sanctions as a result of these audits may become liabilities of the PSS and the general fund would be liable for the return of such funds. However, no liability which may arise from the ultimate outcome of this matter has been provided for in the accompanying financial statements.

PSS is a defendant in several legal cases involving former employees and contractors. At this time, the potential liability relating to such claims cannot be determined.

(8) Commitment

In June 1997 CNMI House Joint Resolution No. 10-36 authorized PSS to issue general obligation bonds for a total value not to exceed \$15,685,000. These bonds shall be used to leverage an equal amount of federal capital improvement project funds to finance school construction projects, and will be repaid by the CNMI Government through appropriation of liquid fuel taxes as per Public Law 11-14. The liability relating to these bonds will therefore be recorded by the CNMI Government (see Note 7).

(9) Prior Period Adjustment

During the year ended September 30, 1999, PSS determined certain accounts required adjustment to correct their actual balances. The effect of this restatement, if recorded in the prior year, would be a decrease in the General Fund balance and Special Revenue Fund Balance of \$262,548 and \$319,672 respectively.

	General Fund	Special Revenue Fund
Due from other funds	\$ 2,873	\$ -
Accounts Receivable - CNMI	(570,080)	-
Travel Advances	304,659	(320,838)
Vouchers Payable	-	1,166
	\$ (262,548)	\$ (319,672)

PUBLIC SCHOOL SYSTEM

Combining Balance Sheet - Special Revenue Funds  
September 30, 1999

<u>ASSETS</u>	<u>Federal Grants Fund</u>	<u>Local Donations Fund</u>	<u>CNMI Grants Fund</u>	<u>School Lunch Fund</u>	<u>Indirect Costs Fund</u>	<u>Total</u>
Accounts receivable - CNMI	\$ -	\$ -	\$ 14,739	\$ -	\$ -	\$ 14,739
Advances	89,668	-	-	-	-	89,668
Due from other funds	-	367,641	395,759	-	156,038	919,438
Due from grantor agencies	766,798	-	-	-	-	766,798
Other receivables	-	12,759	-	-	-	12,759
	<u>\$ 856,466</u>	<u>\$ 380,400</u>	<u>\$ 410,498</u>	<u>\$ -</u>	<u>\$ 156,038</u>	<u>\$ 1,803,402</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accrued payroll and others	\$ 579,880	\$ 5,601	\$ -	\$ -	\$ 27,122	\$ 612,603
Due to other funds	243,160	-	-	-	-	243,160
Total liabilities	<u>823,040</u>	<u>5,601</u>	<u>-</u>	<u>-</u>	<u>27,122</u>	<u>855,763</u>
Fund balances (deficit):						
Reserved for encumbrances	5,576,237	146,090	42,035	-	35,434	5,799,796
Unreserved	(5,542,811)	228,709	368,463	-	93,482	(4,852,157)
Total fund balances (deficit)	<u>33,426</u>	<u>374,799</u>	<u>410,498</u>	<u>-</u>	<u>128,916</u>	<u>947,639</u>
	<u>\$ 856,466</u>	<u>\$ 380,400</u>	<u>\$ 410,498</u>	<u>\$ -</u>	<u>\$ 156,038</u>	<u>\$ 1,803,402</u>

See accompanying Independent Auditor's Report.

PUBLIC SCHOOL SYSTEM

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (Deficit) - Special Revenue Funds  
Year Ended September 30, 1999

	Federal Grants Fund	Local Donations Fund	CNMI Grants Fund	School Lunch Fund	Indirect Costs Fund	Total
Revenues:						
Federal grants	\$ 12,781,428	\$ -	\$ -	\$ -	\$ -	\$ 12,781,428
Other grants	-	542,410	285,000	-	789,458	1,616,868
Total revenues	12,781,428	542,410	285,000	-	789,458	14,398,296
Expenditures:						
Consolidated grants	2,858,551	-	-	-	-	2,858,551
Food service	3,953,268	-	-	-	-	3,953,268
Special education	3,062,872	-	-	-	-	3,062,872
Headstart	1,194,126	-	-	-	-	1,194,126
Child Care	618,657	-	-	-	-	618,657
Bilingual education	218,436	-	-	-	-	218,436
Miscellaneous	875,518	398,053	287,059	-	632,016	2,192,646
Total expenditures	12,781,428	398,053	287,059	-	632,016	14,098,556
Excess (deficiency) of revenue over expenditures	-	144,357	(2,059)	-	157,442	299,740
(Increase) decrease in reserve for encumbrances	(3,901,872)	(358)	(42,035)	-	32,420	(3,911,845)
Net change in unreserved fund balance for the year	(3,901,872)	143,999	(44,094)	-	189,862	(3,612,105)
Fund balances (deficit) - unreserved, beginning of the year	(1,320,383)	83,825	412,557	-	(96,380)	(920,381)
Prior period adjustments - unreserved	(320,556)	885	-	-	-	(319,671)
Fund balances (deficit) - unreserved, end of year	\$ (5,542,811)	\$ 228,709	\$ 368,463	\$ -	\$ 93,482	\$ (4,852,157)

See Accompanying Independent Auditor's Report.

