

PUBLIC SCHOOL SYSTEM

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

Year Ended September 30, 2000

PUBLIC SCHOOL SYSTEM

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

Year Ended September 30, 2000

PUBLIC SCHOOL SYSTEM

TABLE OF CONTENTS
September 30, 2000

<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	6-14
B. Combining Financial Statements	
Special Revenue Funds:	
Combining Balance Sheet	15
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	16
Capital Project Funds:	
Combining Balance Sheet	17
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	18
C. Supplementary Information	
Schedule of Expenditures of Federal Awards:	
Capital Improvement Projects	19
Federal Grants Fund	20-27
Notes to the Schedule of Expenditures of Federal Awards	28
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>	29-30
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	31-33

PUBLIC SCHOOL SYSTEM

TABLE OF CONTENTS, CONTINUED
September 30, 2000

<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	34-36
Section II - Financial Statements Findings	37-44
Section III - Federal Awards Findings and Questioned Costs	45-72
Summary Schedule of Prior Audit Findings	73-114
III. SUMMARY OF UNRESOLVED QUESTIONED COSTS	115
IV. AUDITEE GENERAL RESPONSE ON UNRESOLVED QUESTIONED COSTS	116-129

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INDEPENDENT AUDITOR'S REPORT

The 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, 2000, 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, advances to vendors and contract retention payable were fairly stated as of September 30, 2000. Furthermore, in my judgment, the balances of accounts receivable-CNMI, travel advances, advances to vendors and contract retention payable materially affect revenues, expenditures and operating transfers in for the year ended September 30, 2000.

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, advances to vendors, 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, 2000, 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 June 14, 2002 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
June 14, 2002

PUBLIC SCHOOL SYSTEM

Balance Sheet

September 30, 2000

(With Comparative Totals as of September 30, 1999)

ASSETS	Governmental Fund Types			Account Groups		Total (Memorandum Only)	
	General	Special	Capital	General	General	2000	1999
	Fund	Revenue Funds	Projects Funds	Long-Term Debt	Fixed Assets		
Cash (note 2)	\$ 3,171,731	\$ -	\$ -	\$ -	\$ -	\$ 3,171,731	\$ 2,001,729
Accounts receivable-CNMI (notes 2 and 4)	3,623,942	14,739	487,609	-	-	4,126,290	4,927,044
Travel advances (note 2)	552,799	-	-	-	-	552,799	508,212
Advances	140,004	403,605	-	-	-	543,609	139,401
Due from other funds	-	1,828,791	311,167	-	-	2,139,958	1,230,605
Due from grantor agencies (notes 2 and 3)	-	1,224,346	-	-	-	1,224,346	766,798
Other receivables	50,512	12,411	-	-	-	62,923	55,716
Investment in fixed assets, net of accumulated depreciation (note 2)	-	-	-	-	50,281,244	50,281,244	50,281,244
Amount to be provided for retirement of long-term debt	-	-	-	2,916,845	-	2,916,845	2,589,885
	<u>\$ 7,538,988</u>	<u>\$ 3,483,892</u>	<u>\$ 798,776</u>	<u>\$ 2,916,845</u>	<u>\$50,281,244</u>	<u>\$65,019,745</u>	<u>\$ 62,500,634</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Vouchers payable	\$ 1,492,193	\$ 1,762	\$ -	\$ -	\$ -	\$ 1,493,955	\$ 434,055
Contract retention payable	-	-	221,170	-	-	221,170	221,170
Accrued payroll and others	2,373,080	-	-	2,916,845	-	5,289,925	5,591,270
Deferred revenue (note 5)	-	1,007,350	-	-	-	1,007,350	-
Due to other funds	182,829	1,537,069	417,828	-	-	2,137,726	1,230,605
Due to grantor agencies (notes 2 and 3)	-	-	170,266	-	-	170,266	170,266
Total liabilities	<u>4,048,102</u>	<u>2,546,181</u>	<u>809,264</u>	<u>2,916,845</u>	<u>-</u>	<u>10,320,392</u>	<u>7,647,366</u>
Fund equity:							
Investment in general fixed asset	-	-	-	-	50,281,244	50,281,244	50,281,244
Fund balances (deficit):							
Reserved for encumbrances	1,677,840	2,730,520	-	-	-	4,408,360	8,321,002
Unreserved	1,813,046	(1,792,809)	(10,488)	-	-	9,749	(3,748,978)
Total fund equity	<u>3,490,886</u>	<u>937,711</u>	<u>(10,488)</u>	<u>-</u>	<u>50,281,244</u>	<u>54,699,353</u>	<u>54,853,268</u>
Contingencies and commitments (notes 8 and 9)							
	<u>\$ 7,538,988</u>	<u>\$ 3,483,892</u>	<u>\$ 798,776</u>	<u>\$ 2,916,845</u>	<u>\$50,281,244</u>	<u>\$65,019,745</u>	<u>\$ 62,500,634</u>

See accompanying notes to financial statements.

