

CNMI PUBLIC SCHOOL SYSTEM

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

Year Ended September 30, 2001

CNMI PUBLIC SCHOOL SYSTEM

TABLE OF CONTENTS
September 30, 2001

<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	6-15
B. Combining Financial Statements	
Special Revenue Funds:	
Combining Balance Sheet	16
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	17
Capital Project Funds:	
Combining Balance Sheet	18
C. Supplementary Information	
Schedule of Expenditures of Federal Awards	19-25
Notes to the Schedule of Expenditures of Federal Awards	26
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>	27-28
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	29-30

CNMI PUBLIC SCHOOL SYSTEM
TABLE OF CONTENTS, CONTINUED
September 30, 2001

<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	31-33
Section II - Financial Statements Findings	34-35
Section III - Federal Awards Findings and Questioned Costs	36-70
Summary Schedule of Prior Audit Findings	71-107
III. SUMMARY OF UNRESOLVED QUESTIONED COSTS	108
IV. AUDITEE GENERAL RESPONSE ON UNRESOLVED QUESTIONED COST	109-112

CNMI PUBLIC SCHOOL SYSTEM

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

Year Ended September 30, 2001

J. Scott Magliari
COMPANY

CERTIFIED PUBLIC ACCOUNTANT

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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, 2001, 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.

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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PSS as of September 30, 2001, 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 16 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, 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 May 29, 2003 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.

of Scott Magliaro & Company
Commonwealth of the Northern Mariana Islands
May 29, 2003

PUBLIC SCHOOL SYSTEM

Balance Sheet
September 30, 2001

(With Comparative Totals as of September 30, 2000)

ASSETS	Governmental Fund Types			Account Groups		Total (Memorandum Only)	
	General	Special	Capital	General	General	2001	2000
	Fund	Revenue Funds	Projects Funds	Long-Term Debt	Fixed Assets		
Cash	\$ 3,897,825	\$ -	\$ -	\$ -	\$ -	\$ 3,897,825	\$ 3,171,731
Accounts receivable (notes 2 and 4)	2,838,585	14,739	-	-	-	2,853,324	4,126,290
Travel Advances (note 2)	149,373	-	-	-	-	149,373	552,799
Advances	174,794	100,234	-	-	-	275,028	543,609
Due from other funds	-	1,977,166	-	-	-	1,977,166	2,139,958
Due from grantor agencies (note 3)	-	461,687	30,347	-	-	492,034	1,224,346
Other receivables	63,585	12,407	-	-	-	75,992	62,923
Investment in capital improvement projects (note 6)	-	-	10,488,079	-	-	10,488,079	-
Investment in fixed assets, net of accumulated depreciation (notes 2 and 9)	-	-	-	-	50,162,464	50,162,464	50,281,244
Amount to be provided for retirement of long-term debt	-	-	-	3,331,001	-	3,331,001	2,916,845
	<u>\$ 7,124,162</u>	<u>\$ 2,566,233</u>	<u>\$ 10,518,426</u>	<u>\$ 3,331,001</u>	<u>\$ 50,162,464</u>	<u>\$ 73,702,286</u>	<u>\$ 65,019,745</u>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Vouchers payable	\$ -	\$ 1,761	\$ 30,347	\$ -	\$ -	\$ 32,108	\$ 1,493,955
Contract retention payable	-	-	-	-	-	-	221,170
Accrued payroll and others	2,217,982	-	-	3,331,001	-	5,548,983	5,289,925
Deferred Revenue	-	164,047	-	-	-	164,047	1,007,350
Due to other funds	1,562,537	451,103	-	-	-	2,013,640	2,137,726
Due to grantor agencies (note 3)	-	-	-	-	-	-	170,266
Total liabilities	<u>3,780,519</u>	<u>616,911</u>	<u>30,347</u>	<u>3,331,001</u>	<u>-</u>	<u>7,758,778</u>	<u>10,320,392</u>
Fund equity:							
Investment in capital improvement projects (note 6)	-	-	10,488,079	-	-	10,488,079	-
Investment in general fixed asset (notes 2 and 9)	-	-	-	-	50,162,464	50,162,464	50,281,244
Fund balances (deficit):							
Reserved for encumbrances	966,342	4,056,280	-	-	-	5,022,622	4,408,360
Unreserved	2,377,301	(2,106,958)	-	-	-	270,343	9,749
Total fund equity	<u>3,343,643</u>	<u>1,949,322</u>	<u>10,488,079</u>	<u>-</u>	<u>50,162,464</u>	<u>65,943,508</u>	<u>54,699,353</u>
Contingencies and commitments (notes 7 and 8)							
	<u>\$ 7,124,162</u>	<u>\$ 2,566,233</u>	<u>\$ 10,518,426</u>	<u>\$ 3,331,001</u>	<u>\$ 50,162,464</u>	<u>\$ 73,702,286</u>	<u>\$ 65,019,745</u>

See accompanying notes to financial statements.