PUBLIC SCHOOL SYSTEM

Combining Balance Sheet - Capital Project Funds  
September 30, 1999

<u>ASSETS</u>	Federal Capital Projects Fund	Local Capital Projects Fund	Non- Resident Workers' Fund	<u>Total</u>
Accounts receivable-CNMI	\$ -	\$ 339,069	\$ 148,540	\$ 487,609
Due from other funds	<u>311,167</u>	<u>-</u>	<u>-</u>	<u>311,167</u>
	<u>\$ 311,167</u>	<u>\$ 339,069</u>	<u>\$ 148,540</u>	<u>\$ 798,776</u>
 <u>LIABILITIES AND DEFICIT</u> 				
Liabilities:				
Contract retention payable	\$ 140,901	\$ 20,190	\$ 60,079	\$ 221,170
Due to grantor agencies	170,266	-	-	170,266
Due to other funds	<u>-</u>	<u>329,367</u>	<u>88,461</u>	<u>417,828</u>
Total liabilities	<u>311,167</u>	<u>349,557</u>	<u>148,540</u>	<u>809,264</u>
Deficit:				
Unreserved	<u>-</u>	<u>(10,488)</u>	<u>-</u>	<u>(10,488)</u>
Total deficit	<u>-</u>	<u>(10,488)</u>	<u>-</u>	<u>(10,488)</u>
	<u>\$ 311,167</u>	<u>\$ 339,069</u>	<u>\$ 148,540</u>	<u>\$ 798,776</u>

See Accompanying Independent Auditor's Report.

PUBLIC SCHOOL SYSTEM

Combining Statement of Revenues, Expenditures  
 Changes in Deficit - Capital Projects Funds  
 Year Ended September 30, 1999

	Federal Capital Projects Fund	Local Capital Projects Fund	Non- Resident Workers' Fund	Total
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Total expenditures	-	-	-	-
Revenues under expenditures	-	-	-	-
Other sources	-	-	-	-
Excess of revenue over expenditures	-	-	-	-
(Increase) decrease in reserve for encumbrances	-	-	-	-
Net change in unreserved fund balance for the year	-	-	-	-
Fund balances (deficit) - unreserved, beginning of the year	-	(10,488)	-	(10,488)
Fund balances (deficit) - unreserved, end of the year	\$ -	\$ (10,488)	\$ -	\$ (10,488)

See Accompanying Independent Auditor's Report.

PUBLIC SCHOOL SYSTEM

---

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

---

YEAR ENDED SEPTEMBER 30, 1999

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards  
 Capital Improvement Projects  
 Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of the Interior</u>						
<u>Pass-Through the Commonwealth</u>						
<u>Development Authority</u>						
<u>Capital Improvement Projects</u>						
<u>CFDA# 15.875</u>						
<u>Series 1 Education Projects</u>						
Building facility	3310	\$ 483,000	\$ 36,212	\$ -	\$ -	\$ 36,212
B/GTC/Classrooms-4	3321	240,000	(9,308)	-	-	(9,308)
B/SVS/Classrooms-6	3326	150,000	70,640	-	-	70,640
B/Administration/Library	3421	330,000	(9,863)	-	-	(9,863)
B/Classrooms	3520	220,000	(32,611)	-	-	(32,611)
B/Cafeteria	3521	249,000	(874)	-	-	(874)
Cafetorium Building	3522	238,186	(52,506)	-	-	(52,506)
Construction of 4 Classrooms HS	3523	220,000	2,550	-	-	2,550
Subtotal Series 1 Education Projects		<u>2,130,186</u>	<u>4,240</u>	<u>-</u>	<u>-</u>	<u>4,240</u>
<u>Governor's Grant No. 2 - Passed</u>						
<u>Through the CNMI Government</u>						
Tinian High School	1801	-	(183,261)	-	-	(183,261)
Tinian Elementary School Renov.	1811	-	8,755	-	-	8,755
Subtotal Governor's Grant No. 2		<u>-</u>	<u>(174,506)</u>	<u>-</u>	<u>-</u>	<u>(174,506)</u>
Total Capital Improvement Projects Fund		<u>\$ 2,130,186</u>	<u>\$ (170,266)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (170,266)</u>