PUBLIC SCHOOL SYSTEM

Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)
Year Ended September 30, 2000

(With Comparative Totals for the Year Ended September 30, 1999)

	Government Fund Types			Total (Memorandum Only)	
	General	Special	Capital	2000	1999
	Fund	Revenue Funds	Projects Funds		
Revenues:					
Federal grants	\$ -	\$ 16,152,438	\$ -	\$ 16,152,438	\$ 12,781,428
Other grants	40,646	-	-	40,646	1,619,084
Total revenues	40,646	16,152,438	-	16,193,084	14,400,512
Expenditures:					
Elementary education	16,873,582	-	-	16,873,582	17,394,284
Secondary education	9,634,798	-	-	9,634,798	10,368,231
Administration	5,499,752	-	-	5,499,752	5,605,820
Consolidated grants	-	3,402,487	-	3,402,487	2,858,551
Special education	2,357,226	-	-	2,357,226	5,668,594
Food Service	-	3,756,184	-	3,756,184	3,953,268
Headstart	592,429	1,237,018	-	1,829,447	1,738,757
Child Care	-	825,712	-	825,712	618,657
Individual programs	132,621	-	-	132,621	276,978
Capital expenditures	-	-	-	-	-
Liaison offices	509,846	-	-	509,846	641,989
Bilingual education	472,979	92,286	-	565,265	682,764
Board of Education	232,859	-	-	232,859	102,316
Miscellaneous	280,953	6,848,679	-	7,129,632	2,192,646
Total expenditures	36,587,045	16,162,366	-	52,749,411	52,102,855
Expenditures over revenues	(36,546,399)	(9,928)	-	(36,556,327)	(37,702,343)
Other sources (note 4):					
Operating transfers in	36,280,241	-	-	36,280,241	37,964,079
Total other sources	36,280,241	-	-	36,280,241	37,964,079
Excess (deficiency) of revenues and other sources over expenditures	(266,158)	(9,928)	-	(276,086)	261,736
Decrease (increase) in reserve for encumbrances	843,366	3,069,276	-	3,912,642	(3,995,342)
Net change in unreserved fund balance for the year	577,208	3,059,348	-	3,636,556	(3,733,606)
Fund balances (deficit) - unreserved beginning of the year	1,235,838	(4,852,157)	(10,488)	(3,626,807)	566,848
Prior period adjustments	-	-	-	-	(582,220)
Fund balances (deficit) - unreserved end of the year	\$ 1,813,046	\$ (1,792,809)	\$ (10,488)	\$ 9,749	\$ (3,748,978)

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, 2000

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues	\$ -	\$ 40,646	\$ 40,646
Total revenues	<u>-</u>	<u>40,646</u>	<u>40,646</u>
Expenditures:			
Elementary education	15,982,028	16,873,582	(891,554)
Secondary education	8,495,890	9,634,798	(1,138,908)
Administration	6,212,024	5,499,752	712,272
Special education	2,407,257	2,357,226	50,031
Headstart	1,076,511	592,429	484,082
Individual programs	130,321	132,621	(2,300)
Liaison offices	636,449	509,846	126,603
Bilingual education	611,166	472,979	138,187
Board of Education	264,106	232,859	31,247
Miscellaneous	214,489	280,953	(66,464)
Total expenditures	<u>36,030,241</u>	<u>36,587,045</u>	<u>(556,804)</u>
Revenues under expenditures	<u>(36,030,241)</u>	<u>(36,546,399)</u>	<u>(516,158)</u>
Other sources (note 4):			
Operating transfers in	<u>36,030,241</u>	<u>36,280,241</u>	<u>(250,000)</u>
Excess (deficiency) of revenues and other sources over expenditures	-	(266,158)	266,158
Other changes in unreserved fund balance:			
Reserved for encumbrances	-	843,366	(843,366)
Unreserved fund balance at beginning of year	<u>-</u>	<u>1,235,838</u>	<u>(1,235,838)</u>
Unreserved fund balance at end of year	<u>\$ -</u>	<u>\$ 1,813,046</u>	<u>\$ (1,813,046)</u>

See accompanying notes to financial statements.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements
September 30, 2000

(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 educational 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.

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.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements
September 30, 2000

(2) Summary of Significant Accounting Policies, Continued

Fund Accounting, Continued

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.

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.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements
September 30, 2000

(2) Summary of Significant Accounting Policies, Continued

Encumbrance Accounting

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.

Budgets

Accounting principles used in developing data on a budgetary basis differ from those used in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Amounts included in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (which are presented on a non-GAAP budgetary basis) reconcile to the unreserved fund balance on the accompanying Balance Sheet.

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 \$3,171,731, approximately \$636,000 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, 2000

(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 began 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 the 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 (NMIRF), a defined benefit, cost-sharing multi-employer pension plan established and administered by the CNMI. NMIRF provides retirement, security and other benefits to employees of the CNMI government and CNMI agencies, instrumentalities and public corporations, and to their spouses and dependents. Benefits are based on the average annual salary over the term of credited service. Generally, benefits vest after three years of credited service. For early retirement, after 10 years of vesting service and members is at least 52 years of age. 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 Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established.