PUBLIC SCHOOL SYSTEM

Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)

Year Ended September 30, 2001

(With Comparative Totals for the Year Ended September 30, 2000)

	Government Fund Types			Total (Memorandum Only)	
	General	Special	Capital	2001	2000
	Fund	Revenue Funds	Projects Funds		
Revenues:					
Federal grants	\$ -	\$ 15,325,753	\$ -	\$ 15,325,753	\$ 16,152,438
Other grants	2,846	2,261,980	-	2,264,826	40,646
Total revenues	2,846	17,587,733	-	17,590,579	16,193,084
Expenditures:					
Elementary education	17,208,647	-	-	17,208,647	16,873,582
Secondary education	10,111,718	-	-	10,111,718	9,634,798
Administration	5,368,509	-	-	5,368,509	5,499,752
Consolidated grants	-	4,346,117	-	4,346,117	4,419,105
Special education	2,109,545	2,972,305	-	5,081,850	5,759,713
Food Service	-	3,754,008	-	3,754,008	3,756,184
Headstart	776,385	1,313,743	-	2,090,128	1,829,447
Child Care	-	1,299,815	-	1,299,815	825,712
Individual programs	716,736	-	-	716,736	132,621
Liaison offices	510,920	-	-	510,920	509,846
Bilingual education	420,325	-	-	420,325	565,265
Board of Education	261,376	-	-	261,376	232,859
Miscellaneous	50,734	2,890,134	-	2,940,868	2,710,527
Total expenditures	37,534,895	16,576,122	-	54,111,017	52,749,411
Revenues over expenditures	(37,532,049)	1,011,611	-	(36,520,438)	(36,556,327)
Other sources (note 4):					
Operating transfers in	37,384,806	-	-	37,384,806	36,280,241
Total other sources	37,384,806	-	-	37,384,806	36,280,241
Excess (deficiency) of revenues and other sources over expenditures	(147,243)	1,011,611	-	864,368	(276,086)
Decrease in reserve for encumbrances	711,498	(1,325,760)	-	(614,262)	3,912,642
Net change in unreserved fund balance for the year	564,255	(314,149)	-	250,106	3,636,556
Fund balances (deficit) - unreserved beginning of the year	1,813,046	(1,792,809)	(10,488)	9,749	(3,626,807)
Prior period adjustments (note 9)	-	-	10,488	10,488	-
Fund balances (deficit) - unreserved end of the year	\$ 2,377,301	\$ (2,106,958)	\$ -	\$ 270,343	\$ 9,749

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, 2001

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues	\$ -	\$ 2,846	\$ (2,846)
Total revenues	-	2,846	(2,846)
Expenditures:			
Elementary education	16,944,523	17,208,647	(264,124)
Secondary education	8,503,021	10,111,718	(1,608,697)
Administration	5,973,996	5,368,509	605,487
Special education	2,407,248	2,109,545	297,703
Headstart	1,076,508	776,385	300,123
Individual programs	861,914	716,736	145,178
Liaison offices	626,501	510,920	115,581
Bilingual education	597,087	420,325	176,762
Board of Education	264,110	261,376	2,734
Miscellaneous	-	50,734	(50,734)
Total expenditures	37,254,908	37,534,895	(279,987)
Revenues under expenditures	(37,254,908)	(37,532,049)	277,141
Other sources (note 4):			
Operating transfers in	37,254,908	37,384,806	(129,898)
Deficiency of revenues and other sources over expenditures	-	(147,243)	147,243
Other changes in unreserved fund balance:			
Reserved for encumbrances	-	711,498	(711,498)
Unreserved fund balance at beginning of year	-	1,813,046	(1,813,046)
Unreserved fund balance at end of year	\$ -	\$ 2,377,301	\$ (2,377,301)

See accompanying notes to financial statements.

PUBLIC SCHOOL SYSTEM

Notes to the Financial Statements
September 30, 2001

(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.

PUBLIC SCHOOL SYSTEM

Notes to the Financial Statements
September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

Fund Accounting, Continued

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.

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 the Financial Statements
September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting, 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 accounting principles generally accepted in 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.

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 approximately \$3,897,825, \$577,193 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.

PUBLIC SCHOOL SYSTEM

Notes to the Financial Statements
September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

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.

In 2001, PSS provided an allowance for uncollectible travel advances representing past due accounts from resigned employees. Travel advances are reported net of an allowance for doubtful accounts of \$149,373 at September 30, 2001.

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 same fiscal year. However, it has not been updated until 2001. Beginning its fiscal year 2001, PSS capitalizes property, plant and equipment for acquisitions amounting to \$5,000 and above. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes.

The following is a summary of property and equipment, at cost less accumulated depreciation, at September 30:

	<u>2001</u>	<u>2000</u>
Land	\$ 36,647,850	\$ 36,647,850
Buildings	14,229,050	14,229,050
Others	<u>2,790,306</u>	<u>771,259</u>
Balance at end of year	53,667,206	51,648,159
Less: accumulated depreciation	<u>3,504,742</u>	<u>1,366,915</u>
Investment in general fixed assets	<u>\$ 50,162,464</u>	<u>\$ 50,281,244</u>

PUBLIC SCHOOL SYSTEM

Notes to the Financial Statements
September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

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.

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, 2001, the funding requirement for employer is 34.6% 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.

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>
9/30/01	\$ 7,261,530	100%
9/30/00	7,248,747	100%
9/30/99	7,661,845	100%
9/30/98	7,168,024	100%

PUBLIC SCHOOL SYSTEM

Notes to the Financial Statements
September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

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, 2001 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	\$ 70,297,727	\$ 93,839,771	\$164,137,498
Terminated with vested benefits	3,322,702	2,422,943	5,745,645
Retired and beneficiaries	36,521,748	454,030,829	490,552,577
Non-vested accrued benefits	<u>58,374,819</u>	<u>45,026,451</u>	<u>103,401,270</u>
Total present value of accrued benefits	168,516,996	595,319,994	763,836,990
Net assets available for benefits, at market value	<u>134,895,346</u>	<u>240,193,712</u>	<u>375,089,058</u>
Unfunded benefit obligation	<u>\$ 33,621,650</u>	<u>\$355,126,282</u>	<u>\$388,747,932</u>

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.

PUBLIC SCHOOL SYSTEM

Notes to the Financial Statements
September 30, 2001

(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, 2001 is \$3,331,001. 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.

