

*Financial Statements, Required Supplementary Information,  
and Supplementary and Other Information*

**Commonwealth of the Northern Mariana Islands  
Public School System**

(A Component Unit of the CNMI Government)

*Year Ended September 30, 2022  
with Report of Independent Auditors*



Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Financial Statements

Year Ended September 30, 2022

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## Report of Independent Auditors

To the State Board of Education of the  
 Commonwealth of the Northern Mariana Islands  
 Public School System

### Report on the Audit of the Financial Statements

#### *Qualified and Unmodified Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands Public School System (PSS) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the PSS’ basic financial statements as listed in the table of contents.

#### *Summary of Opinions*

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
General Fund	Unmodified
Federal Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

#### *Qualified Opinion on Governmental Activities*

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Governmental Activities of the PSS, as of September 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Unmodified Opinions on General Fund, Federal Fund, and Aggregate Remaining Fund Information*

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Federal Fund, and the aggregate remaining fund information of the PSS, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Qualified and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PSS, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

### ***Matter Giving Rise to Qualified Opinion on Governmental Activities***

Management has not adopted Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective October 1, 2014. PSS has not recorded pension expense and related pension asset or liability, deferred inflows of resources and related outflows of resources as of for the year ended September 30, 2022. GASB No. 68 requires an employer to recognize its proportionate share of the collective pension expense, as well as the net pension asset or liability, deferred outflows of resources and deferred inflows of resources. The amount by which this departure would affect the assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position and expenses of PSS' governmental activities has not been determined.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PSS' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PSS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PSS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 15 and budgetary comparison information on page 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Government Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PSS' basic financial statements. The combining nonmajor fund financial statements in pages 43 through 44 and the schedule of expenditures/expense (by natural classification) on page 45 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures/expense (by natural classification) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures/expenses (by natural classification) are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2024, on our consideration of the PSS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PSS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PSS' internal control over financial reporting and compliance.

The logo for Ernst + Young, featuring the company name in a stylized, handwritten-style script.

February 23, 2024

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Management's Discussion & Analysis

September 30, 2022

This section of the CNMI Public School System financial report represents management's discussion and analysis of the financial performance of PSS for the year ended September 30, 2022. Because the intent of this Management Discussion and Analysis is to look at financial performance as a whole, readers should also review the financial statements and notes to the basic financial statements to further enhance their understanding of PSS' financial performance.

**FINANCIAL HIGHLIGHTS**

At the close of Fiscal year 2022, PSS' net position amounted to \$83,240,119 an increase of \$1,269,597 or 2%, from the amount of \$81,970,522 in fiscal year 2021 net position. PSS total expenses for fiscal year 2022 amounted to \$127,220,904 while aggregate support from Federal Agencies, CNMI appropriations and other revenues amounted to \$128,490,501.

PSS' net position includes investment in capital assets, net of accumulated depreciation, of \$79,342,618, restricted for special purpose of \$673,438 and unassigned funds of \$3,224,063. The surplus is due to the excess of revenues over expenses that are to be funded by appropriations from the CNMI government.

PSS' enrollment for school year 2021-2022 was 9,031 students. There was a decrease of 262 students from 9,293 students for school year 2020-2021.

Commonwealth of the Northern Mariana Islands  
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Management's Discussion & Analysis, continued

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Government Accounting Standards requires the presentation of the MD&A and the basic financial statements. The basic financial statements consist of district-wide statements, fund financial statements, notes to the financial statements, and required supplemental sections.

*Management's Discussion and Analysis (MD&A)*

The MD&A is intended to be a "plain English" narrative section that introduces the basic financial statements. It should give readers an objective and easily readable analysis of PSS' financial performance for the year.

*District-wide Statements*

The first two financial statements presented are highly condensed and are somewhat based on the accounting model used by private sector businesses. The district-wide statements are presented on the full accrual basis of accounting and include the Statement of Net Position and the Statement of Activities.

*Statement of Net Position*

The Statement of Net Position includes all of the CNMI Public School System assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This Statement provides a summary of the school system's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this Statement.

Net position, which is the difference between the school system's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the district's financial health or position. Over time, increases or decreases in PSS' net position are an indicator of whether its financial position is improving or deteriorating.

*Statement of Activities*

The Statement of Activities summarizes the school system's revenues and expenses for the current year. It is based on full accrual accounting rather than the traditional modified accrual. Depreciation of capital assets is recognized as an expense. A net revenue (expense) format is used to indicate to what extent each function is self-sufficient.



Commonwealth of the Northern Mariana Islands  
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Management's Discussion & Analysis, continued

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

*Governmental-fund Financial Statements*

The second type of statements included in the basic financial statements are the Governmental-fund Financial Statements, which are presented for the school system's governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. Governmental-fund financial statements provide a detailed short-term view of the school district's operations and the services it provides. Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *balance sheet* and the *governmental fund statement of revenues, expenditures, and changes in fund balance* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The fund financial statements provide more detailed information about the school system's funds, focusing on its most significant or "major" funds - not the school system as a whole. Funds are accounting devices the school system uses to keep track of specific sources of funding and spending on particular programs.

PSS' major funds are:

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

*Federal Fund* - Accounts for PSS' Grants from Federal Agencies.

*Non-major Funds* – Accounts for the proceeds of the other specific revenue sources and the other funds that are not major.

Commonwealth of the Northern Mariana Islands  
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Management's Discussion & Analysis, continued

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

*Condensed Statements of Net Position*

	<u>2022</u>	<u>2021</u>	<u>Difference</u>	<u>% Change</u>
Current assets	\$ 16,085,190	\$ 15,392,482	\$ 692,708	5%
Capital assets, net	81,685,090	79,679,355	2,005,735	3%
<b>Total assets</b>	<b>97,770,280</b>	<b>95,071,837</b>	<b>2,698,443</b>	<b>3%</b>
Current liabilities	9,690,848	8,535,741	1,155,107	14%
Noncurrent liabilities	4,839,313	4,565,574	273,739	6%
<b>Total liabilities</b>	<b>14,530,161</b>	<b>13,101,315</b>	<b>1,428,846</b>	<b>11%</b>
Investment in capital assets and capital improvement projects	79,342,618	78,478,335	864,283	1%
Restricted for special purpose	673,438	680,188	( 6,750 )	-1%
Unrestricted	3,224,063	2,811,999	412,064	15%
<b>Net position</b>	<b>\$ 83,240,119</b>	<b>\$ 81,970,522</b>	<b>\$ 1,269,597</b>	<b>2%</b>

- Current assets of \$16,085,190 as of September 30, 2022 increased by \$692,708 or 5% compared to current assets \$15,392,482 as of September 30, 2021.
- Current liabilities of \$9,690,848 as of September 30, 2022 increased by \$1,155,107 or 14% compared to \$8,535,741 as of September 30, 2021 primarily due to the increase in vendors invoices prior to fiscal year end.
- At the end of fiscal year 2022, PSS' net position is at \$83,240,119, net of the \$3,224,063 unassigned funds.