PSS's total payroll for fiscal year 2000 was approximately \$30,200,000, 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, 2000), it has been determined that for the year ended September 30, 2000, the funding requirement for employer is 29.0029% 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 unfounded 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, 2000

(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).

Required contributions and the percentage actually contributed for the current year and for the preceding two years are as follows:

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>Percentage of Required Contribution Contributed</u>
9/30/00	\$ 7,248,747	100%
9/30/99	7,661,845	100%
9/30/98	1,168,024	100%

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 NMIRF's October 1, 2000 actuarial valuation determined the unfunded pension benefit obligation as follows:

	<u>Class I</u>	<u>Class II</u>	<u>Total</u>
Present value of vested accrued benefits:			
Active participants	\$ 61,589,692	\$ 89,880,698	\$151,470,390
Terminated with vested benefits	2,685,895	2,004,122	4,690,017
Retired and beneficiaries	32,650,200	433,190,700	465,840,900
Non-vested accrued benefits	<u>53,699,110</u>	<u>43,005,490</u>	<u>96,704,600</u>
Total present value of accrued benefits	150,624,897	568,081,010	718,705,907
Net assets available for benefits, at market value	<u>142,940,818</u>	<u>310,578,506</u>	<u>453,519,324</u>
Unfunded benefit obligation	<u>\$ 7,684,079</u>	<u>\$257,502,504</u>	<u>\$265,186,583</u>

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements
September 30, 2000

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

The present values of vested and non-vested accrued benefits provide a measure of the value of future plan benefit payments resulting from services earned to the valuation date. It is intended that when these measures are compared to plan assets, they will be used in assessing the progress being made towards funding such benefit.

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

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, 2000 is \$2,916,845. No expenditure is reported for these amounts. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

An employee cannot carry over to the following calendar year accumulated annual leave in excess of three hundred sixty (360) hours. However, any annual leave accumulated in excess of 360 hours as of the end of the calendar year can be converted to sick leave on the last day of such calendar year.

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 financial analysis. No consolidating entries or other eliminations were made in the aggregation of the totals; thus, they do not present consolidated information and do not purport to present financial position, results of operations or cash flows in conformity with generally accepted accounting principles.

(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.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements
September 30, 2000

(3) Due From/To Grantor Agencies, Continued

Changes in the due from/to grantor agency accounts for the year ended September 30, 2000, are as follows:

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Balance at beginning of year	\$ 767,798	\$ (170,266)
Additions - program outlays	15,318,562	-
Deductions - cash receipts from grantor agencies	<u>(14,862,014)</u>	<u>-</u>
Balance at end of year	<u>\$ 1,224,346</u>	<u>\$ (170,266)</u>

(4) Transfer in from CNMI Government

In accordance with Public Law 10-34, the CNMI government appropriated \$36,280,241 for PSS's operational use for the year ended September 30, 2000. The amount actually received in cash and/or services was \$36,744,054 and \$3,623,942 was receivable at September 30, 2000.

(5) Deferred Revenue

Grants received in advance of the period in which expenditures are incurred are recorded as liability under "Deferred Revenue".

(6) 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, 2000 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.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements
September 30, 2000

(6) Special Revenue Funds, Continued

Indirect Costs Fund - This fund, established through directive of the PSS Commissioner of Education, accounts for indirect cost of PSS related to federal grants.

(7) 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, 2000 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 for activities pertaining to specific funds appropriated by the CNMI Legislature through Public Law 7-5.

(8) 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, 2000, expenditures in the amount of \$408,809 and various amounts for which a value cannot be determined have been questioned as a result of Single Audits in fiscal years 1993 through 2000. 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.

PUBLIC SCHOOL SYSTEM

Notes to Financial Statements
September 30, 2000

(9) 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.

(10) Recent Accounting Pronouncements

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion Analysis for State and Local Governments". This Statement establishes new financial reporting for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with the reports issued in all prior years will be affected. The Public School System is required to implement this standard for fiscal year ending September 30, 2002. The PSS has not yet determined the full impact that adoption of GASB Statement 34 will have on financial statements.