Changes in the due from/to grantor agency accounts for the year ended September 30, 2001, are as follows:

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Balance at beginning of year	\$ 1,224,346	\$ (170,266)
Additions - program outlays	15,271,452	139,919
Deductions - cash receipts from grantor agencies	<u>(16,054,477)</u>	<u>-</u>
Due from (Due to) grantor agency	<u>\$ 441,321</u>	<u>\$ (30,347)</u>

PUBLIC SCHOOL SYSTEM

Notes to the Financial Statements
September 30, 2001

(4) Transfer in from CNMI Government

In accordance with Public Law 10-34, the CNMI government appropriated \$37,384,806 for PSS's operational use for the year ended September 30, 2001. The amount actually received in cash and/or services was \$38,173,009 and \$2,838,585 was receivable at September 30, 2001.

(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, 2001 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.
- 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, 2001 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.

PUBLIC SCHOOL SYSTEM

Notes to the Financial Statements
September 30, 2001

(6) Capital Projects Funds, Continued

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.

(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, 2001, expenditures in the amount of \$121,628 and various amounts for which a value cannot be determined have been questioned as a result of Single Audits in fiscal years 1997 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.

(8) Commitments

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.

PUBLIC SCHOOL SYSTEM

Notes to the Financial Statements
September 30, 2001

(9) Prior Period Adjustment

In 2001, PSS determined that its fixed assets and capital projects accounts required adjustments to correct their actual balances. The effect of this restatement, if recorded in the prior year, would be a decrease of \$281,372, and an increase of \$10,488, in its General Fixed Assets and Capital Projects Funds, respectively.

(10) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or fund balance.

(11) 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, 2001

<u>ASSETS</u>	<u>Federal Grants Fund</u>	<u>Local Donations Fund</u>	<u>CNMI Grants Fund</u>	<u>Indirect Costs Fund</u>	<u>Total</u>
Accounts receivable	\$ -	\$ -	\$ 14,739	\$ -	\$ 14,739
Advances	100,234	-	-	-	100,234
Due from other funds	-	412,742	247,588	1,316,836	1,977,166
Due from grantor agencies	441,321	20,366	-	-	461,687
Other receivables	-	12,407	-	-	12,407
	<u>\$ 541,555</u>	<u>\$ 445,515</u>	<u>\$ 262,327</u>	<u>\$ 1,316,836</u>	<u>\$ 2,566,233</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accrued payroll and others	\$ 1,762	\$ -	\$ -	\$ -	\$ 1,762
Deferred Revenue	-	-	-	164,047	164,047
Due to other funds	396,369	54,734	-	-	451,103
Total liabilities	<u>398,131</u>	<u>54,734</u>	<u>-</u>	<u>164,047</u>	<u>616,912</u>
Fund balances (deficit):					
Reserved for encumbrances	4,056,280	-	-	-	4,056,280
Unreserved	(3,912,856)	390,781	262,327	1,152,789	(2,106,959)
Total fund balances	<u>143,424</u>	<u>390,781</u>	<u>262,327</u>	<u>1,152,789</u>	<u>1,949,321</u>
	<u>\$ 541,555</u>	<u>\$ 445,515</u>	<u>\$ 262,327</u>	<u>\$ 1,316,836</u>	<u>\$ 2,566,233</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, 2001

	Federal Grants Fund	Local Donations Fund	CNMI Grants Fund	Indirect Costs Fund	Total
Revenues:					
Federal grants	\$ 15,325,753	\$ -	\$ -	\$ -	\$ 15,325,753
Other grants	-	664,921	-	1,597,059	2,261,980
Total revenues	<u>15,325,753</u>	<u>664,921</u>	<u>-</u>	<u>1,597,059</u>	<u>17,587,733</u>
Expenditures:					
Consolidated grants	4,346,117	-	-	-	4,346,117
Food service	3,754,008	-	-	-	3,754,008
Special education	2,972,305	-	-	-	2,972,305
Headstart	1,313,743	-	-	-	1,313,743
Child Care	1,299,815	-	-	-	1,299,815
Miscellaneous	1,585,461	699,074	-	605,599	2,890,134
Total expenditures	<u>15,271,449</u>	<u>699,074</u>	<u>-</u>	<u>605,599</u>	<u>16,576,122</u>
Excess (deficiency) of revenue over expenditures	54,304	(34,153)	-	991,460	1,011,611
(Increase) decrease in reserve for encumbrances	<u>(1,681,023)</u>	<u>315,943</u>	<u>3,886</u>	<u>35,434</u>	<u>(1,325,760)</u>
Net change in unreserved fund balance for the year	(1,626,719)	281,790	3,886	1,026,894	(314,149)
Fund balances (deficit) - unreserved, beginning of the year	<u>(2,286,137)</u>	<u>108,994</u>	<u>258,441</u>	<u>125,893</u>	<u>(1,792,809)</u>
Fund balances (deficit) - unreserved, end of year	<u>\$ (3,912,856)</u>	<u>\$ 390,784</u>	<u>\$ 262,327</u>	<u>\$ 1,152,787</u>	<u>\$ (2,106,958)</u>

See Accompanying Independent Auditor's Report.