Commonwealth of the Northern Mariana Islands  
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Management's Discussion & Analysis, continued

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

*Condensed Statements of Activities*

	<u>2022</u>	<u>2021</u>	<u>Difference</u>	<u>% Change</u>
<i>Revenues:</i>				
Program Revenues	\$ 102,812,947	\$ 78,197,576	\$ 24,615,371	31%
General revenues	25,677,554	24,979,679	697,875	3%
<b>Total revenues</b>	<b>128,490,501</b>	<b>103,177,255</b>	<b>25,313,246</b>	<b>25%</b>
<i>Expense:</i>				
Instruction	98,932,914	79,315,134	19,617,780	25%
Support Services	28,287,990	18,932,867	9,355,123	49%
<b>Total expenses</b>	<b>127,220,904</b>	<b>98,248,001</b>	<b>28,972,903</b>	<b>29%</b>
Change in net position	1,269,597	4,929,254	( 3,659,657 )	-74%
Net position, beginning	81,970,522	77,041,268	4,929,254	6%
Net position, ending	\$ 83,240,119	\$ 81,970,522	\$ 1,269,597	2%

- The overall increase in revenues and related expenses is due to increase in federal grants received by \$24,615,371 and increase in CNMI appropriations by \$697,875. A more detailed revenues and expenses discussion follows.

*Revenues*

	<u>2022</u>	<u>2021</u>	<u>Difference</u>	<u>% Change</u>
<b>Program revenues</b>				
Charges for Services	\$ 125	\$ 13,067	\$( 12,942 )	-99%
Grants and contributions	102,812,822	78,184,509	24,628,313	32%
<b>Total program revenues</b>	<b>102,812,947</b>	<b>78,197,576</b>	<b>24,615,371</b>	<b>31%</b>
<b>General revenues</b>				
CNMI appropriations	25,421,338	24,787,813	633,525	3%
Miscellaneous	256,216	191,866	64,350	34%
<b>Total general revenues</b>	<b>25,677,554</b>	<b>24,979,679</b>	<b>697,875</b>	<b>3%</b>
<b>Total revenues</b>	<b>\$ 128,490,501</b>	<b>\$ 103,177,255</b>	<b>\$ 25,313,246</b>	<b>25%</b>

Total revenues for fiscal year 2022 were \$128,490,501, a \$25,313,246 or 25% increase from fiscal year 2021. The increase in 2022 revenue is due to the increase in revenues from federal grants and local appropriations.

Commonwealth of the Northern Mariana Islands  
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Management’s Discussion & Analysis, continued

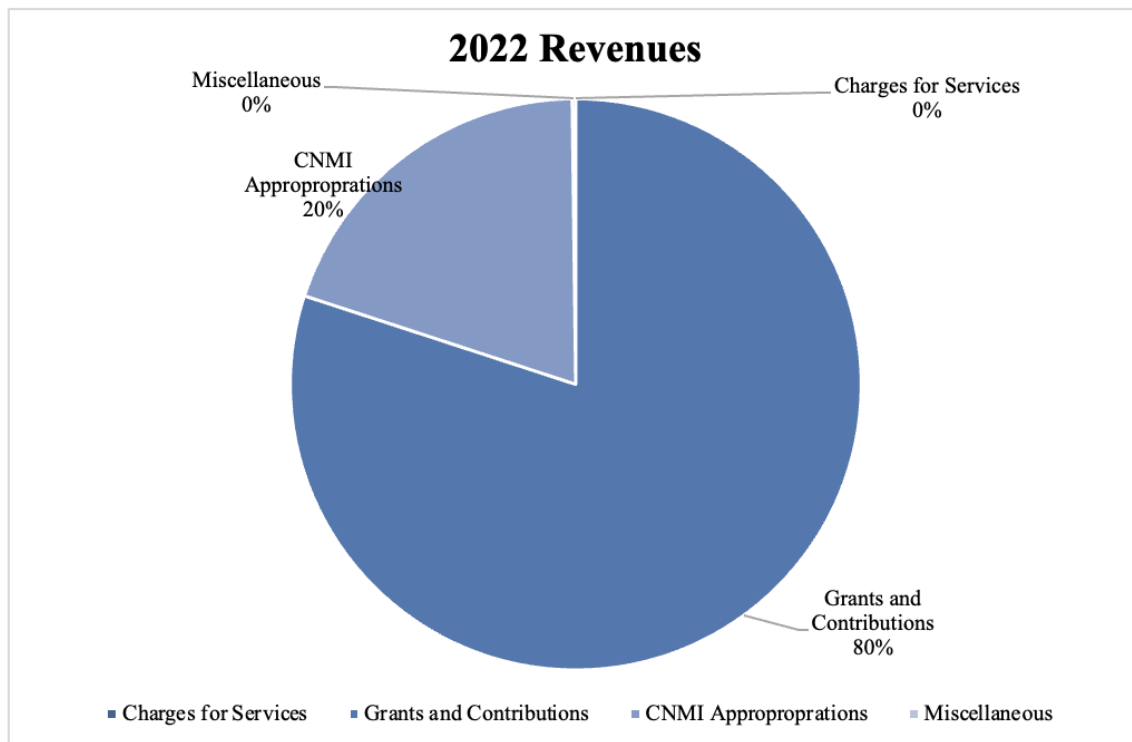
**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

The increase in federal grants received is primarily from the U.S Department of Education’s Education American Rescue Plan Fund for \$24,660,920.

Revenues are classified as either program or general.

*Program revenues* are those directly generated by a function or activity of the government entity. Revenue reported as program revenues by PSS pertains to Federal grants, local donations, charges for services and indirect costs allocation.

The *general revenues* classification includes appropriations, interest and other income not identifiable to specific activities.



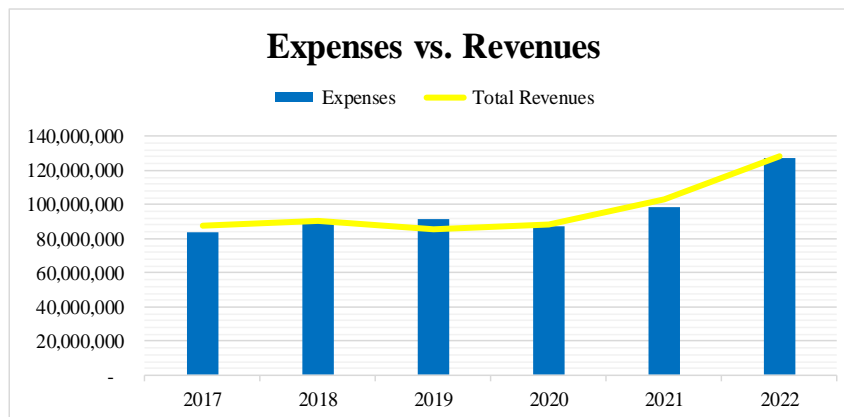
Commonwealth of the Northern Mariana Islands  
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Management’s Discussion & Analysis, continued

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

<i>Expenses</i>	<u>2022</u>	<u>2021</u>	<u>Difference</u>	<u>% Change</u>
Instruction:				
Regular	\$ 65,537,293	\$ 46,441,906	\$ 19,095,387	41%
Special	8,483,629	8,138,448	345,181	4%
Co-curricular	1,578,833	996,892	581,941	58%
Student services	23,333,159	23,737,888	(404,729)	-2%
<b>Total instruction expenses</b>	<b>98,932,914</b>	<b>79,315,134</b>	<b>19,617,780</b>	<b>25%</b>
Support services:				
General administration	6,213,314	3,202,044	3,011,270	94%
School administration	563,626	512,105	51,521	10%
Other support	21,511,050	15,218,718	6,292,332	41%
<b>Total Support services expenses</b>	<b>28,287,990</b>	<b>18,932,867</b>	<b>9,355,123</b>	<b>49%</b>
<b>Total Expenses</b>	<b>\$ 127,220,904</b>	<b>\$ 98,248,001</b>	<b>\$ 28,972,903</b>	<b>29%</b>

Total expenses in 2022 increased by \$28,972,903 or 29% as compared to fiscal year 2021. The increase in fiscal year 2022 expenses is primarily due to increase in both regular instruction expenses and increase in support services.