PUBLIC SCHOOL SYSTEM

Combining Balance Sheet - Special Revenue Funds
September 30, 2000

<u>ASSETS</u>	Federal Grants Fund	Local Donations Fund	CNMI Grants Fund	Indirect Costs Fund	Total
Accounts receivable - CNMI	\$ -	\$ -	\$ 14,739	\$ -	\$ 14,739
Advances	403,605	-	-	-	403,605
Due from other funds	-	472,895	247,588	1,108,308	1,828,791
Due from grantor agencies	1,224,346	-	-	-	1,224,346
Other receivables	-	12,411	-	-	12,411
	<u>\$ 1,627,951</u>	<u>\$ 485,306</u>	<u>\$ 262,327</u>	<u>\$ 1,108,308</u>	<u>\$ 3,483,892</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accrued payroll and others	\$ 1,762	\$ 60,369	\$ -	\$ 946,981	\$ 1,009,112
Due to other funds	1,537,069	-	-	-	1,537,069
Total liabilities	<u>1,538,831</u>	<u>60,369</u>	<u>-</u>	<u>946,981</u>	<u>2,546,181</u>
Fund balances (deficit):					
Reserved for encumbrances	2,375,257	315,943	3,886	35,434	2,730,520
Unreserved	(2,286,137)	108,994	258,441	125,893	(1,792,809)
Total fund balances	<u>89,120</u>	<u>424,937</u>	<u>262,327</u>	<u>161,327</u>	<u>937,711</u>
	<u>\$ 1,627,951</u>	<u>\$ 485,306</u>	<u>\$ 262,327</u>	<u>\$ 1,108,308</u>	<u>\$ 3,483,892</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, 2000

	Federal Grants Fund	Local Donations Fund	CNMI Grants Fund	Indirect Costs Fund	Total
Revenues:					
Federal grants	\$ 14,917,708	\$ -	\$ -	\$ -	\$ 14,917,708
Other grants	<u>-</u>	<u>548,701</u>	<u>7,521</u>	<u>678,508</u>	<u>1,234,730</u>
Total revenues	<u>14,917,708</u>	<u>548,701</u>	<u>7,521</u>	<u>678,508</u>	<u>16,152,438</u>
Expenditures:					
Consolidated grants	-	-	-	-	-
Food service	3,756,184	-	-	-	3,756,184
Special education	3,402,487	-	-	-	3,402,487
Headstart	1,237,018	-	-	-	1,237,018
Child Care	825,712	-	-	-	825,712
Bilingual education	92,286	-	-	-	92,286
Miscellaneous	<u>5,548,327</u>	<u>498,563</u>	<u>155,692</u>	<u>646,097</u>	<u>6,848,679</u>
Total expenditures	<u>14,862,014</u>	<u>498,563</u>	<u>155,692</u>	<u>646,097</u>	<u>16,162,366</u>
Excess (deficiency) of revenue over expenditures	55,694	50,138	(148,171)	32,411	(9,928)
(Increase) decrease in reserve for encumbrances	<u>3,200,980</u>	<u>(169,853)</u>	<u>38,149</u>	<u>-</u>	<u>3,069,276</u>
Net change in unreserved fund balance for the year	3,256,674	(119,715)	(110,022)	32,411	3,059,348
Fund balances (deficit) - unreserved, beginning of the year	<u>(5,542,811)</u>	<u>228,709</u>	<u>368,463</u>	<u>93,482</u>	<u>(4,852,157)</u>
Fund balances (deficit) - unreserved, end of year	<u>\$ (2,286,137)</u>	<u>\$ 108,994</u>	<u>\$ 258,441</u>	<u>\$ 125,893</u>	<u>\$ (1,792,809)</u>

See Accompanying Independent Auditor's Report.

PUBLIC SCHOOL SYSTEM

Combining Balance Sheet - Capital Project Funds
September 30, 2000

<u>ASSETS</u>	<u>Federal Capital Projects Fund</u>	<u>Local Capital Projects Fund</u>	<u>Non- Resident Workers' Fund</u>	<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>
Fund 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, 2000

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

See Accompanying Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2000

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards
 Capital Improvement Projects
 Year Ended September 30, 2000

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/99	Cash Receipts FY 00	Expenditures FY 00	Receivable From Grantor (Deferred Revenue) at 09/30/00
<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, 2000

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/99	Cash Receipts FY 00	Expenditures FY 00	Receivable From Grantor (Deferred Revenue) at 09/30/00
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.194Q</u>						
Bilingual Data - SEA	0072	\$ 100,000	\$ 2,830	\$ (47,196)	\$ 47,196	\$ 2,830
Technical Assistant Section 11	0073	-	1,550	(45,090)	45,090	1,550
Subtotal CFDA# 84.194Q		100,000	4,380	(92,286)	92,286	4,380
<u>CFDA# 84.318X</u>						
Technology SEA	2858	267,794	-	(25)	25	-
Technology LEA	2859	-	-	(27,809)	27,809	-
Technology SEA	2958	-	1,459	(9,390)	9,390	1,459
Technology LEA	2959	-	24,707	(25,094)	25,094	24,707
Technology LEA	2959CG	-	-	(5,452)	5,452	-
Technology LEA	2959JM	-	-	(4,262)	4,262	-
Technology LEA	2959JS	-	585	(10,035)	10,035	585
Technology LEA	2959JV	-	7,153	(7,153)	7,153	7,153
Technology LEA	2959KS	-	2,901	(13,030)	13,030	2,901
Technology LEA	2959LV	-	-	(2,312)	2,312	-
Technology LEA	2959PJ	-	933	(4,278)	4,278	933
Technology LEA	2959JB1	-	-	(950)	950	-
Technology LEA	2959JB2	-	-	(950)	950	-
Technology LEA	2959JB3	-	-	(950)	950	-
Technology LEA	2959JB4	-	-	(950)	950	-
Technology LEA	2959JB5	-	-	(950)	950	-
Technology LEA	2959JB6	-	-	(950)	950	-
Technology LEA	2959JB7	-	-	(950)	950	-
Technology LEA	2959JB8	-	-	(475)	475	-
Technology LEA	2959LB1	-	2,865	(9,520)	9,520	2,865
Technology LEA	2959LB2	-	-	(9,600)	9,600	-
Technology LEA	2959LB3	-	-	(9,800)	9,800	-
Technology LEA	2959LB4	-	-	(3,800)	3,800	-
Technology SEA	0058	-	(714)	(2,384)	2,384	(714)
Subtotal CFDA# 84.318X		267,794	39,889	(151,069)	151,069	39,889
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.276A</u>						
Goals 2000-1 SEA	2762	134,024	-	(1,329)	1,329	-
Goals 2000-2	2763	-	(6,998)	(63,193)	63,193	(6,998)
Goals 2000-1 SEA	2862	-	1,151	(3,252)	3,252	1,151