PUBLIC SCHOOL SYSTEM

Combining Balance Sheet - Capital Project Funds
September 30, 2001

<u>ASSETS</u>	Federal Capital Projects Fund	Local Capital Projects Fund	Non- Resident Workers' Fund	Total
Due from grantor agency	\$ -	\$ 30,347	\$ -	\$ 30,347
Investment in capital improvement projects	<u>-</u>	<u>10,488,079</u>	<u>-</u>	<u>10,488,079</u>
	<u>\$ -</u>	<u>\$ 10,518,426</u>	<u>\$ -</u>	<u>\$ 10,518,426</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Vouchers payable	<u>\$ -</u>	<u>\$ 30,347</u>	<u>\$ -</u>	<u>\$ 30,347</u>
Total liabilities	<u>-</u>	<u>30,347</u>	<u>-</u>	<u>30,347</u>
Fund equity:				
Investment in capital improvement projects	<u>-</u>	<u>10,488,079</u>	<u>-</u>	<u>10,488,079</u>
Total fund equity	<u>-</u>	<u>10,488,079</u>	<u>-</u>	<u>10,488,079</u>
	<u>\$ -</u>	<u>\$ 10,518,426</u>	<u>\$ -</u>	<u>\$ 10,518,426</u>

See Accompanying Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2001

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2001

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/00	Cash Receipts FY 01	Expenditures FY 01	Receivable From Grantor (Deferred Revenue) at 09/30/01
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.194Q</u>						
Bilingual Data - SEA	0072	\$ -	\$ 2,830	\$ 2,830	\$ -	\$ -
Technical Assistant Section 11	0073	-	1,550	9,256	501	(7,205)
Bilingual Data - SEA	0172	100,000	-	31,870	39,596	7,726
Technical Assistant Section 11	0173	-	-	25,941	29,136	3,195
Subtotal CFDA# 84.194Q		\$ 100,000	\$ 4,380	\$ 69,897	\$ 69,233	\$ 3,716
<u>CFDA# 84.318X</u>						
Technology SEA	2958	\$ -	\$ 1,459	\$ 5,459	\$ 4,000	\$ -
Technology LEA	2959	-	24,707	75,709	51,002	-
Technology LEA	2959CG	-	-	-	-	-
Technology LEA	2959JM	-	-	-	-	-
Technology LEA	2959JE	-	-	11,844	11,844	-
Technology LEA	2959JS	-	585	1,203	618	-
Technology LEA	2959JV	-	7,153	7,153	-	-
Technology LEA	2959KS	-	2,901	3,978	1,077	-
Technology LEA	2959LV	-	-	2,688	2,688	-
Technology LEA	2959PJ	-	933	1,815	882	-
Technology LEA	2959JB1	-	-	4,621	4,621	-
Technology LEA	2959JB2	-	-	4,621	4,621	-
Technology LEA	2959JB3	-	-	2,423	2,423	-
Technology LEA	2959JB4	-	-	2,855	2,855	-
Technology LEA	2959JB5	-	-	1,314	1,314	-
Technology LEA	2959JB6	-	-	1,354	1,354	-
Technology LEA	2959JB7	-	-	1,229	1,229	-
Technology LEA	2959JB8	-	-	677	677	-
Technology LEA	2959LB1	-	2,865	2,865	-	-
Technology LEA	2959LB2	-	-	-	-	-
Technology LEA	2959LB3	-	-	-	-	-
Technology LEA	2959LB4	-	-	5,880	5,880	-
Technology SEA	0058	-	(714)	10,792	11,006	(500)
Technology LEA	0059	-	-	4,778	4,778	-
Technology LEA	0059AD01	-	-	1,463	1,463	-
Technology LEA	0059AS01	-	-	6,055	6,055	-
Technology LEA	0059JB01	-	-	14,800	14,800	-
Technology LEA	0059JM01	-	-	6,288	6,288	-
Technology LEA	0059SM01	-	-	5,028	5,028	-
Technology LEA	0059TM01	-	-	9,440	9,440	-
Technology SEA	0158	289,345	-	1,369	1,369	-
Technology LEA	0159	-	-	5,438	5,438	-
Technology LEA	0159BM01	-	-	9,913	9,913	-
Technology LEA	0159BN01	-	-	3,870	3,870	-
Technology LEA	0159CG01	-	-	12,230	12,230	-
Technology LEA	0159DB01	-	-	5,685	5,685	-
Technology LEA	0159DH01	-	-	7,000	7,000	-
Technology LEA	0159EH01	-	-	-	5,371	5,371
Technology LEA	0159JM01	-	-	8,301	8,301	-
Technology LEA	0159JM02	-	-	1,655	1,655	-
Technology LEA	0159JV01	-	-	9,630	9,630	-
Technology LEA	0159MC01	-	-	10,994	10,994	-
Technology LEA	0159RL01	-	-	10,000	10,000	-
Technology LEA	0159TM01	-	-	6,584	6,584	-
Technology LEA	0159TT01	-	-	1,442	1,442	-
Subtotal CFDA# 84.318X		\$ 289,345	\$ 39,889	\$ 290,443	\$ 255,425	\$ 4,871