	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Expenses	83,569,488	91,679,196	91,320,226	87,212,195	98,248,001	127,220,904
Total Revenues	87,341,725	90,429,907	85,524,685	88,075,386	103,177,255	128,490,501

The chart above shows the relationship of revenues and expenses for the past six years. Except for fiscal year 2018 and 2019, revenues exceeded expenses from 2017, 2020, 2021 and 2022.

Commonwealth of the Northern Mariana Islands  
Public School System  
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Management's Discussion & Analysis, continued

**FUND ANALYSIS**

**Fund Analysis**

	<u>General Fund</u>	<u>Federal Fund</u>	<u>Non - Major Fund</u>	<u>Total</u>
Fund balance, beginning of year	\$ 3,600,757	\$ 3,869,781	\$ 700,012	\$ 8,170,550
Fund balance, end of year	4,911,849	2,994,349	773,936	8,680,134
Change in fund balance	1,311,092	(875,432)	73,924	509,584
Percentage Change	36%	-23%	11%	6%

The Fund balance increased by \$509,684 to \$8,680,134 as of September 30, 2022.

Of the \$8,680,134 total fund balance, \$673,438 are restricted for specific purpose by grantors and donor, \$827,453 are assigned for specific programs approved by the Board of Education and \$7,179,243 are unassigned.

**Federal and Local Budget Review**

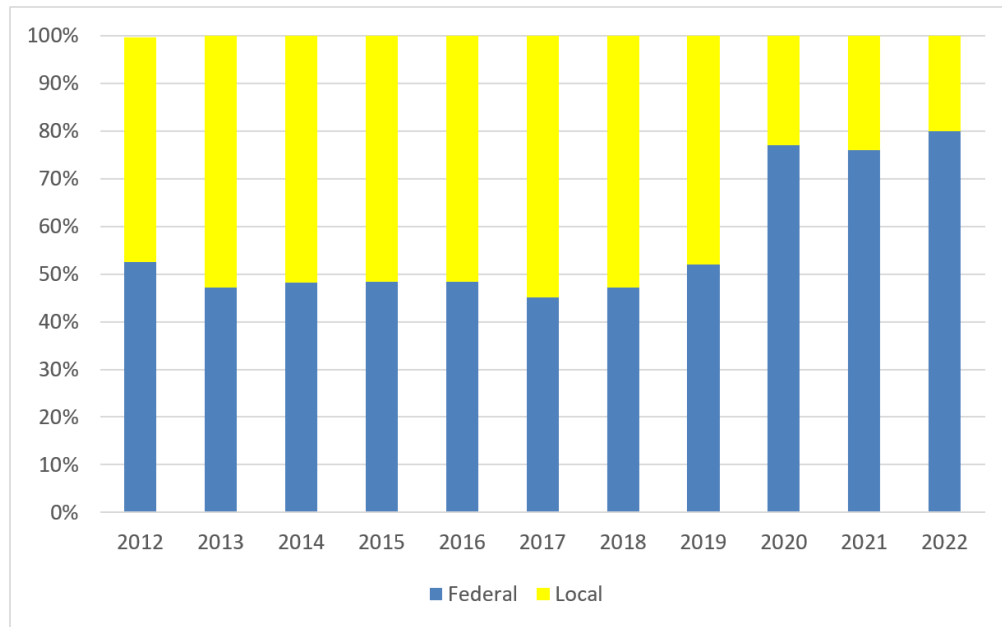
<b>Year</b>	<b>Total</b>	<b>Federal</b>	<b>Local</b>
2012	\$ 62,339,197	\$ 32,779,735 53%	\$ 29,619,462 47%
2013	60,559,808	28,532,681 47%	32,027,127 53%
2014	62,991,869	30,319,671 48%	32,672,198 52%
2015	65,033,822	31,419,624 48%	33,614,198 52%
2016	70,672,847	34,217,753 48%	36,455,094 52%
2017	85,706,574	38,714,700 45%	46,991,874 55%
2018	91,914,180	43,348,354 47%	48,565,826 53%
2019	85,733,031	44,345,983 52%	41,387,048 48%
2020	84,911,819	65,192,312 77%	19,719,507 48%
2021	102,468,289	78,197,576 76%	24,270,713 24%
2022	128,043,536	102,812,947 80%	25,230,589 20%

Commonwealth of the Northern Mariana Islands  
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Management's Discussion & Analysis, continued

**FUND ANALYSIS, continued**

**Federal and Local Budget Review, continued**



The table and the chart above show the relationship between federal and local funding.

**CAPITAL ASSETS**

PSS' investment in capital assets, net of accumulated depreciation, as of September 30, 2022 and 2021 were \$79,342,618 and \$78,478,335, respectively.

More detailed information on capital assets is on page 35 (Note 2) of the basic financial statements.

Commonwealth of the Northern Mariana Islands  
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Management's Discussion & Analysis, continued

**FUTURE PLANS AND ECONOMIC OUTLOOK**

For the fiscal year 2022, PSS received \$25.2 million in local appropriations. This was a 4% increase from the previous fiscal year.

The Education Stabilization Fund II (ESF) and the American Rescue Plan Act funding received by PSS for the amount of \$53.3 million enabled the PSS to backfill a huge funding gap in the local fund appropriations. The ARPA funding is PSS' largest federal grant with a four year guaranteed funding. Fifty percent or \$75 million of the ARPA funding has been allotted for personnel while the remaining \$75 million was allotted towards combating the learning loss by hiring high dosage tutors, implementation of after school programs, purchase of laptops and internet connectivity for students at home, replacement of school classroom furniture and investment in the repair and retrofitting of school facilities and others. The ARPA funding expires in September 30, 2024.

Future appropriations are dependent on CNMI Government revenue projections. As a result of the COVID-19 pandemic having extreme impacts on the economy, PSS expects a decrease in funding from the central government. This will be supplemented by federal impact aid grants such as the ESF Fund and the ARPA fund. The challenge for PSS is twofold: 1) grow our suite of federal grants and 2) insist on receiving 25% of all CNMI revenues as mandated by our constitution and the recent CNMI Supreme Court slip opinion.

The CNMI Public School System's dedication to ensuring the well-being of students is demonstrated through implementing a diverse range of initiatives. In the academic year 2023, the implementation of the Early Warning System (EWS) platform in all elementary schools marked a significant milestone. This platform serves to identify students who may be at risk based on various indicators, such as attendance, performance in reading and math, grades, behavior, and student mobility. The EWS is instrumental in delivering the necessary interventions to support students in achieving academic and behavioral success. A dedicated team of interventionists, including high-dosage tutors, Title 1 teachers, ELL teachers, counselors, and mental health providers, is actively involved in providing essential student support and interventions.