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued
Federal Grants Fund
Year Ended September 30, 2000

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/99	Cash Receipts FY 00	Expenditures FY 00	Receivable From Grantor (Deferred Revenue) at 09/30/00
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.276A, Continued</u>						
Balance forwarded:		\$ 134,024	\$ (5,847)	\$ (67,774)	\$ 67,774	\$ (5,847)
Goals 2000-2 LEA	2863	-	25,592	(69,087)	69,087	25,592
Goals 2000-1 SEA	2962	-	(200)	(2,853)	2,853	(200)
Goals 2000 - LEA	2963EW	-	(4,083)	-	-	(4,083)
Goals 2000 - LEA	2963PT	-	(6,483)	-	-	(6,483)
Goals 2000 - LEA	2963 EM	-	(818)	-	-	(818)
Goals 2000 - LEA	2963PT2	-	(636)	-	-	(636)
Subtotal CFDA# 84.276A		134,024	7,525	(139,714)	139,714	7,525
<u>CFDA# 84.922A</u>						
Title 6-Personnel	5819	4,609,165	-	-	-	-
Strategies 1	5901	-	(22,311)	(3,439)	3,439	(22,311)
Strategies 2	5902	-	16,384	(164)	164	16,384
Strategies 3	5903	-	1	(1,763)	1,763	1
Strategies 4	5904	-	4,736	(51,782)	51,782	4,736
Strategies 5	5905	-	4,700	(8,613)	8,613	4,700
Drug Free	5907	-	7,518	(60,713)	60,713	7,518
Consolidated EIE	5909	-	28,496	(267,921)	267,921	28,496
Consolidated Title 6	5910	-	-	(227)	227	-
Consolidated LEA/IA	5912	-	2,700	(96,914)	96,914	2,700
Consolidated Personnel	5919	-	(1)	(835,090)	835,090	(1)
EIE - Dandan Elementary School	5909A1	-	(149)	(599)	599	(149)
EIE - Grace Christian Saipan	5909B2	-	(5,443)	(26,515)	26,515	(5,443)
EIE - Joshua Generation Academy	5909B4	-	(13,788)	(7,872)	7,872	(13,788)
EIE - Mount Carmel School	5909B6	-	(6,915)	(24,412)	24,412	(6,915)
EIE - Saipan Community School	5909B7	-	(575)	(23,600)	23,600	(575)
EIE - San Francisco de Borja	5909B8	-	(1,050)	(4,497)	4,497	(1,050)
EIE - Seventh Day Academy	5909B9	-	-	(6,376)	6,376	-
EIE - Saipan International School	5909B10	-	(655)	(17,878)	17,878	(655)
EIE - Sister Remedios Pre-School	5909B11	-	(301)	(8,027)	8,027	(301)
EIE - Saint Joseph Tinian	5909B13	-	-	(122)	122	-
EIE - PSS	5909PSS	-	(1)	(931,532)	931,532	(1)
Strategies 4 - San Vicente School	5904SVS	-	(2,460)	-	-	(2,460)
Strategies 1 - RIC	0001RIC	-	-	(7,473)	7,473	-
EIE - Whispering Palms School	5909B12	-	(928)	(2,123)	2,123	(928)
Strategies 1 - SE	0001SE	-	134	(28,184)	28,184	134
Strategies 1 - STA	0001STA	-	2,376	(21,284)	21,284	2,376
Strategies 2 - TA	0002TA	-	-	(2,495)	2,495	-
Strategies 3 - Parental Involvement	0003PI	-	1,640	(22,223)	22,223	1,640
Strategies 4 - Staff Development	0004SD	-	32,122	(160,304)	160,304	32,122
Strategies 5 - CSA	0005CSA	-	1,879	(99,581)	99,581	1,879