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2001

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/00	Cash Receipts FY 01	Expenditures FY 01	Receivable From Grantor (Deferred Revenue) at 09/30/01
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.276A</u>						
Goals 2000-2	2763	\$ -	\$ (6,998)	\$ -	\$ 3,124	\$ (3,874)
Goals 2000-1 SEA	2862	-	1,151	1,151	-	-
Goals 2000-2 LEA	2863	-	25,592	62,040	39,537	3,089
Goals 2000-1 SEA	2962	-	(200)	(18,499)	5,907	24,206
Goals 2000-1 LEA	2963	-	-	27,700	27,700	-
Goals 2000-1 LEA	2963AL	-	-	4,821	5,120	299
Goals 2000 - LEA	2963EW	-	(4,083)	(4,807)	-	724
Goals 2000 - LEA	2963EW2	-	-	9,268	2,845	(6,423)
Goals 2000 - LEA	2963FU	-	-	205	2,340	2,135
Goals 2000 - LEA	2963PT	-	(6,483)	(6,483)	-	-
Goals 2000 - LEA	2963 EM	-	(818)	1,741	2,559	-
Goals 2000 - LEA	2963KP	-	-	679	679	-
Goals 2000 - LEA	2963AA1	-	-	4,911	4,911	-
Goals 2000 - LEA	2963JD1	-	-	25,870	25,870	-
Goals 2000 - LEA	2963JV1	-	-	6,453	6,453	-
Goals 2000 - LEA	2963LB1	-	-	2,372	2,372	-
Goals 2000 - LEA	2963PT2	-	(636)	(1,309)	3,149	3,822
Goals 2000 - LEA	2963SC1	-	-	7,026	7,026	-
Goals 2000 - LEA	0063JV1	-	-	5,857	142	(5,715)
Goals 2000 - LEA	0063NN1	-	-	7,100	-	(7,100)
Subtotal CFDA# 84.276A		\$ -	\$ 7,525	\$ 136,096	\$ 139,734	\$ 11,163
<u>CFDA# 84.922A</u>						
Strategies 1	5901	\$ 4,687,036	\$ (22,311)	\$ (22,312)	\$ -	\$ 1
Strategies 2	5902	-	16,384	-	-	16,384
Strategies 3	5903	-	1	-	-	1
Strategies 4	5904	-	4,736	2,331	-	2,405
Strategies 5	5905	-	4,700	4,644	-	56
Drug Free	5907	-	7,518	7,517	-	1
Consolidated EIE	5909	-	28,496	11,353	-	17,143
Consolidated LEA/IA	5912	-	2,700	2,700	-	-
Consolidated Personnel	5919	-	(1)	-	-	(1)
EIE - Dandan Elementary School	5909A1	-	(149)	-	-	(149)
EIE - Grace Christian Saipan	5909B2	-	(5,443)	1,174	-	(6,617)
EIE - Joshua Generation Academy	5909B4	-	(13,788)	(7,349)	-	(6,439)
EIE - Mount Carmel School	5909B6	-	(6,915)	(6,009)	-	(906)
EIE - Saipan Community School	5909B7	-	(575)	(176)	-	(399)
EIE - San Francisco de Borja	5909B8	-	(1,050)	-	-	(1,050)
EIE - Saipan International School	5909B10	-	(655)	-	-	(655)
EIE - Sister Remedios Pre-School	5909B11	-	(301)	(301)	-	-
EIE - Whispering Palms School	5909B12	-	(928)	-	-	(928)
EIE - PSS	5909PSS	-	(1)	1	-	(2)
Strategies 4 - San Vicente School	5904SVS	-	(2,460)	-	-	(2,460)
Strategies 1 - RIC	0001RIC	-	-	260	260	-
Strategies 1 - SE	0001SE	-	134	1,562	1,913	485
Strategies 1 - STA	0001STA	-	2,376	65,331	62,955	-
Strategies 2 - TA	0003PI	-	1,640	8,290	6,650	-
Strategies 3 - Parental Involvement	0004SD	-	32,122	63,879	31,757	-
Strategies 4 - Staff Development	0005CSA	-	1,879	10,499	9,249	629

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2001

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/00	Cash Receipts FY 01	Expenditures FY 01	Receivable From Grantor (Deferred Revenue) at 09/30/01
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.922A, Continued</u>						
Balance forwarded:		\$ 4,687,036	\$ 48,109	\$ 143,394	\$ 112,784	\$ 17,499
DF - GTC Elementary School	0007A1	-	-	8,458	8,458	-
DF - Hopwood High School	0007A4	-	1,417	3,679	7,401	5,139
DF - Koblerville Elementary School	0007A5	-	-	538	-	(538)
DF - Oleai Elementary School	0007A7	-	863	863	-	-
DF - San Antonio Elementary School	0007A10	-	2,400	5,579	3,179	-
DF - San Vicente Elementary School	0007A11	-	-	12,118	12,118	-
DF - WSR Elementary School	0007A15	-	1,734	7,276	5,542	-
DF - Grace Christian Saipan	0007B3	-	-	5,362	5,362	-
DF - Northern Marianas Academy	0007B9	-	1	1	-	-
Drug Free - SEA	0007C2	-	(14,609)	(14,013)	596	-
EIE - Dandan Elementary School	0009A1	-	600	600	-	-
EIE - Garapan Elementary School	0009A2	-	6,455	10,009	3,554	-
EIE - GTC Elementary School	0009A3	-	-	1,162	1,162	-
EIE - Hopwood Junior High School	0009A4	-	3,452	5,884	2,432	-
EIE - Koblerville Elementary School	0009A5	-	5,402	7,999	2,982	385
EIE - Marianas High School	0009A6	-	-	32,568	32,568	-
EIE - Oleai Elementary School	0009A7	-	148	3,931	3,783	-
EIE - Rota Elementary School	0009A8	-	-	1,254	1,254	-
EIE - Rota High School	0009A10	-	1,679	3,144	1,465	-
EIE - San Vicente Elementary School	0009A11	-	-	13,203	13,203	-
EIE - Tanapag Elementary School	0009A12	-	-	307	307	-
EIE - Tinian Elementary School	0009A13	-	283	5,804	5,521	-
EIE - WSR Elementary School	0009A15	-	5,019	19,378	14,359	-
EIE - LMA	0009A16	-	-	3,427	3,427	-
EIE - Grace Christian Saipan	0009B3	-	9,451	49,483	40,115	83
EIE - Grace Christian Rota	0009B4	-	-	1,235	1,235	-
EIE - Grace Christian Tinian	0009B5	-	-	21,828	28,428	6,600
EIE - Joshua Generation Academy	0009B6	-	8,924	24,796	15,872	-
EIE - Mount Carmel School	0009B8	-	1,859	39,778	37,919	-
EIE - Northern Marianas Academy	0009B9	-	257	5,033	4,776	-
EIE - NMC Lab School	0009B10	-	790	5,676	4,886	-
EIE - Saipan Community School	0009B11	-	11,045	11,727	682	-
EIE - Seventh Day Adventist	0009B13	-	-	9,998	9,998	-
EIE - Saint Joseph Tinian	0009B14	-	1,602	1,602	-	-
EIE - Saipan International School	0009B15	-	2,576	62,719	60,143	-
EIE - Sister Remedios Pre-School	0009B16	-	1,040	5,536	4,496	-
EIE - Whispering Palms School	0009B17	-	5,169	13,405	8,236	-
EIE - Golden Harvest International	0009B18	-	501	921	420	-
EIE - PSS	0009PSS	-	210,810	991,414	792,469	11,865
EIE - APD	0009C1	-	811	811	-	-
EIE - CIA	0009C2	-	-	110,846	110,846	-
CG - T6 ADM	0010ADM	-	3,575	3,575	-	-
CG - T6 Grace Christian Saipan	0012B3	-	30,487	59,789	31,226	1,924
CG - T6 Grace Christian Rota	0012B4	-	16,965	16,965	-	-
CG - T6 Grace Christian Tinian	012B5	-	9,165	20,394	18,597	7,368
CG - T6 Mount Carmel School	0012B8	-	-	97,401	97,401	-
CG - T6 Northern Marianas Academy	0012B9	-	4,089	4,098	-	(9)
CG - T6 NMC Lab School	0012B10	-	124	10,414	10,290	-
CG - T6 Saipan Community School	0012B11	-	499	4,310	3,811	-
CG - T6 Saint Joseph Tinian	0012B14	-	-	158	158	-
CG - T6 Saipan International School	0012B15	-	6,208	8,364	2,156	-
CG - T6 Whispering Palms School	0012B17	-	-	6,996	6,996	-
CG - Personnel T6	0019	-	146,941	1,049,028	902,087	-