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
 Federal Grants Fund  
 Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>Bilingual Education</u>						
<u>CFDA# 84.003</u>						
Data Collection Section-10	2454	\$ 75,000	\$ 7	\$ -	\$ -	\$ 7
Limited English Profession	2613	162,355	13,617	-	-	13,617
Basic K-1	2622	127,634	6,405	-	-	6,405
Basic 2-3	2624	108,509	14,476	-	-	14,476
Training 2-3	2625	-	2,233	-	-	2,233
Garapan Elementary School	2565	-	(1,461)	-	1,450	(11)
Data Collection Section 10	2554	-	6,549	-	-	6,549
Technical Assistant Section 11	2555	-	(15,027)	-	-	(15,027)
Data Collection Section 10	2654	50,000	1,409	-	-	1,409
Data Collection Section 10	2672	200,000	1,077	-	-	1,077
Technical Assistant Section 11	2673	-	5,972	-	-	5,972
Technology SEA	2758	-	434	434	-	-
Technology LEA	2759	-	10,555	10,555	-	-
Data Collection Section-10 SEA	2772	-	974	-	-	974
Data Collection Section-10 SEA	2872	-	11,617	11,617	-	-
Technology SEA	2858	-	344	9,976	12,355	2,723
Technology LEA	2859	-	(10,717)	178,307	189,024	-
Technology Assistant Section 11-SEA	2873	-	16,512	24,905	8,393	-
Technology Assistant Section-11	2655	-	489	-	-	489
Technology SEA	2958	-	-	1,649	-	(1,649)
Technology Assistant Section 11-SEA	0073	-	-	2,110	7,214	5,104
Subtotal CFDA# 84.003		<u>723,498</u>	<u>65,465</u>	<u>239,553</u>	<u>218,436</u>	<u>44,348</u>
 <u>CFDA# 84.276</u>						
Goals 2000-1	2662	-	6,586	6,923	337	-
Goals 2000-2	2663	-	10,974	57,471	46,497	-
Goals 2000-1 SEA	2762	-	-	11,525	12,451	926
Goals 2000-2	2763	-	(11,766)	27,205	45,637	6,666
Goals 2000-1 SEA	2862	-	-	9,509	10,309	800
Goals 2000-1 SEA	2962	-	-	805	4,731	3,926
Subtotal CFDA# 84.276		<u>-</u>	<u>5,794</u>	<u>113,438</u>	<u>119,962</u>	<u>12,318</u>



PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
 Federal Grants Fund  
 Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>Consolidated Grant to Insular Areas</u>						
<u>CFDA# 84.998</u>						
Advisory Council	2630	\$ -	\$ 785	\$ -	\$ -	\$ 785
Art Program	2631	-	3,859	-	-	3,859
Career Education	2632	-	25,008	-	-	25,008
Improving School Management	2633	-	31,552	-	-	31,552
English	2634	-	4,791	-	-	4,791
Library Sciences	2635	-	9,571	-	-	9,571
Math Program	2636	-	2,784	-	-	2,784
Physical Education	2637	-	3,340	-	-	3,340
Paternal Individual Program	2638	-	2,969	-	-	2,969
P.R.R.I.C.	2639	-	8,395	-	-	8,395
Science Program	2640	-	5,874	-	-	5,874
Social Studies	2641	-	4,355	-	-	4,355
Testing & Evaluation Program	2642	-	1,232	-	-	1,232
Media Production	2643	-	1,318	-	-	1,318
Saipan Community School	2645	-	2,379	-	-	2,379
Mount Carmel School	2648	-	7,644	-	-	7,644
Marianas Preschool	2649	-	1,807	-	-	1,807
Seventh Day Adventist	2650	-	935	-	-	935
State Facility Program	2960	-	566	-	-	566
Math Supplies	5323	-	1	-	-	1
Civics Textbooks	5371	-	(40)	-	-	(40)
Professional Development	5406	-	(86)	-	-	(86)
Non-Class Staff Development	5407	-	194	-	-	194
Paternal Individual Program	5411	-	(376)	-	-	(376)
P.E. High Risk	5412	-	(306)	-	-	(306)
Arts Supplies	5427	-	8,970	-	-	8,970
Grace Christian Academy	5432	-	1	-	-	1
Comp Staff Development	5440	-	761	-	-	761
Library Staff Development	5442	-	(45)	-	-	(45)
Counselor Development	5443	-	36	-	-	36
Paul Douglas School	5498	-	(5,000)	-	-	(5,000)
SEA Non-Class Staff	5507	-	4	-	-	4
TA VI Arts-Inovation	5568	-	96	-	-	96
TAP VII Early Child	5572	-	(96)	-	-	(96)
Drug Free	5607	-	959	-	-	959
Emergency Immigration	5609	-	-	-	-	-
Strategies-5	5705	-	85	85	-	-
Drug Free	5707	-	(231)	(231)	-	-
Emergency Immigration	5709	-	(232)	(232)	-	-
Title 6-Personnel	5819	-	104,071	113,459	-	(9,388)