The CNMI Public School System extends its commitment to student success by offering after-school programs, credit recovery options, and summer school opportunities to help students reach their academic objectives. Students are encouraged to participate in athletic programs and extracurricular activities to enrich their educational experience. Moreover, the system ensures that teachers and staff receive high-quality instructional materials and professional development opportunities to enhance classroom teaching and learning.



Commonwealth of the Northern Mariana Islands  
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Management's Discussion & Analysis, continued

**FUTURE PLANS AND ECONOMIC OUTLOOK, continued**

By continuously monitoring the progress of all students, the CNMI Public School System has achieved notable outcomes in the academic year 2023. The Grade K-2 Early Literacy Assessment revealed a positive trend, with the percentage of students at or above proficiency increasing from 56% to 64%. Similarly, in Grades 3 to 12, the percentage of students at the proficiency level or higher in Reading improved from 40% to 42%, while in Grades 1 to 11, the Math proficiency level increased from 48% to 50%.

The CNMI Public School System remains dedicated to enhancing its overall performance as a system, firmly upholding its commitments to accountability and transparency as a public agency, with an unwavering focus on prioritizing the needs of students.

**REQUESTS FOR INFORMATION**

This report is intended to provide a summary of the financial condition of the Public School System of the Commonwealth of the Northern Mariana Islands. Questions or requests for additional information should be addressed to:

Arlene Lizama  
Director of Finance  
PO Box 501370  
Saipan, MP 96950

<http://www.cnmipss.org/>

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Statement of Net Position

September 30, 2022

**Assets**

Current assets:

Cash and cash equivalents	\$10,951,870
Receivables from the CNMI Government	153,131
Receivables from federal agencies	4,333,576
Other current assets	<u>646,613</u>
Total current assets	<u>16,085,190</u>

Noncurrent assets:

Lease asset - equipment	1,235,349
Depreciable capital assets, net	43,327,388
Non-depreciable capital assets	<u>37,122,353</u>
Total noncurrent assets	<u>81,685,090</u>

Total assets	<u>97,770,280</u>
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**Liabilities**

Current liabilities:

Accounts payable and accrued expenses	7,405,056
Compensated absences due in one year	1,792,894
Current portion of lease liability	382,011
Current portion of long-term loan	<u>110,887</u>
Total current liabilities	<u>9,690,848</u>

Noncurrent liabilities:

Compensated absences	2,989,739
Lease liability	867,863
Loan payable	<u>981,711</u>
Total noncurrent liabilities	<u>4,839,313</u>

Total liabilities	<u>14,530,161</u>
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**Net position**

Investment in capital assets	79,342,618
Restricted for special purpose - CIP General Obligation Bond	673,438
Unrestricted	<u>3,224,063</u>
Net position	<u>\$83,240,119</u>

*See accompanying notes to basic financial statements.*

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Statement of Activities

Year ended September 30, 2022

<u>Functions/Programs</u>	<u>Expense</u>	<u>Charges for Services</u>	<u>Program Revenues</u> <u>Operating Grants and Contributions</u>	<u>Net Revenues (Expenses) Total</u>
Governmental activities:				
Instructional programs:				
Regular	\$ 65,537,293	\$125	\$ 55,229,711	\$(10,307,457)
Special	8,483,629	---	6,473,466	( 2,010,163)
Co-curricular	1,578,833	---	---	( 1,578,833)
Student services	<u>23,333,159</u>	<u>---</u>	<u>23,080,322</u>	<u>( 252,837)</u>
Total instructional programs	<u>98,932,914</u>	<u>125</u>	<u>84,783,499</u>	<u>(14,149,290)</u>
Support services:				
Individual programs	4,752,124	---	5,248,500	496,376
Amortization - unallocated	386,630	---	---	( 386,630)
School administration	563,626	---	---	( 563,626)
Others	13,203,874	---	11,355,483	( 1,848,391)
Depreciation - unallocated	3,168,422	---	---	( 3,168,422)
General administration	<u>6,213,314</u>	<u>---</u>	<u>1,425,340</u>	<u>( 4,787,974)</u>
Total support services	<u>28,287,990</u>	<u>---</u>	<u>18,029,323</u>	<u>(10,258,667)</u>
Total governmental activities	<u>\$127,220,904</u>	<u>\$125</u>	<u>\$102,812,822</u>	<u>(24,407,957)</u>
				25,421,338
				<u>256,216</u>
			General revenues	<u>25,677,554</u>
			Change in net position	1,269,597
			Net position at beginning of year	<u>81,970,522</u>
			Net position at end of year	<u>\$83,240,119</u>

*See accompanying notes to basic financial statements.*

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Balance Sheet  
Government Funds

September 30, 2022

	<u>General Fund</u>	<u>Federal Fund</u>	<u>Non-major Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 5,994,807	\$4,670,586	\$286,477	\$10,951,870
Receivable from the CNMI Government	153,131	---	---	153,131
Receivable from federal agencies	---	4,333,845	( 269)	4,333,576
Other current assets	660,429	( 13,816)	---	646,613
Due from (to) other funds	<u>4,879,222</u>	<u>(5,366,950)</u>	<u>487,728</u>	<u>---</u>
Total assets	<u>\$11,687,589</u>	<u>\$3,623,665</u>	<u>\$773,936</u>	<u>\$16,085,190</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ <u>6,775,740</u>	\$ <u>629,316</u>	\$ <u>---</u>	\$ <u>7,405,056</u>
Total liabilities	<u>6,775,740</u>	<u>629,316</u>	<u>---</u>	<u>7,405,056</u>
Fund balances:				
Restricted	---	---	673,438	673,438
Assigned	---	---	827,453	827,453
Unassigned	<u>4,911,849</u>	<u>2,994,349</u>	<u>(726,955)</u>	<u>7,179,243</u>
Total fund balances	<u>4,911,849</u>	<u>2,994,349</u>	<u>773,936</u>	<u>8,680,134</u>
Liabilities and fund balances	<u>\$11,687,589</u>	<u>\$3,623,665</u>	<u>\$773,936</u>	
Reconciliation of fund balance of governmental funds to net position – governmental activities:				
Fund balances – governmental funds				8,680,134
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:				
Cost of capital assets and lease assets			123,736,064	
Accumulated depreciation and amortization			<u>( 42,050,974)</u>	81,685,090
Long-term liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the funds:				
Compensated absences			( 4,782,633)	
Lease liability			( 1,249,874)	
Loan payable			<u>( 1,092,598)</u>	<u>( 7,125,105)</u>
Net position - governmental activities				<u>\$83,240,119</u>