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2001

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/00	Cash Receipts FY 01	Expenditures FY 01	Receivable From Grantor (Deferred Revenue) at 09/30/01
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.922A, Continued</u>						
Balance Forwarded:		\$ 4,687,036	\$ 535,841	\$ 2,920,225	\$ 2,434,700	\$ 50,316
Strategies 1-SE	0101SE	-	-	3,338	5,136	1,798
Strategies 1-ST	0101ST	-	-	35,585	33,712	(1,873)
Strategies 1-PI	0103PI	-	-	22,568	22,568	-
Strategies 4-Staff Development	0104SD	-	-	201,306	204,523	3,217
Strategies 5-CSA	0105CS	-	-	54,656	57,295	2,639
DF-Garapan Elementary School	0107A02	-	-	3,232	7,484	4,252
DF-Hopwood Junior High School	0107A04	-	-	36,006	40,120	4,114
DF-San Antonio Elementary School	0107A10	-	-	-	621	621
DF-San Vicente Elementary School	0107A11	-	-	2,475	10,203	7,728
DF-Kagman Elementary School	0107A17	-	-	3,640	13,386	9,746
DF-Northern Marianas Academy	0107B09	-	-	1,179	1,179	-
Drug Free-ADMIN	0107C01	-	-	7,194	7,194	-
Drug Free-SEA	0107C02	-	-	3,454	3,454	-
EEI-Dandan Elementary School	0109A01	-	-	8,892	8,892	-
EEI-Gapan Elementary School	0109A02	-	-	15,001	11,587	(3,414)
EEI-Koblerville Elementary School	0109A05	-	-	3,496	5,718	2,222
EEI-Marianas High School	0109A06	-	-	7,646	24,653	17,007
EEI-Oleai Elementary School	0109A07	-	-	7,946	7,946	-
EIE - Rota High School	0109A09	-	-	3,601	3,601	-
EIE - San Antonio Elementary School	0109A10	-	-	779	779	-
EIE - San Vicente Elementary School	0109A11	-	-	11,154	11,154	-
EIE - Tinian Elementary School	0109A13	-	-	-	8,892	8,892
EIE - WSR Elementary School	0109A15	-	-	14,714	14,714	-
EIE - Kagman Elementary School	0109A17	-	-	12,864	12,864	-
EIE - Eucon International School	0109B02	-	-	4,725	4,725	-
EIE - Grace Christian Tinian	0109B05	-	-	576	576	-
EIE - Joshua Generation Academy	0109B06	-	-	8,350	9,355	1,005
EIE - Mount Carmel School	0109B08	-	-	14,985	16,139	1,154
EIE - Northern Marianas Academy	0109B09	-	-	1,028	1,028	-
EIE - Seventh Day Adventist	0109B13	-	-	-	5,900	5,900
EIE - Saipan International School	0109B15	-	-	2,867	2,867	-
EIE - Sister Remedios Pre-School	0109B16	-	-	2,269	3,190	921
EIE - Whispering Palms School	0109B17	-	-	-	443	443
EIE - Curriculum Acquisition	0109C02	-	-	83,004	79,804	(3,200)
EIE - Curriculum Identification	0109C03	-	-	6,526	13,337	6,811
EIE - Curriculum Refinement	0109C04	-	-	7,258	9,696	2,438
CG - T6 Eucon International School	0112B02	-	-	9,200	9,200	-
CG - T6 Grace Christian Tinian	0112B05	-	-	1,281	1,281	-
CG - T6 Joshua Generation Academy	0112B06	-	-	10,000	10,000	-
CG - T6 Mount Carmel School	0112B08	-	-	4,222	15,620	11,398
CG - T6 Northern Marianas Academy	0112B09	-	-	3,439	3,439	-
CG - T6 Saint Joseph Tinian	0112B14	-	-	1,554	1,554	-
CG - T6 Saipan International School	0112B15	-	-	13,603	15,476	1,873
CG - T6 Sister Remedios Pre School	0112B16	-	-	26,537	26,537	-
CG - T6 Whispering Palms School	0112B17	-	-	-	8,954	8,954
CG - T6 Brilliant Star Montessori	0112B19	-	-	503	1,173	670
CG - T6 Admin	0110ADM	-	-	4,743	4,743	-
Class Size Reduction	0014	-	64,849	64,849	-	-
Class size reduction	0114	-	-	603,700	645,806	42,106
CG Personnel T6	0119	-	-	415,285	502,899	87,614
Subtotal CFDA# 84.922A		\$ 4,687,036	\$ 600,690	\$ 4,671,455	\$ 4,346,117	\$ 275,352