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
 Federal Grants Fund  
 Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable	Cash	Expenditures	Receivable
			From Grantor (Deferred Revenue) at 09/30/98	Receipts FY 99	FY 99	From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>Consolidated Grant to Insular Areas</u>						
<u>CFDA# 84.998</u>						
Balance forwarded		\$ -	\$ 227,930	\$ 113,081	\$ -	\$ 114,849
Strategies-1	5801	-	3,983	4,343	360	-
Strategies-2	5802	-	2,566	2,588	22	-
Strategies-3	5803	-	-	(238)	(233)	5
Strategies-4	5804	-	7,010	8,260	1,250	-
Strategies-5	5805	-	10,521	11,625	1,010	(94)
Drug Free	5807	-	29,523	73,220	36,977	(6,720)
Consolidated-E1E	5809	-	92,828	464,356	371,341	(187)
Title 6-Administration	5810	-	9	9	-	-
Strategies-1	5901	-	-	49,651	50,560	909
Strategies-2	5902	-	-	(12,974)	3,568	16,542
Strategies-3	5903	-	-	7,904	8,857	953
Strategies-4	5904	-	-	21,406	29,316	7,910
Strategies-5	5905	-	-	58,472	59,218	746
Drug Free	5907	-	-	154,797	168,105	13,308
Consolidated-E1E	5909	-	-	99,601	149,607	50,006
Consolidated-Title 6	5910	-	-	2,246	2,252	6
Consolidated-LEA/IA	5912	-	-	87,789	91,817	4,028
Consolidated-Personnel	5919	-	-	1,728,210	1,839,389	111,179
Consolidated-E1E	5909A1	-	-	5,504	5,504	-
Consolidated-E1E	5909B1	-	-	2,355	2,355	-
Consolidated-E1E	5909B2	-	-	18,894	18,894	-
Consolidated-E1E	5909B4	-	-	6,439	6,439	-
Consolidated-E1E	5909B6	-	-	2,377	2,377	-
Consolidated-E1E	5909B7	-	-	399	399	-
Consolidated-E1E	5909B8	-	-	1,424	1,424	-
Consolidated-E1E	5904SVS	-	-	4,120	4,120	-
Consolidated-E1E	5909B10	-	-	655	655	-
Consolidated-E1E	5909B11	-	-	846	846	-
Consolidated-E1E	5909B12	-	-	928	928	-
Consolidated-E1E	5909B13	-	-	536	536	-
Consolidated-E1E	5909PSS	-	-	658	658	-
Subtotal CFDA# 84.998		-	374,370	2,919,481	2,858,551	313,440

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
 Federal Grants Fund  
 Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>Territorial Teachers Training</u>						
<u>Assistance CFDA# 84.124</u>						
Territorial Teacher Training	2453	\$ -	\$ 255	\$ -	\$ -	\$ 255
Territorial Teacher Training	2553	-	(19,481)	-	-	(19,481)
Territorial Teacher Training	2653	430,000	(211,153)	-	-	(211,153)
Subtotal CFDA# 84.124		430,000	(230,379)	-	-	(230,379)
 <u>Leadership in Educational Admin.</u>						
<u>Development CFDA# 84.178</u>						
Lead in Educational Development	2456	-	214	-	-	214
Lead in Educational Development	2656	127,400	(1,633)	-	-	(1,633)
Subtotal CFDA# 84.178		127,400	(1,419)	-	-	(1,419)
 <u>Safe and Drug-Free Schools</u>						
<u>CFDA# 84.186</u>						
Drug-Free Science	2257	262,481	(795)	-	-	(795)
Drug-Free Administration School	2359	7,961	(1)	-	-	(1)
Drug-Free Science	2457	-	(1,754)	-	-	(1,754)
Drug-Free Science	2657	106,184	21,518	-	-	21,518
Drug-Free School	2658	-	7,512	-	-	7,512
Subtotal CFDA# 84.186		376,626	26,480	-	-	26,480
 <u>Christa McAuliffe Fellowship</u>						
<u>CFDA# 84.190</u>						
Individual Grant	275	49,838	716	-	-	716
Christa McAuliffe Grant	0045	-	-	25,041	41	(25,000)
Subtotal CFDA# 84.190		49,838	716	25,041	41	(24,284)