*See accompanying notes to basic financial statements.*

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Government Funds

Year Ended September 30, 2022

	<u>General Fund</u>	<u>Federal Fund</u>	<u>Non-major Fund</u>	<u>Total</u>
Revenues:				
Federal	\$ ---	\$102,445,638	\$367,184	\$102,812,822
CNMI appropriations	25,421,338	---	---	25,421,338
Local	---	---	256,216	256,216
Charges for services	---	---	<u>125</u>	<u>125</u>
 Total revenues	 <u>25,421,338</u>	 <u>102,445,638</u>	 <u>623,525</u>	 <u>128,490,501</u>
Expenditures:				
Instructional programs:				
Regular	12,552,962	55,229,711	173,313	67,955,986
Student services	558,058	23,080,322	---	23,638,380
Special	2,561,918	6,473,466	125	9,035,509
Co-curricular	<u>1,233,432</u>	<u>---</u>	<u>367,321</u>	<u>1,600,753</u>
 Total instructional programs	 <u>16,906,370</u>	 <u>84,783,499</u>	 <u>540,759</u>	 <u>102,230,628</u>
Support services:				
Other	1,845,330	11,863,731	8,842	13,717,903
General administration	4,787,974	1,425,340	---	6,213,314
Individual programs	6,946	5,248,500	---	5,255,446
School administration	<u>563,626</u>	<u>---</u>	<u>---</u>	<u>563,626</u>
 Total support services	 <u>7,203,876</u>	 <u>18,537,571</u>	 <u>8,842</u>	 <u>25,750,289</u>
 Total expenditures	 <u>24,110,246</u>	 <u>103,321,070</u>	 <u>549,601</u>	 <u>127,980,917</u>
Excess (deficiency) of revenues over expenditures and other financing sources				
	1,311,092	( 875,432)	73,924	509,584
Fund balance, beginning	<u>3,600,757</u>	<u>3,869,781</u>	<u>700,012</u>	<u>8,170,550</u>
Fund balance, ending	<u>\$ 4,911,849</u>	<u>\$ 2,994,349</u>	<u>\$773,936</u>	<u>\$ 8,680,134</u>

*See accompanying notes to basic financial statements.*

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Reconciliation of the Government Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance with the District-wide Statement of Activities

Year Ended September 30, 2022

Total net change in fund balances – governmental funds		\$ 509,584
Change in lease liability		(1,249,874)
Change in compensated absences		( 104,270)
Change in loan liability		108,422
Change in lease asset		1,235,349
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statements of activities. This is the amount by which capital outlays exceed depreciation in the period</p>		
	Capital outlays	\$3,938,807
	Depreciation expense	(3,168,421)
		<u>770,386</u>
Total change in net position		<u>\$1,269,597</u>

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Notes to the Basic Financial Statements

Year Ended September 30, 2022

## 1. Summary of Significant Accounting Policies

The Commonwealth of the Northern Mariana Islands (CNMI) Public School System (PSS), a component unit of the CNMI, was established as a public non-profit corporation by CNMI Public Law No. 6-10 (The Education Act of 1988), effective October 25, 1988, and began operations on October 1, 1988.

The PSS basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations).

### Reporting Entity

PSS, as the state educational agency for pre-school, elementary and secondary education programs in the CNMI, is under the direction of the CNMI 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 PSS in accordance with applicable laws and BOE policies.

Pursuant to CNMI Constitutional Amendment No. 38 and House Legislative Initiative 18-12, the public education school system is guaranteed an annual budget of not less than twenty-five percent (25%) of general fund revenues of the CNMI Government. 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 re-appropriation.

### Department-Wide Financial Statements

The Statement of Net Position and Statement of Activities present information about PSS. These statements include the overall financial activities of the school system. PSS operates only with governmental funds. It does not have any fiduciary or proprietary funds. The Statement of Net Position represents all assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is presented in the following categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* results when constraints are placed on the use of net position by either externally imposed or imposed by law through enabling legislation.
- *Unrestricted net position* is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Department-Wide Financial Statements, continued**

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of PSS' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements**

A fund is defined as an independent fiscal and accounting entity with a self-balancing set 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 out specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations. PSS presents a balance sheet and a statement of revenues, expenditures and changes in fund balance for its governmental funds. The ending fund balance on the balance sheet is then reconciled to the ending governmental activities net position.

**Fund Balance**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. PSS classifies fund balances based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Fund balance is classified as follows:

- *Restricted* - Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments.
- *Committed* - Balances that can only be used for specific purposes pursuant to constraints imposed by the CNMI Legislature. Committed fund balance is reported pursuant to Public Laws and directives issued by the Board of Education, PSS' highest level of decision-making authority. No balances were committed at September 30, 2022.



Commonwealth of the Northern Mariana Islands  
Public School System  
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Notes to the Basic Financial Statements, continued

## 1. Summary of Significant Accounting Policies, continued

### Fund Balance, continued

- *Assigned* - Balances that are constrained by PSS management to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* - Residual balances that are not contained in the other classifications.

When both restricted and unrestricted resources are available for use, generally it is PSS' policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is generally PSS' policy that committed amounts be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

### Measurement Focus and 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.

#### *Department-wide Fund Financial Statements*

The governmental activities in the Statement of Net Position are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which PSS gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

#### *Government Fund Financial Statements*

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 90 days thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred.

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Measurement Focus and Basis of Accounting, continued**

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 and 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 costs to the fiscal year when items are used.

Expenditures for claims, judgments, compensated absences and employer retirement contributions are reported at the amount accrued during the fiscal year and normally would not be liquidated with expendable available financial resources. Budgetary encumbrances are not reported as expenditures.

Under the terms of federal grant award agreements, PSS funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. Expenditures are first applied to restricted resources, when both restricted and unrestricted resources are available.

**Fund Accounting**

The financial transactions of PSS are recorded in individual funds that are reported in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Major individual governmental funds are reported as separate columns in the fund financial statements. Non major funds are summarized into a single column.

PSS reports the following major governmental funds:

- *General Fund* - The general fund is the main operating fund of PSS. It accounts for all financial resources except for those required to be accounted for in another fund.
- *Federal Fund* - The federal fund accounts for federally funded programs for PSS' major activities. This fund is made up entirely of special revenue funds, which account for the proceeds of specific revenue sources that are for specific purposes. In this case, the expenditures are for activities authorized by the federal agency grantor.

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Fund Accounting, continued**

Specific revenues earmarked to finance particular programs and activities of PSS are accounted for in Non-major Funds. The non-major funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

A summary of PSS' Non-major Funds as of September 30, 2022 follows:

- *Local CIP Fund* - This fund was established to account for projects that were appropriated without fiscal year limitation by Public Law 8-2.
- *Textbook Fund* - This fund was established to account for the sales of locally published textbooks without fiscal year limitation.
- *GOB Fund* - This fund accounts for the appropriated funds from the CIP General Obligation Bond available at the closure of the Indenture Trust Agreement, which was restricted by Public Law 16-10 to fund critical classroom repairs and renovations and paving of public school parking areas. The Commissioner of Education has the spending authority.
- *Donation and Other Revenue 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.
- *Other Federal Fund* - This fund accounts for federal funds received as appropriated by the CNMI Legislature without fiscal year limitation.
- *JROTC Fund* - This fund was established by Public Law 8-17 to account for the funds received from the United States Department of Defense for the operation of the Junior Reserve Officers Training Corps programs. The Commissioner of Education has the spending authority.
- *Federal Program Income Fund* - This fund accounts for miscellaneous federal funds received from various federally funded programs within the Public School System.