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued
Federal Grants Fund
Year Ended September 30, 2000

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/99	Cash Receipts FY 00	Expenditures FY 00	Receivable From Grantor (Deferred Revenue) at 09/30/00
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.922A, Continued</u>						
Balance forwarded:		\$ 4,609,165	\$ 48,109	\$ (2,721,723)	\$ 2,721,723	\$ 48,109
DF - GTC Elementary School	0007A3	-	-	(4,045)	4,045	-
DF - Hopwood High School	0007A4	-	1,417	(19,453)	19,453	1,417
DF - Koblerville Elementary School	0007A5	-	-	(5,910)	5,910	-
DF - Marianas High School	0007A6	-	-	(34,149)	34,149	-
DF - Oleai Elementary School	0007A7	-	863	(863)	863	863
DF - San Antonio Elementary School	0007A10	-	2,400	(3,665)	3,665	2,400
DF - San Vicente Elementary School	0007A11	-	-	(6,111)	6,111	-
DF - Tanapag Elementary School	0007A12	-	-	(11,753)	11,753	-
DF - WSR Elementary School	0007A15	-	1,734	(6,478)	6,478	1,734
Df - Northern Marianas Academy	0007B9	-	1	(891)	891	1
DF - Admin	0007C1	-	-	(714)	714	-
Drug Free - SEA	0007C2	-	(14,609)	(19,955)	19,955	(14,609)
EIE - Dandan Elementary School	0009A1	-	600	(29,000)	29,000	600
EIE - Garapan Elementary School	0009A2	-	6,455	(15,382)	15,382	6,455
EIE - Hopwood Junior High School	0009A4	-	3,452	(14,912)	14,912	3,452
EIE - Koblerville Elementary School	0009A5	-	5,402	(7,704)	7,704	5,402
EIE - Marianas High School	0009A6	-	-	(65)	65	-
EIE - Oleai Elementary School	0009A7	-	148	(2,139)	2,139	148
EIE - Rota Elementary School	0009A8	-	-	(12,555)	12,555	-
EIE - Rota High School	0009A9	-	-	(4,491)	4,491	-
EIE - San Antonio Elementary School	0009A10	-	1,679	(3,755)	3,755	1,679
EIE - San Vicente Elementary School	0009A11	-	-	(4,580)	4,580	-
EIE - Tinian Elementary School	0009A13	-	283	(7,615)	7,615	283
EIE - WSR Elementary School	0009A15	-	5,019	(5,019)	5,019	5,019
EIE - LMA	0009A16	-	-	(1,555)	1,555	-
EIE - Bucon International School	0009B2	-	-	(9,963)	9,963	-
EIE - Grace Christian Saipan	0009B3	-	9,451	(9,451)	9,451	9,451
EIE - Grace Christian Rota	0009B4	-	-	(2,494)	2,494	-
EIE - Joshua Generation Academy	0009B6	-	8,924	(9,524)	9,524	8,924
EIE - Mount Carmel School	0009B8	-	1,859	(46,897)	46,897	1,859
EIE - Northern Marianas Academy	0009B9	-	257	(2,093)	2,093	257
EIE - NMC Lab School	0009B10	-	790	(790)	790	790
EIE - Saipan Community School	0009B11	-	11,045	(12,929)	12,929	11,045
EIE - Saint Joseph Tinian	0009B14	-	1,602	(2,354)	2,354	1,602
EIE - Saipan International School	0009B15	-	2,576	(17,207)	17,207	2,576
EIE - Sister Remedios Pre-School	0009B16	-	1,040	(8,307)	8,307	1,040
EIE - Whispering Palms School	0009B17	-	5,169	(12,817)	12,817	5,169
EIE - Golden Harvest International	0009B18	-	501	(1,038)	1,038	501
EIE - PSS	0009PSS	-	210,810	-	-	210,810
EIE - APD	0009C1	-	811	(11,971)	11,971	811
EIE - CIA	0009C2	-	-	(972)	972	-
CG - T6 ADM	0010ADM	-	3,575	(6,728)	6,728	3,575

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued
 Federal Grants Fund
 Year Ended September 30, 2000