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
Federal Grants Fund  
Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of Education, Continued</u>						
<u>Direct Programs, Continued</u>						
<u>Migrant Education CFDA# 84.011</u>						
Migrant Education	2615	\$ 45,812	\$ 2,831	\$ -	\$ -	\$ 2,831
Subtotal CFDA# 84.011		<u>45,812</u>	<u>2,831</u>	<u>-</u>	<u>-</u>	<u>2,831</u>
<u>Handicapped State Grant CFDA# 84.027</u>						
Administration Handicapped Children	2305	68,413	-	-	-	-
Handicapped Children	2306	1,299,845	(69)	-	-	(69)
Administration Handicapped Children	2405	-	(7,737)	-	-	(7,737)
Handicapped Children	2406	-	(4,562)	-	-	(4,562)
Administration Handicapped Children	2505	-	(68)	-	-	(68)
LEA Handicapp Children	2506	-	68	-	-	68
SPED Handicapped Children SEA	2783	-	81,492	102,942	21,450	-
SPED Children With Disabilities-58	2784	-	1,482	1,482	-	-
Handicapped Children	2601	635,687	(233,059)	-	-	(233,059)
SPED Handicapped Children SEA	2883	-	(186,353)	266,078	461,302	8,871
SPED Children With Disabilities	2884	-	7,058	11,324	11,324	7,058
SPED Children With Disabilities	2885	-	(22,033)	341,720	353,368	(10,385)
SPED Pacific Grant	2886	-	52,972	53,605	633	-
SPED Handicapped Children SEA	2983	-	-	151,904	181,056	29,152
SPED Children With Disabilities	2984	-	-	18,398	18,397	(1)
SPED Children With Disabilities	2985	-	-	1,468,773	1,575,529	106,756
SPED Pacific Grant	2986	-	-	377,883	439,813	61,930
Subtotal CFDA# 84.027		<u>2,003,945</u>	<u>(310,809)</u>	<u>2,794,109</u>	<u>3,062,872</u>	<u>(42,046)</u>
<u>Homeless Children CFDA# 84.196</u>						
Homeless Children	2194	50,000	(30)	-	-	(30)
Subtotal CFDA# 84.196		<u>50,000</u>	<u>(30)</u>	<u>-</u>	<u>-</u>	<u>(30)</u>

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
 Federal Grants Fund  
 Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of Education, Continued</u>						
<u>Direct Programs, Continued</u>						
<u>Infants and Toddlers with Handicaps</u>						
<u>CFDA# 84.181</u>						
Infants and Toddlers	2008	\$ 70,640	\$ (1)	\$ -	\$ -	\$ (1)
SPED R.S-Personnel	2508	-	12,759	-	-	12,759
Infants and Toddlers	2608	67,794	-	-	5,556	5,556
Subtotal CFDA# 84.181		138,434	12,758	-	5,556	18,314
 <u>Deaf and Blind Children</u>						
<u>CFDA# 84.025</u>						
Deaf and Blind	2614	11,437	13,548	-	-	13,548
Subtotal CFDA# 84.025		11,437	13,548	-	-	13,548
 <u>Handicapped Personnel Preparation</u>						
<u>CFDA# 84.029</u>						
Training and Technical Assistance	2413	-	55	-	-	55
Technical and Training	2513	-	-	-	-	-
Personnel Preparation H	2609	32,002	(3,203)	-	-	(3,203)
Personnel Preparation B	2610	76,447	11,826	-	-	11,826
Subtotal CFDA# 84.029		108,449	8,678	-	-	8,678
 <u>Education for Handicapped Children</u>						
<u>CFDA# 84.009</u>						
State Assistant Handicapped	2207	29,476	(1)	-	-	(1)
State Assistant Handicapped	2407	-	7,302	-	-	7,302
State Assistant Handicapped	2602	-	20,587	-	-	20,587
Subtotal CFDA# 84.009		29,476	27,888	-	-	27,888