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Budgetary Data**

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 CNMI Legislature for PSS through an Annual Appropriations Act. Budgets for non-major 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. Pursuant to the approved policies and regulations of the Public School System, Policy 3100 outlines PSS' general budgetary procedures. A summary of the key budgetary steps and data reflected in the financial statements are as follows:

- Program managers and principals submit their budgets to the Commissioner of Education for review and compilation by the Management Committee every October 1st.
- By the fifth working day of November, the Commissioner of Education presents the budget to the BOE.
- From November 15th to December 31st, revisions are made as appropriate and as approved by the BOE.
- By the first working day of February, the budget is presented to the CNMI Senate, House and the Office of the Governor.

**Assets, Liabilities and Net Position**

*Cash and Cash Equivalents*

PSS pools money from several funds to facilitate disbursements and investments to maximize investment income.

For purposes of the Statement of Net Position, cash and cash equivalents are defined as cash on-hand, cash in checking and savings accounts, and short-term time certificates of deposit with a maturity date within three months of the date acquired. Time certificates of deposit with original dates greater than ninety days are to be separately classified on the Statement of Net Position.

Commonwealth of the Northern Mariana Islands  
Public School System  
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Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Assets, Liabilities and Net Position, continued**

*Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation expense for all assets is provided for on the straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Building improvements	15 years
Vehicles	5 years
Others	3 - 5 years

*Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and 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 as a non-current liability. The liability as of September 30, 2022 was \$4,782,633. No liability is recorded for non-vesting 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 the respective calendar year.

*Revenues*

Revenues are classified as either program or general.

Program revenues are those directly generated by a function or activity of the government entity. Revenue reported as program revenues by PSS pertains to Federal grants, local donations, charges for services and indirect costs allocation.

General revenue includes appropriations, interest and other income not identifiable to specific activities.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Assets, Liabilities and Net Position, continued**

*Inter-fund Balances*

The inter-fund balances as of September 30, 2022 pertains to unreimbursed advances between the general fund and the other funds.

PSS uses its general fund for all disbursements and records payments made for other funds as due from other funds in the general fund.

Funds are transferred from the non-major funds as payments to the general fund when drawdowns are received from grantors.

**Recently Adopted Accounting Pronouncements**

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. The adoption of GASB Statement No. 87 did not have an effect on beginning net position. PSS recorded lease asset and lease liability of \$1,621,979 at October 1, 2021.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Starting October 1, 2021, no interest was capitalized.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The adoption of this statement did not have a material effect on the financial statements.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates by either (a) changing the reference rate or (b) adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, consistency, and comparability of reported information. The adoption of GASB Statement No. 93 did not have an effect on PSS's financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The adoption of GASB Statement No. 97 did not have an effect on PSS's financial statements.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The adoption of this statement did not have a material effect on the financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This statement provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

- Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance and implementation does not have a material effect on the accompanying financial statements.
- Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation does not have a material effect on the accompanying financial statements.
- Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation does not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation does not have a material effect on the accompanying financial statements.
- Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation does not have a material effect on the accompanying financial statements.



Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

## 1. Summary of Significant Accounting Policies, continued

### Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation does not have a material effect on the accompanying financial statements.

### Upcoming Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

Commonwealth of the Northern Mariana Islands  
Public School System  
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Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. GASB Statement No. 99:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.
- Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.
- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

PSS is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**1. Summary of Significant Accounting Policies, continued**

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Detail Notes on all Funds**

*Cash and Cash Equivalents*

For purposes of the Statement of Net Position, cash is defined as amounts in demand deposits as well as short-term investments with a maturity date within three months from the date acquired. As of September 30, 2022, aggregate carrying amounts deposited with Federal Deposit Insurance Corporation (FDIC) insured banks totaled \$10,951,870. From these deposits, \$500,000 is subject to coverage by the FDIC and the remaining balance exceeds insurable limits. PSS requires collateralization of bank accounts, and the amounts in excess of insurable limits are collateralized by securities owned by the banks. PSS has not experienced any losses on these deposits.

*Receivables*

Receivables are amounts due primarily from the CNMI Government and from federal grantor agencies for local appropriations and grants, respectively.

*Other Current Assets*

Other current assets as of September 30, 2022 consist of the following:

Advances to vendors	\$503,964
Travel advances	119,955
Others	<u>22,694</u>
Other current assets	<u>\$646,613</u>

The Board of Education's policy considers travel advances as loans 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.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**2. Detail Notes on all Funds, continued**

*Capital Assets*

Capital asset activities for the year ended September 30, 2022 were as follows:

	Beginning Balance <u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers</u>	Ending Balance September 30, <u>2022</u>
Depreciable capital assets:				
Building and improvements	\$68,821,919	\$ 296,465	\$ ---	\$69,118,384
Vehicles	9,411,316	2,914,771	---	12,326,087
Others	<u>3,680,823</u>	<u>253,068</u>	<u>---</u>	<u>3,933,891</u>
Total	<u>81,914,058</u>	<u>3,464,304</u>	<u>---</u>	<u>85,378,362</u>
Less accumulated depreciation:				
Building and improvements	28,628,392	1,819,476	---	30,447,868
Vehicles	7,123,421	1,144,813	---	8,268,234
Others	<u>3,130,740</u>	<u>204,132</u>	<u>---</u>	<u>3,334,872</u>
Total	<u>38,882,553</u>	<u>3,168,421</u>	<u>---</u>	<u>42,050,974</u>
Depreciable capital assets, net	<u>43,031,505</u>	<u>295,883</u>	<u>---</u>	<u>43,327,388</u>
Non-depreciable capital assets:				
Land	36,647,850	---	---	36,647,850
Construction-in-progress	<u>---</u>	<u>474,503</u>	<u>---</u>	<u>474,503</u>
Total	<u>\$36,647,850</u>	<u>\$ 474,503</u>	<u>\$ ---</u>	<u>37,122,353</u>
Lease asset (note 6)				<u>1,235,349</u>
Total capital assets, net reported in the statement of net position				<u>\$81,685,090</u>

Assets essentially serve all functions; hence depreciation and amortization is charged as unallocated expense.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**2. Detail Notes on all Funds, continued**

*Retirement Plan*

PSS contributed to the Northern Mariana Islands Retirement Fund's (NMIRF) defined benefit plan (DB Plan), a single-employer plan established and administered by the CNMI. On September 30, 2013, the DB Plan was transferred to the Northern Mariana Islands Settlement Fund (NMISF) and PSS now contributes to the NMISF.

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. On September 11, 2012, Public Law 17-82 CNMI Pension Reform Recovery Act of 2012 was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

On March 11, 2013, Public Law 18-02 was enacted to amend Public Law 17-82 to clarify those provisions necessary to expedite the refunds and to prevent any further frustration of the process. Included in the public law is the amendment of Section 203(a) of Title 1, Division 8, Part 3, which states that the government obligation to withhold and remit the employee's portion to the employee's defined account shall continue with respect to employees who do not terminate membership in the DB Plan. Only 30 employees of the PSS did not voluntarily terminate membership in the DB Plan.

PSS contributed \$428,926 to the NMISF for the year ended September 30, 2022.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**2. Detail Notes on all Funds, continued**

*Defined Contribution Plan (DC Plan)*

On June 16, 2006, Public Law 15-13 was enacted which created the DC Plan, a single-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. PSS is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. PSS' recorded DC contributions for the year ended September 30, 2022 was \$638,608, equal to the required contributions for the year.