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/99	Cash Receipts FY 00	Expenditures FY 00	Receivable From Grantor (Deferred Revenue) at 09/30/00
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.922A, Continued</u>						
Balance forwarded:		\$ 4,609,165	\$ 321,363	\$ (3,100,017)	\$ 3,100,017	\$ 321,363
CG - T6 Grace Christian Saipan	0012B3	-	30,487	(54,233)	54,233	30,487
CG - T6 Grace Christian Rota	0012B4	-	16,965	(17,875)	17,875	16,965
CG - T6 Grace Christian Tinian	012B5	-	9,165	(9,165)	9,165	9,165
CG - T6 Mount Carmel School	0012B8	-	-	(42,828)	42,828	-
CG - T6 Northern Marianas Academy	0012B9	-	4,089	(6,956)	6,956	4,089
CG - T6 NMC Lab School	0012B10	-	124	(282)	282	124
CG - T6 Saipan Community School	0012B11	-	499	(2,934)	2,934	499
CG - T6 San Francisco De Borja	0012B12	-	-	(11,659)	11,659	-
CG - T6 Saint Joseph Tinian	0012B14	-	-	(3,855)	3,855	-
CG - T6 Saipan International School	0012B15	-	6,208	(12,847)	12,847	6,208
CG - T6 Sister Remedios Pre School	0012B16	-	-	(34,606)	34,606	-
CG - T6 Whispering Palms School	0012B17	-	-	(2,619)	2,619	-
Class Size Reduction	0014	-	64,849	(331,057)	331,057	64,849
CG - Personnel T6	0019	-	146,941	(788,172)	788,172	146,941
Subtotal CFDA# 84.922A		4,609,165	600,690	(4,419,105)	4,419,105	600,690
<u>CFDA# 84.215U</u>						
Christa McAuliffe Grant	0045	25,041	(22,500)	(2,500)	2,500	(22,500)
Christa McAuliffe Grant	0045AO	-	2,455	(2,455)	2,455	2,455
Christa McAuliffe Grant	0045CS	-	1,619	(1,619)	1,619	1,619
Christa McAuliffe Grant	0045MA	-	1,428	(1,428)	1,428	1,428
Christa McAuliffe Grant	0045MR	-	1,868	(1,868)	1,868	1,868
Christa McAuliffe Grant	0045RF	-	1,930	(1,930)	1,930	1,930
Christa McAuliffe Grant	0045RG	-	2,330	(2,330)	2,330	2,330
Christa McAuliffe Grant	0145	-	(10,041)	(15,000)	15,000	(10,041)
Subtotal CFDA# 84.215U		25,041	(20,912)	(29,130)	29,130	(20,912)
<u>CFDA# 84.027</u>						
SPED Handicapped Children SEA	2883	-	-	(59,602)	59,602	-
SPED - Administration	2884	-	7,058	(1,262)	1,262	7,058
SPED Handicapped Children LEA	2885	-	(7,059)	(80,846)	80,846	(7,059)
SPED Handicapped Children SEA	2983	-	171,667	(425,267)	425,267	171,667
SPED - Administration	2984	-	8,098	(16,603)	16,603	8,098
SPED Handicapped Children LEA	2985	-	43,594	(367,377)	367,377	43,594
SPED Handicapped Children SEA	0083	2,980,233	(90,074)	(434,138)	434,138	(90,074)

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued
 Federal Grants Fund
 Year Ended September 30, 2000

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/99	Cash Receipts FY 00	Expenditures FY 00	Receivable From Grantor (Deferred Revenue) at 09/30/00
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.027, Continued</u>						
Balance forwarded:		\$ 2,980,233	\$ 133,284	\$ (1,385,095)	\$ 1,385,095	\$ 133,284
SPED - Administration	0084	-	(10,578)	(5,319)	5,319	(10,578)
SPED Handicapped Children LEA	0085	-	72,907	(1,862,840)	1,862,840	72,907
SPED Pacific Grant	0086	-	21,838	(149,233)	149,233	21,838
Subtotal CFDA# 84.027		2,980,233	217,451	(3,402,487)	3,402,487	217,451
<u>CFDA# 84.181</u>						
SPED Infant & Toddlers	2988	-	5,402	(140,005)	140,005	5,402
SPED Infant & Toddlers	0088	387,343	(30,485)	(212,789)	212,789	(30,485)
Subtotal CFDA# 84.181		387,343	(25,083)	(352,794)	352,794	(25,083)
<u>CFDA# 84.029</u>						
SPED R.S. Personnel (UAP)	2987	-	-	(120,000)	120,000	-
Subtotal CFDA# 84.029		-	-	(120,000)	120,000	-
<u>CFDA# 84.000</u>						
NCES Computers	2389	-	(2,627)	(8,055)	8,055	(2,627)
Common Core - Data	2552	-	(3,063)	-	-	(3,063)
Common Core - Data	2665	-	(2,309)	(6,620)	6,620	(2,309)
Common Core - Data	2765	-	(11,552)	(11,308)	11,308	(11,552)
Common Core - Data	2689	-	(7,874)	(2,126)	2,126	(7,874)
Common Core - Data	2252	-	20,685	(3,513)	3,513	20,685
Comparability NCES	2789	-	(25,000)	-	-	(25,000)
Comparability NCES	2889	-	(14,110)	(1,356)	1,356	(14,110)
Common Core - Data	2865	-	(15,970)	-	-	(15,970)
Common Core - Data	2965	-	(29,742)	-	-	(29,742)
Comparability NCES	2989	-	(35,000)	-	-	(35,000)
Common Core - Data	0065	-	(7,444)	-	-	(7,444)
Data Improvement - NCES	0089	-	(15,000)	-	-	(15,000)
Subtotal CFDA# 84.000		-	(149,006)	(32,978)	32,978	(149,006)