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
 Federal Grants Fund  
 Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of Education, Continued</u>						
<u>Direct Programs, Continued</u>						
<u>NCN State Facilitator CFDA# 84.073</u>						
State Facility Program	2360	\$ 2,174	\$ (991)	\$ -	\$ -	\$ (991)
State Facility Program	2460	-	1,570	-	-	1,570
State Facility Program	2560	-	(3,316)	-	-	(3,316)
NDN State Facility Program	2660	-	(474)	-	-	(474)
Subtotal CFDA# 84.073		<u>2,174</u>	<u>(3,211)</u>	<u>-</u>	<u>-</u>	<u>(3,211)</u>
<u>Preschool CFDA# 84.173A</u>						
Pre-school incentive	2312	20,083	(1)	-	-	(1)
Pre-school incentive	2612	10,169	8,924	-	-	8,924
Pre-school incentive	2888	-	552	3,898	2,359	(987)
SPED Pre-School Grant	2788	-	1,539	564	12	987
SPED Pre-School Grant	2988	-	-	207,401	229,078	21,677
Innovative Program	2616	-	225	-	-	225
Subtotal CFDA# 84.173A		<u>30,252</u>	<u>11,239</u>	<u>211,863</u>	<u>231,449</u>	<u>30,825</u>
<u>Common Core CFDA# 84.000</u>						
NCES Computers	2289	-	(9,281)	-	9,282	1
NCES Computers	2389	-	(12,142)	-	1,460	(10,682)
Common Core-Data	2552	-	(3,063)	-	-	(3,063)
NCES Computers	2589	-	(257)	-	257	-
Common Core-Data	2665	-	(11,602)	-	2,673	(8,929)
Common Core-Data-NCES	2765	-	(23,998)	-	1,138	(22,860)
Common Core-Data	2689	-	(10,000)	-	-	(10,000)
Common Core-Data	2652	-	(524)	-	-	(524)
Common Core-Data	2252	-	25	-	17,147	17,172
Comparability NCES	2789	-	(25,000)	-	-	(25,000)
Comparability NCES	2889	-	-	20,000	4,534	(15,466)
Common Core-Data-NCES	2865	-	(15,970)	-	-	(15,970)
	2965	-	-	29,742	-	(29,742)
Subtotal CFDA# 84.000		<u>-</u>	<u>(111,812)</u>	<u>49,742</u>	<u>36,491</u>	<u>(125,063)</u>

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
 Federal Grants Fund  
 Year Ended September 30, 1999

<u>Federal Grantor/Program/ Title/Federal CFDA Number</u>	<u>Org. No.</u>	<u>Program or Award Amount</u>	<u>Receivable From Grantor (Deferred Revenue) at 09/30/98</u>	<u>Cash Receipts FY 99</u>	<u>Expenditures FY 99</u>	<u>Receivable From Grantor (Deferred Revenue) at 09/30/99</u>
<u>U.S. Department of Education, Continued</u>						
<u>Direct Programs, Continued</u>						
<u>Byrd Honors Sch. P. CFDA# 84.185</u>						
R.C. Byrd School Program	2974	\$ -	\$ 6,505	\$ 60,000	\$ 53,495	\$ -
R.C. Byrd School Program	0074	-	-	29,005	29,005	-
Subtotal CFDA# 84.185		-	6,505	89,005	82,500	-
<u>Education Grant Program for the Freely Associated States CFDA# 84.256</u>						
School Leadership Academy	2442	-	(15)	-	-	(15)
School Leadership ACA	2542	-	445	-	-	445
Comm. School Partnership	2543	-	(384)	-	-	(384)
Subtotal CFDA# 84.256		-	46	-	-	46
Total U.S. Department of Education		\$ 4,127,341	\$ (101,342)	\$ 6,442,232	\$ 6,615,858	\$ 72,284

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
 Federal Grants Fund  
 Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U. S. Department of Health and Human Services</u>						
<u>Direct Programs</u>						
<u>Admin., Child, Youth and Family</u>						
<u>CFDA# 93.600</u>						
Headstart Basic P-22	2426	\$ -	\$ (1,557)	\$ -	\$ -	\$ (1,557)
Headstart Basic P-22	2626	408,903	10,133	-	-	10,133
Headstart Basic P-22	2627	-	(1,704)	-	-	(1,704)
Headstart Secondary P-26	2628	-	(32)	-	-	(32)
Headstart Basic P22	2881	1,153,065	12,037	14,656	2,601	(18)
Headstart Basic P-22	2526	1,098,242	-	-	-	-
Headstart Training	2882	-	9,586	14,101	4,515	-
Headstart Training	2981	-	84,414	976,112	1,172,315	280,617
Headstart Training	2982	-	-	4,512	14,695	10,183
Subtotal CFDA# 93.600		<u>2,660,210</u>	<u>112,877</u>	<u>1,009,381</u>	<u>1,194,126</u>	<u>297,622</u>
<u>Developmental Disabilities</u>						
<u>CFDA# 13.601</u>						
Administration	2003	10,000	901	-	-	901
Planning	2004	170,000	16,112	-	-	16,112
Services	2005	20,000	3,050	-	-	3,050
Administration	2103	200,000	(248)	-	-	(248)
Planning	2104	-	(119)	-	-	(119)
Services	2105	-	(1,669)	-	-	(1,669)
Developmental Disabilities Administration	2603	160,561	(62,703)	-	-	(62,703)
Developmental Disabilities Planning	2604	-	39,927	-	-	39,927
Developmental Disabilities Services	2605	-	54,592	-	-	54,592
Subtotal CFDA# 13.601		<u>560,561</u>	<u>49,843</u>	<u>-</u>	<u>-</u>	<u>49,843</u>
<u>Child Care CFDA# 93.575</u>						
CCDBG Administration	2530	-	(2,069)	-	-	(2,069)
CCDBG Certificates	2531	-	12,420	-	-	12,420
CCDBG Saturday School	2535	-	(5,434)	-	-	(5,434)
CCDBG School Care Administration	2536	-	228	-	-	228
CCDBG Monitoring	2537	-	277	-	-	277
CCDBG Training & Technical	2538	-	995	-	-	995
CCDBG Summer School	2539	-	(173)	-	-	(173)
CCDBG Certificates	2691	522,443	2,250	-	-	2,250
CCDBG Administration	2690	-	6,680	-	-	6,680



PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
Federal Grants Fund  
Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U. S. Department of Health and Human Services</u>						
<u>Direct Programs</u>						
<u>Child Care CFDA# 93.575</u>						
Balance forwarded		\$ 522,443	\$ 15,174	\$ -	\$ -	\$ 15,174
CCDBG After School	2694	-	18,743	-	-	18,743
CCDBG Monitoring	2697	-	(277)	-	-	(277)
CCDBG Training & Technical	2698	-	(995)	-	-	(995)
Child Care Administration	2790	528,094	(152)	-	300	148
Child Care Certificates	2791	-	17,367	-	-	17,367
CC Before & After School	2794	-	615	-	-	615
CCDBG After School	2534	-	(39,185)	-	-	(39,185)
CCDBG After School	2890	-	2,571	13,339	9,719	(1,049)
CCDBG After School	2891	-	3,196	3,196	-	-
CCDBG After School	2894	-	16,942	40,328	64,756	41,370
CCDBG After School	2795	-	-	288	288	-
CCDBG After School	2796	-	-	7,335	7,545	210
CCDBG After School	2797	-	-	3,470	5,224	1,754
CCDBG After School	2798	-	-	4,487	4,487	-
CCDBG Quality & Activity	2892	-	-	15,727	23,422	7,695
Child Care Administration	2990	-	-	15,461	16,545	1,084
Child Care Certificates	2991	-	-	167,307	205,468	38,161
CCDBG Quality & Activity	2992	-	-	4,738	5,738	1,000
CCDBG Before & After School	2994	-	-	237,042	275,165	38,123
Subtotal CFDA# 93.575		<u>1,050,537</u>	<u>33,999</u>	<u>512,718</u>	<u>618,657</u>	<u>139,938</u>
<u>AIDS CFDA# 93.938</u>						
Aids-HIV	2461	-	(2,608)	-	-	(2,608)
Aids-HIV	2761	-	70	3,929	3,859	-
Aids-HIV	2561	-	(25,113)	-	-	(25,113)
Aids-HIV	2861	-	6,314	32,256	26,107	165
Aids-HIV	2961	-	-	29,222	32,422	3,200
Subtotal CFDA# 93.938		<u>-</u>	<u>(21,337)</u>	<u>65,407</u>	<u>62,388</u>	<u>(24,356)</u>
Total U. S. Department of Health and Human Services		<u>\$ 4,271,308</u>	<u>\$ 175,382</u>	<u>\$ 1,587,506</u>	<u>\$ 1,875,171</u>	<u>\$ 463,047</u>