Members of the DC Plan who have completed five years of government service have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

*Medical and Life Insurance Benefits*

In addition to providing pension benefits, the CNMI Government also ensures that employees are provided with medical and life insurance benefits. The CNMI Government created the Group Health and Life Insurance Trust Fund ("Trust Fund"), held in trust and administered by the NMIRF. PSS contributes to the Group Health and Life Insurance program. This is open to active employees who work at least 20 hours per week and to retired CNMI Government employees who retire as a result of length of service, disability or age, as well as their dependents.

Life insurance coverage is to be provided by a private carrier. Contributions from employees and employers are based on rates as determined by the NMIRF Board of Trustees. Employee deductions are made through payroll withholdings.

*Federal Grants*

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

*Related Party Transactions*

The CNMI Government appropriated \$25,077,458 for PSS' operational use and \$153,131 for the Board of Education's operations for the fiscal year ended September 30, 2022. PSS also received \$138,249 from the CNMI Government for the prior year appropriations.

During the year ended September 30, 2022, total utilities expense to CUC amounted to \$2,870,156.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**2. Detail Notes on all Funds, continued**

*Non-current Liabilities*

Long-term loan payable at September 30, 2022 consists of the following:

United States Department of Agriculture (USDA) Rural Development Bank, 2.25% per annum, monthly payments of principal and interest in the amount of \$11,194 starting on October 8, 2021. The principal balance and all accrued interest will be due and payable on September 8, 2031. The loan is secured by a Security Agreement and a UCC-1 Financing Agreement. The loan is collateralized by the assignment of income and blanket security interest covering capital assets	\$1,092,598
Less current portion	<u>110,887</u>
	<u>\$ 981,711</u>

Future maturities of the long-term loan payable to USDA are as follows:

<u>Year ending September 30,</u>	
2023	\$ 110,887
2024	113,350
2025	115,985
2026	118,622
2027	121,318
2028 - 2032	<u>512,436</u>
	<u>\$1,092,598</u>

Changes in non-current liabilities presented in the Statement of Net Position are as follows:

	Outstanding October 1, <u>2021</u>	<u>Increase</u>	<u>Decrease</u>	Outstanding September 30, <u>2022</u>	Due in <u>1 year</u>	<u>Noncurrent</u>
Compensated absences	\$4,678,363	\$1,447,894	\$(1,343,624)	\$4,782,633	\$1,792,894	\$2,989,739
Lease liability	---	1,621,979	( 372,105)	1,249,874	382,011	867,863
Loan payable	<u>1,201,020</u>	<u>25,906</u>	<u>( 134,328)</u>	<u>1,092,598</u>	<u>110,887</u>	<u>981,711</u>
	<u>\$5,879,383</u>	<u>\$3,095,779</u>	<u>\$(1,850,057)</u>	<u>\$7,125,105</u>	<u>\$2,285,792</u>	<u>\$4,839,313</u>

PSS uses its general funds to liquidate its accrued compensated absences and bank loan. Payments will be drawn from the annual CNMI government appropriation. PSS uses its federal funds to liquidate its lease liability.



Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**3. Deferred Inflows and Deferred Outflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. PSS does not have any deferred outflows of resources as of September 30, 2022.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2022, PSS does not have any deferred inflows of resources.

**4. Contingencies**

*CNMI Contributions*

A substantial amount of PSS' funding is provided by appropriations from the CNMI Government. PSS is guaranteed an annual budget of not less than twenty five percent (25%) of general revenues of the CNMI Government. The future of PSS is contingent on its ability to continue to obtain CNMI appropriations.

*Financial and Compliance Audits*

PSS administers significant financial assistance from the U.S. 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 Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal Government or their designees.

*Lawsuits and Claims*

PSS is involved in various legal actions and possible claims arising principally from claims of former employees. The eventual outcome of these matters cannot be reasonably predicted by management and, accordingly, no provisions for any liabilities or potential losses that may result from settlement of these claims have been recorded in the accompanying financial statements.

*Sick Leave*

It is the policy of PSS to record expenditures for sick leave when the leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The estimated accumulated sick leave at September 30, 2022 is \$9.2 million.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**5. Commitments**

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Accordingly, \$5,522,026 of outstanding purchase orders and purchase commitments for which goods and services have not been received are not reported in the financial statements as of September 30, 2022.

**6. Leases**

PSS, as a lessee, has a lease agreement for the use of 43 multifunctional network printers for use at public and private schools. The lease commenced on January 27, 2021 and has a term of three years with an option to renew for two full one-year extensions.

As of September 30, 2022, the measurement of lease asset, net of \$386,630 accumulated amortization, totals \$1,235,349.

A summary of future lease payments is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 382,011	\$ 6,385	\$ 388,396
2024	384,286	4,110	388,396
2025	386,575	1,821	388,396
2026	<u>97,002</u>	<u>97</u>	<u>97,099</u>
	<u>\$1,249,874</u>	<u>\$12,413</u>	<u>\$1,262,287</u>

**7. Risk Management**

The CNMI government is a self-insured entity. The CNMI government has limited its general liability to individuals to \$100,000 by statute. For this reason, the CNMI government does not maintain any insurance on its buildings. At some future date, PSS may insure some of its assets. As an autonomous agency, PSS is not required to follow the CNMI Government's self-insurance policy. PSS has not experienced any losses for the year ended September 30, 2022.

PSS does require performance bonds on all its building projects financed by the CNMI and Federal grants.

Commonwealth of the Northern Mariana Islands  
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Notes to the Basic Financial Statements, continued

**8. Economic Dependency**

PSS receives a substantial amount of its support from Federal and local governments. For the fiscal year ended September 30, 2022, 80% and 20% of total revenues were received from federal grants and local appropriations, respectively. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on PSS' programs and activities.

## Required Supplementary Information

Commonwealth of the Northern Mariana Islands  
Public School System  
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Schedule of Revenues, Expenditures  
and Changes in Fund Balance - Budget and Actual  
Budget and Actual (GAAP Basis) - General Fund

Year Ended September 30, 2022

	General Fund				Variance Favorable (Unfavorable)
	Budget		Final	Actual	
	Original	Revision			
Expenditures:					
Personnel	\$14,000,000	\$	\$14,000,000	\$12,201,667	\$1,798,333
All other	<u>11,007,458</u>	---	<u>11,077,458</u>	<u>11,908,579</u>	<u>( 831,121)</u>
Total expenditures	<u>25,007,458</u>	---	<u>25,077,458</u>	<u>24,110,246</u>	<u>967,212</u>
Revenues:					
CNMI appropriation	<u>25,007,458</u>	---	<u>25,077,458</u>	<u>25,421,338</u>	<u>343,880</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>1,311,092</u>	\$ <u>1,311,092</u>
Reconciliation of budget of GAAP basis:					
2022 Budget Appropriations				\$25,077,458	
2022 Expenditures Actual (GAAP)				<u>24,110,246</u>	
Variance				\$ <u>967,212</u>	

## Supplementary Information

Commonwealth of the Northern Mariana Islands  
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Combining Balance Sheet  
Non-major Funds