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued
 Federal Grants Fund
 Year Ended September 30, 2000

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/99	Cash Receipts FY 00	Expenditures FY 00	Receivable From Grantor (Deferred Revenue) at 09/30/00
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.185</u>						
R.C. Byrd School Program	0074	\$ 60,000	\$ -	\$ (30,995)	\$ 30,995	\$ -
R.C. Byrd School Program	0174	-	4,500	(22,255)	22,255	4,500
Subtotal CFDA# 84.185		60,000	4,500	(53,250)	53,250	4,500
Total U.S. Department of Education		8,563,600	679,434	(8,792,813)	8,792,813	679,434
<u>U.S. Department of Health and Human Services</u>						
<u>Direct Programs</u>						
<u>CFDA# 93.600</u>						
Headstart Basic	2981	-	-	(37,946)	37,946	-
Headstart Training	2982	-	-	(2,831)	2,831	-
Headstart Basic	0081	1,255,873	262,894	(1,176,109)	1,176,109	262,894
Headstart Training	0082	-	1,521	(20,132)	20,132	1,521
Subtotal CFDA# 93.600		1,255,873	264,415	(1,237,018)	1,237,018	264,415
<u>CFDA# 93.575</u>						
Child Care Administration	2990	-	4,017	(17,125)	17,125	4,017
Child Care Certificates	2991	-	33,132	(35,593)	35,593	33,132
CCDBG Quality & Activity	2992	-	-	(22,173)	22,173	-
CCDBG Before & After School	2994	-	3,294	(118,753)	118,753	3,294
Child Care Administration	0090	825,441	(2,095)	(3,275)	3,275	(2,095)
Child Care Certificates	0091	-	30,001	(417,201)	417,201	30,001
Child Care Quality & Activity	0092	-	1,392	(20,794)	20,794	1,392
Child Care Before & After School	0094	-	(1,916)	(190,798)	190,798	(1,916)
Subtotal CFDA# 93.575		825,441	67,825	(825,712)	825,712	67,825
<u>CFDA# 93.938</u>						
Aids-HIV	2861	-	-	(2,112)	2,112	-
Aids-HIV	2961	-	459	(35,914)	35,914	459
Aids-HIV	0061	88,100	3,709	(42,313)	42,313	3,709
Subtotal CFDA# 93.938		88,100	4,168	(80,339)	80,339	4,168

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued
Federal Grants Fund
Year Ended September 30, 2000

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/99	Cash Receipts FY 00	Expenditures FY 00	Receivable From Grantor (Deferred Revenue) at 09/30/00
<u>U.S. Department of Health and Human Services</u>						
<u>Direct Programs</u>						
Total U. S. Department of Health and Human Services		\$ 2,169,414	\$ 336,408	\$ (2,143,069)	\$ 2,143,069	\$ 336,408
<u>U.S. Department of Agriculture</u>						
<u>Direct Programs</u>						
<u>CFDA #10.555</u>						
FNS WSR cafetorium	2976	-	-	(166,438)	166,438	-
FNS Breakfast Lunch Program	2977	-	-	(435,747)	435,747	-
FNS State Administration Expense	2978	-	-	(1,696)	1,696	-
FNS Nutrition Education	2979	-	-	(4,122)	4,122	-
FNS Equipment & Facility Improvement	2980	-	-	(30,483)	30,483	-
FNS Breakfast Lunch Program	0077	4,050,743	205,232	(3,067,504)	3,067,504	205,232
FNS State Administration Expense	0078	-	3,272	(50,194)	50,194	3,272
Total U.S. Department of Agriculture		4,050,743	208,504	(3,756,184)	3,756,184	208,504
<u>U.S. Department of the Interior</u>						
<u>CFDA #15.875</u>						
Micro Impact Aid	2867	-	-	(24,573)	24,573	-
Total U.S. Department of the Interior		-	-	(24,573)	24,573	-

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards, Continued
 Federal Grants Fund
 Year Ended September 30, 2000

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/99	Cash Receipts FY 00	Expenditures FY 00	Receivable From Grantor (Deferred Revenue) at 09/30/00
<u>U.S. Department of Transportation</u>						
<u>Direct Programs</u>						
<u>CFDA #20.509</u>						
Federal Transit Bus	2970	\$ -	\$ -	\$ (21,569)	\$ 21,569	\$ -
Federal Transit Bus	0070	153,758	-	(123,806)	123,806	-
Total U.S. Department of Transportation		153,758	-	(145,375)	145,375	-
Total Federal Grants Fund		<u>\$ 14,937,515</u>	<u>\$ 1,224,346</u>	<u>\$ (14,862,014)</u>	<u>\$ 14,862,014</u>	<u>\$ 1,224,346</u>

PUBLIC SCHOOL SYSTEM

Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

(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 19.13% of payroll expenditures for the year ended September 30, 2000.