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
Federal Grants Fund  
Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of Agriculture</u>						
<u>Direct Programs</u>						
<u>Nutrition Assistance Grant</u>						
<u>CFDA #10.555</u>						
T.E.F.A.P.	2120	\$ -	\$ (7)	\$ -	\$ -	\$ (7)
School Breakfast/Lunch Program	2217	2,493,904	893	-	-	893
State Administration Expense	2218	-	289,842	-	-	289,842
Equipment and Facility Improvement	2221	-	7,738	-	-	7,738
School Lunch Program	2317	2,886,421	29,734	-	-	29,734
State Administration Expense	2318	-	(331,467)	-	-	(331,467)
School Lunch Program	2417	2,619,854	(239,330)	-	-	(239,330)
State Administration Expense	2418	135,586	34,318	-	-	34,318
Unknown	2419	-	4,128	-	-	4,128
Equipment and Facility Improvement	2421	22,174	(13,415)	-	-	(13,415)
Breakfast Lunch Program	2517	-	22,378	-	-	22,378
School Breakfast/Lunch Program	2617	2,363,388	170,723	-	-	170,723
State Administration Expense	2618	-	2,933	-	-	2,933
Breakfast Lunch Program	2677	-	(285)	-	-	(285)
T.E.F.A.P.	2620	-	997	997	-	-
	2877	-	285,703	606,620	345,910	24,993
FNS State Administration Expense	2878	-	8,686	8,265	(422)	(1)
FNS Nutrition Education	2879	-	11,035	12,011	1,157	181
FNS EQ & FAC Improvement	2880	-	1,759	97,629	95,870	-
Dandan Cafeteria	2876	-	-	383,562	383,562	-
FNS School Breakfast/Lunch	2977	-	-	2,734,621	2,912,067	177,446
FNS State Administration Expense	2978	-	-	152,530	159,581	7,051
FNS Nutrition Education	2979	-	-	4,143	4,143	-
FNS EQ & FAC Improvement	2980	-	-	43,627	51,400	7,773
<b>Total U.S. Department of Agriculture CFDA #10.555</b>		<b>\$ 10,521,327</b>	<b>\$ 286,363</b>	<b>\$ 4,044,005</b>	<b>\$ 3,953,268</b>	<b>\$ 195,626</b>
<u>U.S. Department of the Interior</u>						
<u>CFDA #15.875</u>						
Micro Impact Aid	2340	146,268	10,106	-	-	10,106
Micro Impact Aid	2767	-	(13,530)	(100)	13,430	-
Micro Impact Aid	2440	-	(2,496)	-	-	(2,496)
Micro Impact Aid	2867	-	-	88,264	63,691	(24,573)
<b>Total U.S. Department of the Interior CFDA #15.875</b>		<b>\$ 146,268</b>	<b>\$ (5,920)</b>	<b>\$ 88,164</b>	<b>\$ 77,121</b>	<b>\$ (16,963)</b>

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued  
 Federal Grants Fund  
 Year Ended September 30, 1999

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/98	Cash Receipts FY 99	Expenditures FY 99	Receivable From Grantor (Deferred Revenue) at 09/30/99
<u>U.S. Department of Transportation</u>						
<u>Direct Programs</u>						
<u>CFDA #20.509</u>						
Federal Transit Bus	2370	\$ 5,375	\$ (20)	\$ -	\$ -	\$ (20)
Federal Transit Administration	2470	-	61,317	-	-	61,317
Federal Transit Administration	2670	-	(7,509)	-	-	(7,509)
Federal Transit Bus	2770	-	(974)	-	-	(974)
Federal Transit Administration	2870	-	98,070	126,428	28,358	-
Federal Transit Bus	2970	-	-	125,267	125,267	-
Total U.S. Department of Transportation CFDA #20.509		<u>\$ 5,375</u>	<u>\$ 150,884</u>	<u>\$ 251,695</u>	<u>\$ 153,625</u>	<u>\$ 52,814</u>
<u>Other</u>						
School to work	2564	\$ -	\$ (2,227)	\$ (2,227)	\$ -	\$ -
School to work	2664	-	(5,485)	524	6,009	-
School to work	2864	-	-	100,386	100,376	(10)
Total other		<u>\$ -</u>	<u>\$ (7,712)</u>	<u>\$ 98,683</u>	<u>\$ 106,385</u>	<u>\$ (10)</u>
Total Federal Grants Fund		<u>\$ 19,071,619</u>	<u>\$ 497,655</u>	<u>\$ 12,512,285</u>	<u>\$ 12,781,428</u>	<u>\$ 766,798</u>

## PUBLIC SCHOOL SYSTEM

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1999

### (1) Scope of Review

The Public School System was established as a public non-profit corporation by the Commonwealth of the Northern Mariana Islands (CNMI) Public Law 6-10, effective October 25, 1988 and began operations on October 1, 1988. All significant operations of PSS are included in the scope of the OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior's Office of the Inspector General has been designated as PSS's cognizant agency for the Single Audit.

### (2) Summary of Significant Accounting Policies

#### a. Basis of Accounting

For purposes of this report, certain accounting procedures were followed which help illustrate the authorizations and expenditures of the individual programs. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. All authorizations represent the total allotments or grant awards received. All expenses and capital outlays are reported as expenditures.

Any federal funds expended in excess of federal funds received are recorded as a receivable from the grantor agency and any federal funds received in excess of federal funds expended are recorded as a payable to the grantor agency.

#### b. Indirect Cost Allocation

PSS negotiated an indirect cost plan with the U.S. Department of the Interior for fiscal year 1999. It is applicable to all federal grant programs and was 13.14% of payroll expenditures for the year ended September 30, 1999.