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2001

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/00	Cash Receipts FY 01	Expenditures FY 01	Receivable From Grantor (Deferred Revenue) at 09/30/01
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.215U</u>						
Christa McAuliffe Grant	0045AF	\$ -	\$ (22,500)	\$ (20,000)	\$ 2,500	\$ -
Christa McAuliffe Grant	0045AO	-	2,455	2,500	-	(45)
Christa McAuliffe Grant	0045CS	-	1,619	2,500	303	(578)
Christa McAuliffe Grant	0045HS	-	-	2,500	2,295	(205)
Christa McAuliffe Grant	0045MA	-	1,428	2,500	111	(961)
Christa McAuliffe Grant	0045MR	-	1,868	2,500	580	(52)
Christa McAuliffe Grant	0045RA	-	-	2,500	682	(1,818)
Christa McAuliffe Grant	0045RF	-	1,930	2,500	452	(118)
Christa McAuliffe Grant	0045RG	-	2,330	2,500	65	(105)
Christa McAuliffe Grant	0145	25,041	(10,041)	-	5,041	(5,000)
Christa McAuliffe Grant	0145MH1	-	-	-	1,500	1,500
Christa McAuliffe Promotion	0146	5,000	-	5,000	2,185	(2,815)
Christa McAuliffe Grant	0245BQG2	-	-	2,266	2,266	-
Christa McAuliffe Grant	0245CMF2	-	-	19,998	2,500	(17,498)
Christa McAuliffe Grant	0245MHB2	-	-	2,500	2,500	-
Subtotal CFDA# 84.215U		\$ 30,041	\$ (20,911)	\$ 29,764	\$ 22,980	\$ (27,695)
<u>CFDA# 84.027</u>						
SPED - Admin	2884	\$ -	\$ 7,058	\$ 7,058	\$ -	\$ -
SPED Handicapped Children LEA	2885	-	(7,059)	(7,060)	-	1
SPED Handicapped Children SEA	2983	-	171,667	215,038	43,371	-
SPED - Admin	2984	-	8,098	8,098	-	-
SPED Handicapped Children LEA	2985	-	43,594	49,770	6,176	-
SPED Handicapped Children SEA	0083	-	(90,074)	19,224	112,494	3,196
SPED - Admin	0084	-	(10,578)	25,794	43,670	7,298
SPED Handicapped Children LEA	0085	-	72,907	390,970	330,349	12,286
SPED Pacific Grant	0086	-	21,838	21,838	-	-
SPED Handicapped Children SEA	0183	3,056,556	-	429,423	437,901	8,478
SPED - Admin	0184	-	-	11,188	13,339	2,151
SPED Handicapped Children LEA	0185	-	-	1,705,235	1,830,572	125,337
SPED Pacific Grant	0186	154,433	-	143,206	154,433	11,227
Subtotal CFDA# 84.027		\$ 3,210,989	\$ 217,451	\$ 3,019,762	\$ 2,972,305	\$ 169,974
<u>CFDA# 84.181</u>						
SPED Infant & Toddlers	2988	\$ -	\$ 5,402	\$ 16,067	\$ 10,665	\$ -
SPED Infant & Toddlers	0088	-	(30,485)	165,790	156,976	(39,299)
SPED Infant & Toddlers	0188	392,577	-	370,856	241,495	(129,361)
SPED Infant & Toddlers	0288SPE2	-	-	57,452	-	(57,452)
Subtotal CFDA# 84.181		\$ 392,577	\$ (25,083)	\$ 610,165	\$ 409,136	\$ (226,112)