September 30, 2022

	Local CIP Fund <sup>(1)</sup>	Textbook Fund (15000)	GOB Fund (30000)	Donation and Other Revenue Fund (42000)	Other Federal Fund (60000)	JROTC Army Fund (65000)	Federal Program Income Fund (66000)	Total Non-major Funds
<b>Assets</b>								
Current assets:								
Cash	\$ 2,735	\$ 302	\$ ---	\$ ---	\$ ---	\$ 283,440	\$ ---	\$ 286,477
Receivable from federal agencies	---	---	---	---	( 269 )	---	---	( 269 )
Due from other funds	<u>---</u>	<u>---</u>	<u>673,438</u>	<u>522,345</u>	<u>1,133,670</u>	<u>21,668</u>	<u>58,140</u>	<u>2,409,261</u>
Total assets	<u>\$ 2,735</u>	<u>\$ 302</u>	<u>\$ 673,438</u>	<u>\$ 522,345</u>	<u>\$ 1,133,401</u>	<u>\$ 305,108</u>	<u>\$ 58,140</u>	<u>\$ 2,695,469</u>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Due to other funds	<u>\$ 1,918,356</u>	<u>\$ 3,177</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 1,921,533</u>
Total liabilities	<u>1,918,356</u>	<u>3,177</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,921,533</u>
Fund balances:								
Restricted	---	---	673,438	---	---	---	---	673,438
Assigned	---	---	---	522,345	---	305,108	---	827,453
Unassigned	( 1,915,621 )	( 2,875 )	---	---	1,133,401	---	58,140	( 726,955 )
Total fund balances	<u>( 1,915,621 )</u>	<u>( 2,875 )</u>	<u>673,438</u>	<u>522,345</u>	<u>1,133,401</u>	<u>305,108</u>	<u>58,140</u>	<u>773,936</u>
Total Liabilities and Fund Balances	<u>\$ 2,735</u>	<u>\$ 302</u>	<u>\$ 673,438</u>	<u>\$ 522,345</u>	<u>\$ 1,133,401</u>	<u>\$ 305,108</u>	<u>\$ 58,140</u>	<u>\$ 2,695,469</u>

(1) Fund codes 17000 and 18000

*See accompanying notes to basic financial statements.*

Commonwealth of the Northern Mariana Islands  
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-major Funds

Year Ended September 30, 2022

	Local CIP Fund <sup>(1)</sup>	Textbook Fund (15000)	GOB Fund (30000)	Donation and Other Revenue Fund (42000)	Other Federal Fund (60000)	JROTC Army Fund (65000)	Federal Program Income Fund (66000)	Total Non-major Funds
<b>Revenues:</b>								
Federal	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 367,184	\$ ---	\$ 367,184
Local	---	---	---	256,216	---	---	---	256,216
Charges for services	---	---	---	---	---	---	125	125
Total revenues	<u>---</u>	<u>---</u>	<u>---</u>	<u>256,216</u>	<u>---</u>	<u>367,184</u>	<u>125</u>	<u>623,525</u>
<b>Expenditures:</b>								
Instructional programs:								
Co-curricular	---	---	---	---	---	367,321	---	367,321
Regular	---	---	---	173,313	---	---	---	173,313
Special	---	---	---	---	---	---	125	125
Total instructional programs	<u>---</u>	<u>---</u>	<u>---</u>	<u>173,313</u>	<u>---</u>	<u>367,321</u>	<u>125</u>	<u>540,759</u>
Supporting services:								
Other	---	---	6,750	2,092	---	---	---	8,842
Total expenditures	<u>---</u>	<u>---</u>	<u>6,750</u>	<u>175,405</u>	<u>---</u>	<u>367,321</u>	<u>125</u>	<u>549,601</u>
(Deficiency) excess of revenues over expenditures	---	---	( 6,750 )	80,811	---	( 137 )	---	73,924
Fund balance (deficit), beginning of year	( <u>1,915,621</u> )	( <u>2,875</u> )	<u>680,188</u>	<u>441,534</u>	<u>1,133,401</u>	<u>305,245</u>	<u>58,140</u>	<u>700,012</u>
Fund balance (deficit), end of year	\$ ( <u>1,915,621</u> )	\$ ( <u>2,875</u> )	\$ <u>673,438</u>	\$ <u>522,345</u>	\$ <u>1,133,401</u>	\$ <u>305,108</u>	\$ <u>58,140</u>	\$ <u>773,936</u>

(1) Fund codes 17000 and 18000

*See accompanying notes to basic financial statements.*



Commonwealth of the Northern Mariana Islands  
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Schedule of Expenditures/Expense (By Natural Classification)

Year Ended September 30, 2022

	General Fund	Federal Fund	Non-Major Fund	Total Expenditures	Conversion	Total Expenses
Salaries and wages	\$ 10,147,877	\$ 45,415,109	\$ 2,476	\$ 55,565,462	\$ 104,270	\$ 55,669,732
Professional services	1,371,211	19,197,965	560	20,569,736	---	20,569,736
Books and instructional materials	1,169,052	13,984,484	20,747	15,174,283	( 66,045 )	15,108,238
Employee benefits	2,053,790	8,370,959	190	10,424,939	---	10,424,939
Supplies and materials	608,068	3,807,293	71,248	4,486,609	---	4,486,609
Depreciation	---	---	---	---	3,168,422	3,168,422
Utilities	2,617,674	238,876	15,720	2,872,270	---	2,872,270
Travel	213,726	2,032,689	309,703	2,556,118	---	2,556,118
Dues and subscriptions	46,796	2,282,789	---	2,329,585	---	2,329,585
Repairs and maintenance	1,759,381	405,104	9,648	2,174,133	( 174,300 )	1,999,833
Communications	304,986	1,417,223	4,673	1,726,882	---	1,726,882
Controlled assets	2,174,167	3,042,978	---	5,217,145	( 3,806,885 )	1,410,260
Cleaning services	585,575	543,671	11,582	1,140,828	---	1,140,828
Rental	136,460	662,664	20,924	820,048	---	820,048
Miscellaneous	135,130	594,561	23,953	753,644	---	753,644
Licenses and fees	61,445	662,139	2,877	726,461	---	726,461
Amortization	---	---	---	---	386,630	386,630
Fuel and lubrication	288,876	20,962	5,240	315,078	---	315,078
Printing and photocopying	75,046	160,289	11,968	247,303	---	247,303
Security services	196,356	---	---	196,356	---	196,356
Food items	36,649	62,384	36,232	135,265	---	135,265
Freight and handling	113,093	18,573	1,460	133,126	---	133,126
Advertising	4,491	26,363	400	31,254	---	31,254
Bank charges	10,397	---	---	10,397	---	10,397
Insurance	---	1,890	---	1,890	---	1,890
Lease principal payment expenditure	---	372,105	---	372,105	( 372,105 )	---
Total expenditures (page 19)	<u>\$ 24,110,246</u>	<u>\$ 103,321,070</u>	<u>\$ 549,601</u>	<u>\$ 127,980,917</u>	<u>\$ ( 760,013 )</u>	
				Total expenses (page 17)		<u>\$ 127,220,904</u>

See accompanying notes to basic financial statements.