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2001

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount	Receivable From Grantor (Deferred Revenue) at 09/30/00	Cash Receipts FY 01	Expenditures FY 01	Receivable From Grantor (Deferred Revenue) at 09/30/01
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
<u>CFDA# 84.000</u>						
NCES Computers	2389	\$ -	\$ (2,627)	\$ -	\$ -	\$ (2,627)
Common Core - Data	2552	-	(3,063)	-	-	(3,063)
Common Core - Data	2665	-	(2,309)	-	447	(1,862)
Common Core - Data	2765	-	(11,552)	17	10,059	(1,510)
Common Core - Data	2689	-	(7,874)	-	7,462	(412)
Common Core - Data	2252	-	20,685	-	418	21,103
Comparability NCES	2789	-	(25,000)	-	-	(25,000)
Comparability NCES	2889	-	(14,110)	10,000	9,389	(4,721)
Common Core - Data	2865	-	(15,970)	-	7,314	(8,656)
Common Core - Data	2965	-	(29,743)	(1)	8,408	(21,334)
Comparability NCES	2989	-	(35,000)	-	1,450	(33,550)
Common Core - Data	0065	-	(7,444)	23,771	-	(31,215)
Common Core - Data	0165	-	-	22,307	-	(22,307)
Data Improvement - NCES	0089	-	(15,000)	-	-	(15,000)
Subtotal CFDA# 84.000		\$ -	\$ (149,007)	\$ 56,094	\$ 44,947	\$ (160,154)
<u>CFDA# 84.185</u>						
R.C. Byrd School Program	0074	\$ -	\$ -	\$ 37,745	\$ 37,745	\$ -
R.C. Byrd School Program	0174	60,000	4,500	4,500	-	-
R.C. Byrd School Program	0274RCB2	-	-	41,755	41,755	-
Subtotal CFDA# 84.185		60,000	4,500	84,000	79,500	-
Total U.S. Department of Education		\$ 8,769,988	\$ 679,434	\$ 8,967,696	\$ 8,339,377	\$ 51,115
<u>U.S. Department of Health and Human Services</u>						
<u>Direct Programs</u>						
<u>CFDA# 93.600</u>						
Headstart Basic	0081	\$ -	\$ 262,894	\$ 299,234	\$ 36,340	\$ -
Headstart Training	0082	-	1,521	6,666	5,145	-
Headstart Basic	0181	1,345,602	-	1,120,856	1,210,621	89,765
Headstart Training	0182	-	-	40,617	47,709	7,092
Subtotal CFDA# 93.600		\$ 1,345,602	\$ 264,415	\$ 1,467,373	\$ 1,299,815	\$ 96,857
<u>CFDA# 93.575</u>						
Child Care Administration	2990	\$ -	\$ 4,017	\$ 5,236	\$ 1,220	\$ 1
Child Care Certificates	2991	-	33,132	6,557	-	26,575
CCDBG Before & After School	2994	-	3,294	3,294	-	-
Child Care Administration	0090	-	(2,095)	35,902	37,997	-
Child Care Certificates	0091	-	30,001	161,376	131,375	-
Child Care Quality & Activity	0092	-	1,392	13,616	12,224	-
Child Care Before & After School	0094	-	(1,916)	9,881	11,777	(20)
Child Care Administration	0190	1,558,564	-	26,767	30,211	3,444
Child Care Certificates	0191	-	-	354,182	389,260	35,078
Child Care Quality & Activity	0192	-	-	3,023	3,023	-
Child Care School Age/R&R	0193	-	-	7,861	7,861	-
Child Care Before & After School	0194	-	-	578,163	578,050	(113)
Child Care Infant & Toddler	0195	-	-	10,097	15,250	5,153
Child Care Quality Expansion	0196	-	-	95,478	95,495	17
Subtotal CFDA# 93.575		\$ 1,558,564	\$ 67,825	\$ 1,311,433	\$ 1,313,743	\$ 70,135

PUBLIC SCHOOL SYSTEM

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2001

<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 09/30/00</u>	<u>Cash Receipts FY 01</u>	<u>Expenditures FY 01</u>	<u>Receivable From Grantor (Deferred Revenue) at 09/30/01</u>
<u>U.S. Department of Health and Human Services</u>						
<u>Direct Programs</u>						
<u>CFDA# 93.938</u>						
Aids-HIV	2961	\$ -	\$ 459	\$ 515	\$ 55	\$ (1)
Aids-HIV	0061	-	3,709	28,962	25,506	253
Aids-HIV Media	0160	148,674	-	-	682	682
Aids-HIV	0161	-	-	61,333	60,858	(475)
Subtotal CFDA# 93.938		<u>148,674</u>	<u>4,168</u>	<u>90,810</u>	<u>87,101</u>	<u>459</u>
Total U. S. Department of Health and Human Services		<u>\$ 3,052,840</u>	<u>\$ 336,408</u>	<u>\$ 2,869,616</u>	<u>\$ 2,700,659</u>	<u>\$ 167,451</u>
<u>U.S. Department of Agriculture</u>						
<u>Direct Programs</u>						
<u>CFDA #10.555</u>						
FNS Breakfast Lunch Program	0077	\$ -	\$ 205,232	\$ 1,126,477	\$ 921,245	\$ -
FNS State Administration Expense	0078	-	3,272	15,072	11,800	-
FNS Breakfast Lunch Program	0177	4,325,672	-	2,521,403	2,739,414	218,011
FNS State Administration Expense	0178	-	-	59,177	64,273	5,096
FNS Breakfast Lunch Program	0179	-	-	494	2,593	2,099
FNS State Administration Expense	0180	-	-	13,461	14,683	1,222
Total U.S. Department of Agriculture		<u>\$ 4,325,672</u>	<u>\$ 208,504</u>	<u>\$ 3,736,084</u>	<u>\$ 3,754,008</u>	<u>\$ 226,428</u>
<u>U.S. Department of the Interior</u>						
<u>Direct Programs</u>						
<u>CFDA #84.330A</u>						
Advance Placement Program	0156	\$ 66,800	\$ -	\$ 3,884	\$ 4,144	\$ 260
Advance Placement Program	0157	-	-	43,867	39,934	(3,933)
Public Telecomm Fac. Prog.	0166	296,209	-	296,205	296,205	-
Total U.S. Department of the Interior		<u>\$ 363,009</u>	<u>\$ -</u>	<u>\$ 343,956</u>	<u>\$ 340,283</u>	<u>\$ (3,673)</u>
<u>U.S. Department of Transportation</u>						
<u>Direct Programs</u>						
<u>CFDA #20.509</u>						
Federal Transit Bus	0070	\$ -	\$ -	\$ 29,952	\$ 29,952	\$ -
Federal Transit Bus	0170	160,215	-	107,173	107,173	-
Total U.S. Department of Transportation		<u>\$ 160,215</u>	<u>\$ -</u>	<u>\$ 137,125</u>	<u>\$ 137,125</u>	<u>\$ -</u>
Total Federal Grants Fund		<u>\$ 16,671,724</u>	<u>\$1,224,346</u>	<u>\$ 16,054,477</u>	<u>\$ 15,271,452</u>	<u>\$ 441,321</u>

PUBLIC SCHOOL SYSTEM

Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

(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 2001. It is applicable to all federal grant programs and was 16.25% of payroll expenditures for the year ended September 30, 2001.